

PRELIMINARY OFFICIAL STATEMENT, DATED MARCH 31, 2011

NEW ISSUE

RATINGS: See "Ratings" herein

In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the City of Elizabeth (the "City") with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended ("Code"), for purposes of computing the federal alternative minimum tax; however, interest on the Bonds held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**CITY OF ELIZABETH
(Union County, New Jersey)**

**\$13,985,000
GENERAL OBLIGATION BONDS,
SERIES 2011
Consisting of:
\$12,755,000 General Improvement
Bonds, Series 2011
and
\$1,230,000 Refunding Bonds, Series 2011**

**\$3,000,000
SEWER UTILITY BOND
ANTICIPATION NOTES, SERIES 2011**

**DATED: DATE OF DELIVERY
DUE: APRIL 15, AS SHOWN ON THE
INSIDE FRONT COVER**

**DATED: APRIL 15, 2011
DUE: APRIL 13, 2012**

**CALLABLE
NOT BANK QUALIFIED**

**NON-CALLABLE
NOT BANK QUALIFIED**

The \$13,985,000 General Obligation Bonds, Series 2011 (the "Bonds") and the \$3,000,000 Sewer Utility Bond Anticipation Notes, Series 2011 (the "Notes") and, collectively with the Bonds, the "Obligations") of the City of Elizabeth, in the County of Union, New Jersey (the "City"), will be issued as fully registered securities, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Bonds and the Notes may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. Beneficial Owners of the Obligations will not receive certificates representing their interests in the Obligations. As long as Cede & Co is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Obligations. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Obligations are valid and legally binding obligations of the City and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the City for the payment of the Obligations and the interest thereon without limitation as to rate or amount.

Principal on the Bonds is payable on April 15 in each of the years set forth on the inside front cover hereof. Interest on the Bonds will be paid semiannually on October 15 and April 15 in each year until maturity, commencing on October 15, 2011. The Bonds are subject to redemption prior to maturity. See "THE BONDS - Optional Redemption" herein.

The Notes shall bear interest from April 15, 2011 and shall mature on April 13, 2012. Interest on the Notes will be payable at maturity. The Notes are not subject to redemption prior to maturity.

As long as DTC or its nominee Cede & Co. is the registered owner of the Obligations, payment of the principal and interest on the Obligations will be made by the City directly to DTC or its nominee Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each April 1 and October 1 (the "Record Dates") preceding the dates for the payment of interest on the Bonds.

The Obligations are offered when, as and if issued and delivered to the Purchasers, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the City by the City Attorney, William R. Holzapfel, Esq., Elizabeth, New Jersey. Powell Capital Markets, Inc., Roseland, New Jersey has acted as Financial Advisor to the City. It is expected that the Bonds will be available for delivery to DTC on April 15, 2011.

**SEPARATE BID PROPOSALS FOR THE BONDS AND THE NOTES WILL BE ACCEPTED ON APRIL 7, 2011.
BID PROPOSALS FOR THE BONDS WILL BE ACCEPTED UNTIL 11:00 AM ON APRIL 7, 2011;
BID PROPOSALS FOR THE NOTES WILL BE ACCEPTED UNTIL 11:30 AM ON APRIL 7, 2011.
FOR MORE DETAILS REFER TO THE NOTICE OF SALE FOR THE BONDS AND THE
NOTICE OF SALE FOR THE NOTES AVAILABLE AT www.i-dealprospectus.com.**

Dated: April __, 2011

This is a Preliminary Official Statement "deemed final", complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The City has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Bonds and the Notes described herein, the City will deliver a final Official Statement within seven (7) business days following such sale.

City of Elizabeth
\$13,985,000 General Obligation Bonds, Series 2011

Consisting of:
\$12,755,000 General Improvement Bonds, Series 2011
and
\$1,230,000 Refunding Bonds, Series 2011

Year (April 15)	General Improvement Bonds	Refunding Bonds	Combined Bonds	Coupon	Reoffering Yield	CUSIP
2012	\$ 570,000	\$410,000	\$ 980,000			
2013	570,000	410,000	980,000			
2014	570,000	410,000	980,000			
2015	615,000		615,000			
2016	645,000		645,000			
2017	680,000		680,000			
2018	715,000		715,000			
2019	755,000		755,000			
2020	790,000		790,000			
2021	835,000		835,000			
2022	880,000		880,000			
2023	925,000		925,000			
2024	970,000		970,000			
2025	1,025,000		1,025,000			
2026	1,075,000		1,075,000			
2027	1,135,000		1,135,000			

\$3,000,000 __% Sewer Utility Bond Anticipation Notes, Series 2011 @ __%

**CITY OF ELIZABETH
COUNTY OF UNION, NEW JERSEY**

MAYOR

J. Christian Bollwage

CITY COUNCIL

Joseph Keenan, President

Patricia Perkins-Auguste	Nelson Gonzalez
Carlos Cedenio	Manny Grova
Frank Cuesta	Edward Jackus
William Gallman, Jr.	Frank Mazza

BUSINESS ADMINISTRATOR

Bridget S. Zellner

CHIEF FINANCIAL OFFICER

Anthony M. Zengaro

CITY TREASURER

Paul M. Lesniak

CITY ATTORNEY

William R. Holzapfel, Esq.

AUDITOR

Louis C. Mai, CPA & Associates

BOND COUNSEL

DeCotiis, FitzPatrick & Cole, LLP

FINANCIAL ADVISOR

Powell Capital Markets, Inc.

No broker, dealer, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Obligations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness by the Underwriter or, as to information from sources other than itself, by the City. 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 any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document.

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 Obligations in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS OFFERING, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF ANY SUCH INFORMATION.

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OFFICIAL STATEMENT
City of Elizabeth,
in the County of Union, New Jersey

Relating to:

\$13,985,000 General Obligation Bonds, Series 2011
Consisting of:
\$12,755,000 General Improvement Bonds, Series 2011
and
\$1,230,000 Refunding Bonds, Series 2011

and
\$3,000,000 Sewer Utility Bond Anticipation Notes, Series 2011

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the Appendices attached hereto, has been prepared by the City of Elizabeth (the "City"), in the County of Union (the "County"), State of New Jersey (the "State"), to provide certain information with respect to the financial and economic condition of the City in connection with the sale and issuance of the City's \$13,985,000 General Obligation Bonds, Series 2011, consisting of \$12,755,000 General Improvement Bonds, Series 2011 (the "General Improvement Bonds") and \$1,230,000 Refunding Bonds, Series 2011 (the "Refunding Bonds" and, collectively with the General Improvement Bonds, the "Bonds"), and \$3,000,000 Sewer Utility Bond Anticipation Notes, Series 2011 (the "Notes" and, collectively with the Bonds, the "Obligations"). This Official Statement has been executed by and on behalf of the City by the City's Chief Financial Officer.

THE BONDS

General Description

The Bonds will be dated their date of delivery, will bear interest from their date and will mature on April 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. Interest on the Bonds is payable on each October 15 and April 15, commencing October 15, 2011 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the inside front cover page of this Official Statement. Principal of and interest on the Bonds will be paid by the City to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the first (1st) day of the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City (or any successor Paying Agent designated by the City) directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Optional Redemption

The Bonds maturing on or before April 15, 2021 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after April 15, 2022 are subject to redemption at the option of the City prior to maturity, in whole or in part on any date on or after April 15, 2021, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the City determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the City, and within any maturity, by lot; provided, however, that the portion of any Bond not called for redemption shall be in the principal amount of \$5,000 or an integral multiple of \$1,000 in excess thereof.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. If any Bond subject to redemption is a part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the City or its designated Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

THE NOTES

General Description

The Notes will be dated and shall bear interest from April 15, 2011 and shall mature on April 13, 2012. The Notes shall bear interest at the rate per annum set forth on the inside front cover, which interest is payable on April 13, 2012. The Notes will be issued as fully registered notes in book-entry only form and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its Direct Participants and transfers of the interests among its Direct Participants. The Direct Participants and Indirect Participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to Direct Participants, which will in turn remit such payments to the Beneficial owners of the Notes. See "Book-Entry Only System" herein.

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

SECURITY AND SOURCE OF PAYMENT

The Obligations are general obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Obligations. The Obligations are direct obligations of the City and, unless paid from other sources, the City is required by law to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and the interest on the Obligations without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on Obligations of the City is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Obligations or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Local Finance Board.

NO DEFAULT

The City has never defaulted on the payment of its debt service according to available City records.

AUTHORIZATION OF THE OBLIGATIONS

The General Improvement Bonds are authorized by and issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), the ordinances of the City numbered 3635, 3980, 4092, 4123, 4124, 4125 and 4166 and a resolution of the City adopted on March 22, 2011. The Refunding Bonds are authorized by and issued pursuant to the provisions of the Local Bond Law, a refunding bond ordinance of the City numbered 4156 (the "Refunding Bond Ordinance"), and a resolution of the City adopted on March 22, 2011. The City's adoption of the Refunding Bond Ordinance was approved by a resolution of the Local Finance Board in the Division of Local Government Services of the Department of Community Affairs of the State of New Jersey adopted on September 17, 2010. The Notes are authorized by and issued pursuant to the provisions of the Local Bond Law and ordinance number 4093 of the City.

PURPOSE OF ISSUE

The Obligations are issued to (i) finance various capital improvements pursuant to the aforementioned ordinances, and to refund an emergency appropriation, as shown in the chart below, (ii) to refund the City's \$3,000,000 Sewer Utility Bond Anticipation Notes dated November 15, 2010, and maturing on April 15, 2011, and (iii) to pay costs of issuance in connection with the issuance of the Obligations.

<u>Bond Ordinance</u>	<u>Project Description</u>	<u>Amount</u>
3635	Environmental Engineering and Compliance	\$1,280,000
3980	Police Headquarters Renovations	\$2,000,000
4092	Acquisition of Property at 110 Union Street	\$1,425,000
4123	Road Resurfacing	\$3,800,000
4124	Roof Replacement	\$1,500,000
4125	Synthetic Turf Soccer Fields	\$2,000,000
4166	Traffic Lights	\$750,000
4156	Refunding Emergency Appropriation re Judgment	\$1,230,000
4093	Sewer System Infrastructure Capital Upgrades	\$3,000,000

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, relative to the issuance of the Obligations:

<u>Sources</u>	
Par Amount of Bonds	\$13,985,000
Par Amount of Notes	<u>\$ 3,000,000</u>
Total	\$16,985,000

Uses

Project Costs	\$13,985,000
Refund Notes	<u>\$ 3,000,000</u>
Total	\$16,985,000

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Obligations, payment of principal and interest and other payments on the Obligations to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Obligations. The Obligations will be issued as fully-registered certificates 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 for each maturity of the Bonds and one fully-registered Note certificate for the Notes will be issued, in the aggregate principal amount of the Obligations, 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, 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.

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Redemption proceeds, distributions, and dividend payments on the Obligations 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Obligations at any time, the City will attempt to locate another qualified Securities Depository. If the City fails to find such Securities Depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the City shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Obligations is discontinued, the City has, pursuant to the Resolution, provided that upon receipt of the certificates from DTC and the Participant information, the City will authenticate (or cause to be authenticated) and deliver definitive Obligations to the holders thereof, and the principal of and interest on the Obligations will be payable and the Obligations may thereafter be transferred or exchanged in the manner described in the certificates so provided.

FINANCING INFORMATION

The City does not contemplate issuing any tax anticipation notes (TANs) during the fiscal year ending June 30, 2011.

In 2001, the City executed a contract with the Union County Improvement Authority ("UCIA") to acquire capital equipment through financing leases in an amount not to exceed \$7,625,000. In 2004, the City executed another contract with the UCIA, in an amount not to exceed \$3,976,500. The UCIA is authorized by the County Improvement Authorities Law, Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey to lease capital equipment to the City. The UCIA provides for the financing of the cost of this equipment by the issuance of its revenue bonds payable from rentals to be received from the City.

The New Jersey Economic Development Authority issued bonds (\$140,522,550.30) in 1998 to provide non-recourse loans to the City of Elizabeth in connection with the construction and equipping of the Jersey Gardens Mall. The City used these loans to pay a portion of the costs of certain public transportation infrastructure additions and improvements, environmental remediation additions and improvements, and to pay the costs of issuance. The obligation of the City to repay the loans is non-recourse, is not a direct or general obligation of the City and is payable solely from, and secured by an assignment of the Payment in Lieu of Taxes (PILOT) payments and Special Assessment received by the City from the developer of Jersey Gardens. The City is not obligated to levy and collect a tax sufficient in amount to pay the principal of and interest on these bonds.

In 2002, the New Jersey Economic Development Authority issued Economic Development Bonds, Kapkowski Road Landfill Reclamation District Project (City of Elizabeth) Refunding Series 2002 (\$108,904,000) to provide loans to the City to advance refund and defease certain outstanding bonds (the 1998 Bonds) of the City previously issued to pay a portion of the costs of certain public transportation infrastructure additions and improvements and certain costs of bond issuance, in each case in or affecting a landfill reclamation improvement district situated within the boundaries of the City which is situated in the Jersey Gardens Mall.

In connection with the City's Midtown Redevelopment Plan, on February 1, 2007 the City entered into a deficiency agreement with the Elizabeth Development Company whereby the City agreed to provide funding for the payment of the New Jersey Economic Development Authority's \$7,195,000 Parking Revenue Refunding Bonds (Elizabeth Development Company), Series 2007 A and B in the event the parking facility revenues are not sufficient. The agreement will terminate upon payment of the bonds.

In connection with the construction and operation of a parking facility within the Midtown Elizabeth Redevelopment Area the City has entered into a Subsidy Agreement with PACE QALICB, Inc., a nonprofit corporation organized and existing under the laws of the State of New Jersey providing for payment by the City to or on behalf of the Corporation, if necessary, to assume the timely payment of principal and interest on the \$16,520,000 Series 2010 Bonds.

In connection with the acquisition and renovation by CIS Oakwood, LLC of an affordable residential development in the City of Elizabeth, including the demolition of existing facilities and their replacement with new, affordable housing for seniors and families, the City has entered into a Deficiency Agreement with the County of Union and the UCIA. The UCIA issued not to exceed \$20,000,000 Guaranteed Mortgage Revenue Refunding Bonds, Series 2010 in order to restructure the debt service under the \$16,870,000 Union County Guaranteed Revenue Bonds, Series 2009. The Series 2010 refunding was necessary to allow the project a longer term to be self-supporting and to allow for the receipt of New Jersey Department of Community Affairs funds and other grants over a longer period of time. Pursuant to the Deficiency Agreement, the City will make payment to the County for one-half, not to exceed \$10,000,000, of the principal and interest on the Series 2010 Bonds that may be paid by the County of Union under their Guaranty with the UCIA.

Financing information for the Sewer Utility is described under the caption "SEWER UTILITY" below.

Financing information for the Water Utility is described under the caption "WATER UTILITY" below.

CAPITAL BUDGET AND PROGRAM

The City annually adopts, as part of the annual budget, a capital budget and program setting forth planned capital projects for a six year period. The capital budget, in itself, does not constitute an authorization to raise or expend funds. Rather, it is a document used as part of the City's planning and management program. Such planned capital expenditures must be authorized by other actions of the City Council: by a bond ordinance; by inclusion of a line item in the Capital Improvement Section of the budget; by a capital ordinance appropriating funds from the Capital Improvement Fund or from Capital Surplus; or by appropriation of a grant or private contribution.

The City's fiscal year 2011 capital budget was adopted on November 9, 2010.

GENERAL AND CITY GOVERNMENT

General

The City of Elizabeth, the fourth largest city in New Jersey, is located in eastern Union County, in a very advantageous location within the New York Metropolitan Area. The City is 11.70 square miles in size and has a population in excess of 124,000. A regional center of labor, retail, manufacturing, and transportation, Elizabeth is also the County seat of Union County,

attracting the corresponding concentration of government, legal and related professional services. The largest employment sectors in the City include commercial, health, transportation, construction, retail and light industry.

The City is readily accessible via the New Jersey Turnpike, and extensive rail, road, air, and sea networks. Nearly one-half of Newark International Airport falls within the boundaries of the City. Close to the Airport, the Elizabeth Marine Terminal is the most active container port in North America. To the north is Newark, the state's largest city and the seat of Essex County. The City of Linden lies south of Elizabeth. Suburban Union County lies to the west and southwest of Elizabeth, with residential municipalities such as Roselle Park, Union, and Roselle. The City's eastern boundary is the Arthur Kill, a busy waterway, connecting Newark Bay with the Raritan Bay and the industrialized areas of Middlesex County.

Certain of the transportation facilities referred to above were impacted by the terrorist attacks of September 11, 2001. A future attack, or the threat of one, could further impact or disrupt one or more modes for the movement of freight and passengers by means of such facilities.

Government

The legislative power of the City is vested in the City Council which is composed of nine members, six of whom are elected from the City's six wards and three of whom are elected at large. The City Council meets at least twice a month or more often as necessary and operates in accordance with the Optional Municipal Charter Law-Mayor-Council Plan, Section 40:69A-1 et seq. of the Revised Statutes of New Jersey. The Council members serve for terms of four years beginning on the first day of January following their election. The six ward councilpersons are up for election the same year. Two years later the three at-large councilpersons are subject to election along with the Mayor.

The executive power of the City is exercised by the Mayor. The Mayor is responsible for enforcing the ordinances and general laws of the City. The Mayor supervises all of the departments in the City and reports annually to the City Council and the public the results of the previous year's operations. The Mayor has the power to approve ordinances adopted by the Council or to return them to the Council with a statement of his objections. A vote by two-thirds of the members of the Council may override the Mayor's veto. The Mayor may attend meetings of the Council and may take part in discussions. The Mayor has no vote in the proceedings of the Council except proceedings to fill a vacancy in the Council in which case he may cast the deciding vote. The Mayor appoints the Directors of City departments with the advice and consent of the Council.

The municipal budget of the City is prepared by the Mayor and the professional staff of the City. The budget is introduced by resolution requiring the affirmative vote of the majority of the full membership of the City Council. The budget is then advertised, a public hearing is held, and the budget is then submitted to the Director of the Division of Local Government Services in the Department of Community Affairs (the "Division") for approval and finally adopted by the City Council.

The City Council provides by ordinance for the exercise of the control function for the management of the City's finances. The financial controls for the City include provision for an encumbrance system of budget operation, for the making of expenditures only upon written requisitions, for the pre-auditing of all claims and demands against the City prior to their payment, and for the controlling of all payments of public moneys by individual warrant for each payment to the official having custody of such moneys.

Statutory Budget Requirements

State law imposes specific budgetary procedures upon local government units. Pursuant to the Local Budget Law (Chapter 4 of Title 40A of the New Jersey Statutes, as amended; the "Local Budget Law"), the City is required to have an operating budget which is balanced on a "cash basis" which is defined as a budget, prepared in accordance with the requirements of the Local Budget Law, which provides sufficient cash collections to meet all debt service requirements, necessary operations of the local unit for the fiscal year and, in addition, provides for any mandatory payments required to be made during the fiscal year.

The City's operating budget must be in the form required by 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 City to appropriate sufficient funds for payment of current debt service. The Director is required to review the adequacy of such appropriations, among others, for certification.

The provisions of the Local Budget Law limit the deferral of operating costs not appropriated in the current budget to one year, except for certain special emergencies, the cost of which may be deferred for three to five years.

Tax anticipation notes are limited in amount by law and must mature within 120 days after the beginning of the succeeding fiscal year. The City has not issued tax anticipation notes during the past 25 years.

The Director of the Division has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions of the Director, which focus on anticipated revenues, serve to protect the solvency of municipalities.

Limitations on Municipal Expenditures and Local Unit Tax Levy

Chapter 68 of the Pamphlet Laws of 1976 of the State of New Jersey, as amended and supplemented (the "CAP Law"), imposed restrictions upon the allowable annual increase in appropriations by municipalities for certain purposes. Chapter 89 of the Pamphlet Laws of 1990 of the State of New Jersey, applicable to municipal budgets beginning in 1991, made the CAP Law permanent.

Important changes were made to the municipal budget cap laws as part of the State of New Jersey's 2005 FY budget. Chapter 74 of the Pamphlet Laws of 2004 made substantial

amendments to cap exceptions, the index rate, cap increases and cap banking, effective with the 2005 SFY budgets. The yearly increase in appropriations is limited to the lesser of 2.5% or the cost-of-living adjustment (COLA), or when the COLA is less than or equal to 2.5% the municipality may increase its inside-the-cap spending to 3.5% upon passage of a COLA Rate Ordinance. This yearly increase is multiplied by the prior year's final appropriations subject to certain modifications. The City's increase for the 2010 SFY was 3.5%. The City's 2010 SFY budget was within the statutory calculation of "CAP".

Additionally, P.L 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district, or solid waste collection district, with certain exclusions and allowing waivers by the Local Finance Board, and on July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for capital expenditures, including debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. The City's tax levy increase for Fiscal 2010 was within the statutory calculations of the tax levy cap, taking into account applicable adjustments and without requesting any waivers to the tax levy cap from the Local Finance Board.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service.

Anticipation of Real Estate Taxes

With regard to current taxes, Section 40A:4-41 of the Local Budget Law states 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 the preceding fiscal year." In addition, the Local Budget Law requires that an additional amount be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total the product will at least equal the tax levy required to balance the budget.

Section 40A:4-29 of the Local Budget Law sets limits on the anticipation of delinquent tax collections:

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 Board of Education of the City (the "Board of Education") and the County receive 100% of their tax levies, which are collected and paid to them by the City.

Anticipation of Miscellaneous Revenues

Section 40A:4-26 of the Local Budget Law provides that:

No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director 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.

Deferral of Current Expenses

Supplemental appropriations may be authorized by the governing body of the City after the adoption of the budget and determination of the tax rate. However, with minor exceptions, such appropriations must be included in full in the following year's budget. Under the Local Budget law, any emergency appropriation must be declared by resolution approved by at least two-thirds of the governing body and, if the emergency appropriation, together with all prior emergency appropriations in the same fiscal year exceeds 3% of the total current and utility operating appropriations in the budget for that year, must be approved by the Director of the Division.

Audit Requirement

State law requires that every municipality have an annual audit of its books and accounts to be completed within six months after the close of its fiscal year. The audit must be conducted by a registered municipal accountant and the audit report must be filed with the municipal clerk and with the Director of the Division.

The City's accounting methods conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles. See Appendix A "Notes to Financial Statements."

SERVICES PROVIDED BY THE CITY

General City Services

The City provides a variety of services consisting of police and fire protection, maintenance of City streets, water and sewer systems, health services, park and recreational facilities and cultural activities, refuse collection and flood control.

Biographical Sketches

J. Christian Bollwage, 56, became Mayor on January 1, 1993. Mr. Bollwage was an elected City Councilman for ten years prior to being elected Mayor and served as President pro tem for 1987 and 1988. He has also served on the City Planning Board and Urban Enterprise Zone. He has over 15 years of extensive business experience in the private sector. Mr. Bollwage graduated from Kean University with a B.A. in Economics and an M.B.A. in Public Administration. He has served on the Adjunct Faculty-Public Administration/Political Science for Kean University since 1989. Mayor Bollwage was elected President of the New Jersey State League of Municipalities for 2005.

Bridget S. Zellner, 40, became Business Administrator on February 6, 2006. Ms. Zellner had previously served in several administrative posts for the City of Elizabeth and the County of Union. Ms. Zellner has served as a Vice President of Government and Public Affairs for a leading regional engineering firm. She graduated from Rowan University in 1993 with a B.S. in Business Administration.

Anthony M. Zengaro, 69, Chief Financial Officer and Comptroller, has been with the City since 1988. Mr. Zengaro is a Certified Public Accountant, Certified Municipal Finance Officer, and Certified Tax Collector. He has been engaged in the accounting and finance profession since 1964 and is a graduate of Seton Hall University (B.S. in Accounting) and Fairleigh Dickinson (M.B.A. Accounting).

William R. Holzapfel, 79, was appointed City Attorney and Director of the Law Department on January 1, 1993. Mr. Holzapfel has been engaged in the practice of the law since his admission to the New Jersey bar in 1959. He is a graduate of Union College, Schenectady, New York (B.A., Economics major, 1953) and Albany Law School, Albany, New York (LLB cum laude 1958).

Paul M. Lesniak, 31, Tax Collector and Treasurer of the City, has been with the City since 2002. Mr. Lesniak graduated Magna Cum Laude from Seton Hall University with a B.S. in Business Administration and also with a Masters Degree in Accounting. He is a Certified Tax Collector and Certified Municipal Financial Officer.

William Reyes, 37, Director of Planning and Community Development, has been with the City since 1999. He is a graduate of Rutgers with a B.S. in Communications and Spanish.

Board of Education

The Board of Education is a Type II school district. In a Type II school district, the voters elect the members of the Board of Education and also vote upon fiscal matters such as the annual budget (current and capital outlay) and the issuance of bonds and notes. Bonds and notes are issued by the school district in a Type II school district. Prior to 1989, the Board of Education was a Type I school district. In a Type I school district, the members of the Board of Education are appointed by the mayor or other chief executive officer and bonds and notes are issued by the municipality for school purposes.

The Board of Education operates 1 high school, 6 middle schools, 14 elementary schools and 7 pre K to 8 schools and 3 pre K centers. There are approximately 20,538 students served by the Board of Education. The Board of Education also provides adult education and evening vocational educational programs. School enrollment has increased over the past several years and the Board expects changes in future enrollment as it continues to provide for those youngsters as the District accommodates the City's population of 3 and 4 year olds.

If the school operating budget is rejected by the voters, the proposed budget is delivered to the City Council of the City, which will consult with the Board of Education to determine the appropriations necessary to provide a thorough and efficient system of schools in the district, and will certify to the County Board of Taxation the amount so determined. The Board of Education must notify the City Council within 15 days after such certification if the Board wishes to appeal to the State Commissioner of Education (the "Commissioner") the amounts determined by the City Council.

School operations are based on a July 1 fiscal year and are accounted for in the Current Fund of the Board of Education.

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 30 days of its completion.

STATE AID PROGRAMS

The State provides financial support to local governments and school systems through various programs aimed at reducing reliance on the local property tax base.

Distributed Taxes

The State collects various taxes for distribution to local governments. Since 1980, the Public Utilities Franchise and Gross Receipts Taxes and Energy Receipts Tax have been collected by the State. Previously, these taxes had been apportioned by the State for collection by local governments. The proceeds are appropriated and distributed each year according to municipal tax rates and per capita equalized valuations, but mainly according to a formula based upon the value of utility property and sales.

The following table summarizes the amounts received by the City from State aid programs for fiscal years 2010, 2009, 2008, 2007 and 2006:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Energy Receipts Tax	\$17,886,418	\$15,683,123	\$14,527,287	\$13,769,940	\$13,176,976
Leg. Muni Block Grant	-0-	-0-	481,332	481,332	481,332
Consolidated Municipal					
Property Relief Tax	<u>16,234,782</u>	<u>18,438,077</u>	<u>20,050,567</u>	<u>20,807,914</u>	<u>21,400,878</u>
	<u>\$34,121,200</u>	<u>\$34,121,200</u>	<u>\$35,059,186</u>	<u>\$35,059,186</u>	<u>\$35,059,186</u>

Source: City Comptroller's Office.

Tax Exemption Reimbursement

The State reimburses municipalities for the full cost of mandated property tax deductions and exemptions for certain categories of taxpayers (\$250 a year for veterans and senior or disabled citizens). In 2010 the City received \$354,304 under the senior citizens and veterans deductions programs.

Welfare

The State pays the entire nonfederal share of Medicaid. The State pays ninety-five percent and the counties pay five percent of the nonfederal share of federal welfare programs. Thus, New Jersey municipalities have no obligation for these programs. The State also makes aid payments to counties with above-average welfare burdens.

The State pays one hundred percent of the cost of General Assistance, the program of financial aid to needy people who are not otherwise provided for under New Jersey laws.

The City transferred the administration of this function to the County in January 1998.

Transit

The subsidization of public mass transit is the responsibility of the State. Municipalities are not required to make financial contributions.

College Aid

The State subsidizes the system of State colleges and universities, with no municipal financial obligation. County colleges are supported by county governments with State assistance. Municipalities have no financial responsibility for the county college system.

Education Aid

In 1973, in Robinson v. Cahill the Supreme Court of the State of New Jersey (the "Court") held that the method used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the State Legislature enacted the

Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et. seq., (P.L. 1975, c. 212) (the "PSEA") (since amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P. L.1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the PSEA was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes. Thus, the many Abbott decisions have established an educational framework affecting the State's responsibilities to fund public education. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well.

The legislature has attempted to distribute State aid in accordance with the court cases and the constitutional requirement. Legislation has included the Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., (P.L. 1990, 52) (now repealed), the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., (P.L.1996, c. 138) and the Educational Facilities Construction and Financing Act, P.L.2000, c. 72) ("EFCFA"), which became law on July 18, 2000. During this period, aid was simply determined in the State Budget based upon amounts provided in prior years. The School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 ("SFRA"), attempts to remove the special status given to certain Abbott districts and instead has funding follow students with certain needs. Under this formula, aid is provided based upon the ability of the local district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. In May 2009, the Court held that the funding level as established by the SFRA met the constitution's through an efficient education clause; and may be applied to Abbott districts subject to the State continuing to provide school funding aid during 2009 and the next two years at the levels required by SFRA's formula each year. The SFRA was further subject to the mandated review and retooling of the formula's weights and other operative parts after three years of implementation.

Despite over 35 years of litigation, each year the State provides State aid to school districts in amounts provided in the State Budget. The aid may be provided for equalization, special education categorical, transportation, preschool education, instructional supplement, supplemental core curriculum standards, distance learning network, bilingual, security, adjustment and other aid determined in the discretion of the Commissioner.

Due to the State's budget concerns, certain aid previously budgeted for the 2010 fiscal year was not provided. For the 2011 fiscal year, the amount of State aid was decreased. The State reduced debt service aid by 15% for the fiscal year 2011. In addition, school districts which received grants under EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), will be assessed an amount in their 2010-2011 budget representing 15% of the school district's proportionate share of the fiscal 2011 principal and interest payments on the outstanding EDA bonds issued to fund such grants.

On June 8, 2010, in another chapter of the Abbott cases, a request was made to the Court that it enforce the May 2009, Abbott decision upholding the State's funding formula as established in the SFRA. On January 13, 2011, the Court ordered a remand hearing and appointed a Special Master to conduct a fact finding hearing on the impact of cuts in school funding under the SFRA on educational programs in districts across the State. On March 22, 2011, a fact finding report submitted to the Court found that the SFRA was underfunded in the current year and left districts well short of adequate funding in order to meet the constitutional mandate to educate children. The Court's response to the fact finding report is currently pending.

The City makes no representations concerning the effect of the new school funding law on the operations and finances of the Elizabeth Board of Education.

Summary of Federal Aid to School Districts

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. 6301 et seq. (the "NCLB") is a Federal assistance program for which a school district qualifies to receive aid. Under NCLB, states and local educational agencies have been given more flexibility in the use of Federal education dollars. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Federal aid is generally received in the form of block grants. The School District is eligible for and receives a minimal amount of Federal aid each fiscal year.

Other

The State maintains a variety of smaller programs of grants-in-aid to municipalities in such fields as housing, neighborhood preservation, health, and social services.

CURRENT FUND

Fund Balances

The Current Fund is used to account for the resources and expenditures for governmental operations of a general nature, including debt service on general purpose bonds and notes. The fund balance in the Current Fund as of the last day of each fiscal year is comprised of cash, investments and certain receivables. Under State law, only the amount of Current Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's budget, unless the Director of the Division gives written consent to an exception.

The City's Current Fund end of period fund balances, as of June 30, 2006, 2007, 2008, 2009 and 2010 and the anticipated surplus included in the budget for each succeeding year are shown below:

<u>Year</u>	<u>Current Year End of Period Fund Balance</u>	<u>Anticipated Surplus Used in Succeeding Year Budget</u>
June 30, 2010	\$22,361,355	\$20,000,000
June 30, 2009	19,112,189	17,000,000
June 30, 2008	23,510,361	20,000,000
June 30, 2007	21,914,264	20,000,000
June 30, 2006	23,175,420	19,000,000

Source: City Comptroller's Office.

In accordance with the accounting principles prescribed by the Division, the City realizes revenues on a cash basis except as described below. Expenses are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period.

The following schedules of Current Fund operations for the five fiscal years ending with June 30, 2010, have been prepared by the City in conformity with accounting principles and practices prescribed by the Division, which principles and practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The following schedules should be read in conjunction with the financial statements set forth in Appendices A and B.

CITY OF ELIZABETH

Schedule of Appropriation Expenditures

(000's)

	2010				2009				2008				2007				2006			
	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED
GENERAL	\$ 13,325	\$ 10,792	\$ 13,376	\$12,102	\$ 13,764	\$11,937	\$ 12,240	\$ 11,243	\$ 11,998	\$ 11,015			\$ 12,240	\$ 11,243	\$ 11,998	\$ 11,015				
PUBLIC SAFETY	65,775	63,673	65,548	64,242	63,802	61,887	60,901	60,331	59,085	57,015			60,901	60,331	59,085	57,015				
PUBLIC WORKS	22,872	22,913	23,682	21,399	22,866	21,624	22,740	20,814	22,149	20,237			22,740	20,814	22,149	20,237				
HEALTH AND WELFARE	5,565	4,593	5,472	4,534	5,472	4,241	4,861	4,143	4,240	3,380			4,861	4,143	4,240	3,380				
RECREATION AND EDUCATION	2,857	2,735	2,922	2,712	2,879	2,703	2,845	2,717	2,764	2,490			2,845	2,717	2,764	2,490				
UNCLASSIFIED PURPOSES (1)	33,022	29,985	32,119	28,997	32,094	29,623	31,265	28,950	3,959	3,646			31,265	28,950	3,959	3,646				
CONTINGENT	125	12	125	61	125	25	125	125	125	103			125	125	125	103				
DEFERRED CHARGES AND																				
STATUTORY EXPENDITURES	12,408	11,856	16,341	15,972	3,717	3,509	3,820	3,428	3,635	3,407			3,820	3,428	3,635	3,407				
TOTAL APPROPRIATIONS WITHIN "CAP"	155,949	146,559	159,585	150,019	144,719	135,549	138,797	131,751	107,955	101,293			138,797	131,751	107,955	101,293				
MANDATED AND OTHER OPERATIONS																				
EXCLUDED FROM "CAP"	7,761	7,427	10,043	9,518	20,644	19,497	16,226	15,677	34,209	32,443			16,226	15,677	34,209	32,443				
STATE AND FEDERAL PROGRAMS																				
OFFSET BY REVENUES - EXCLUDED																				
FROM "CAP"	27,591	27,591	15,073	15,073	18,673	18,673	6,873	6,873	7,305	7,305			6,873	6,873	7,305	7,305				
CAPITAL IMPROVEMENT																				
EXCLUDED FROM "CAP"	900	900	2,750	2,750	2,497	2,497	2,500	2,500	1,500	1,500			2,500	2,500	1,500	1,500				
DEBT SERVICE - EXCLUDED FROM																				
"CAP"																				
MUNICIPAL	15,382	15,382	14,779	14,779	15,062	15,062	15,750	15,750	14,658	14,658			15,750	15,750	14,658	14,658				
LOCAL SCHOOL DISTRICT	0	0	0	0	0	0	0	0	0	0			0	0	0	0				
DEFERRED CHARGES-EXCLUDED																				
FROM "CAP"	51	51																		
RESERVE FOR UNCOLLECTED TAXES																				
TOTAL BUDGET APPROPRIATIONS	9,647	9,647	7,882	7,882	7,348	7,348	7,864	7,864	7,288	7,288			7,864	7,864	7,288	7,288				
	217,281	207,557	210,112	200,021	208,943	198,626	188,010	180,415	172,915	164,487			188,010	180,415	172,915	164,487				
COUNTY	33,349	33,349	30,271	30,271	28,738	28,738	27,477	27,477	26,079	26,079			27,477	27,477	26,079	26,079				
LOCAL SCHOOL DISTRICT TAXES	44,248	44,248	38,652	38,652	38,652	38,652	37,165	37,165	37,165	37,165			37,165	37,165	37,165	37,165				
SPECIAL IMPROVEMENT DISTRICT TAX																				
NON MUNICIPAL-SUBTOTAL	405	405	358	358	340	340	331	331	318	318			331	331	318	318				
	78,002	78,002	69,281	69,281	67,730	67,730	64,973	64,973	63,562	63,562			64,973	64,973	63,562	63,562				
TOTAL																				
	\$ 295,283	\$ 285,554	\$ 279,393	\$ 269,302	\$ 276,673	\$ 266,356	\$ 252,983	\$ 245,388	\$ 236,477	\$ 228,049			\$ 252,983	\$ 245,388	\$ 236,477	\$ 228,049				

Notes (1) Unclassified purposes includes miscellaneous classification for items not assignable to any department.

CITY OF ELIZABETH

Schedule of Revenues (000's)

Fiscal Year Ended June 30,

	2010		2009		2008		2007		2006	
CLASSIFICATION	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED
FUND BALANCE	\$ 17,000	\$ 17,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 19,000	\$ 19,000	\$ 11,000	\$ 11,000
CURRENT LEVY (1)	187,075	180,090	180,164	171,494	167,407	160,768	158,766	153,430	150,349	144,811
DELINQUENT TAXES	3,500	7,533	3,500	5,752	3,500	4,906	3,500	3,939	3,500	3,968
PILOTS	2,034	2,354	1,846	2,442	1,896	2,447	1,927	2,474	1,820	2,491
FRANCHISE ASSESSMENTS	4,800	5,282	5,040	4,845	5,040	5,235	4,900	5,111	4,900	5,397
MUNICIPAL COURT	4,200	3,879	4,400	4,242	4,500	4,468	4,300	4,583	4,100	4,578
INTEREST AND COSTS ON TAXES	1,200	2,071	1,000	1,428	1,000	1,128	900	1,235	1,000	991
INTEREST ON INVESTMENTS & DEPOSITS	1,200	558	2,500	1,462	3,000	2,846	1,500	3,792	900	2,550
PA NY/NJ - PARKING TAXES (AIRPORT)	1,250	1,364	1,500	1,283	1,400	1,602	1,400	1,793	1,400	1,775
PA NY/NJ - LEASED PARKING TAXES (AIRPORT)	800	800	800	800	800	800	800	800	800	800
PA NY/NJ - LEASED PROPERTY 13A	480	480	480	480	480	480	480	480	480	480
PA NY/NJ - CAPITAL PROJECTS AID	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
BUILDING AID ALLOWANCE FOR SCHOOLS	0	0	0	0	0	0	0	0	0	0
ENERGY RECEIPTS TAX	17,886	17,886	15,683	15,683	14,527	14,527	13,770	13,770	13,177	13,177
CONSOLIDATED MUNICIPAL PROPERTY										
RELIEF	16,235	16,235	18,438	18,438	20,051	20,051	20,808	20,808	21,401	21,401
PUBLIC & PRIVATE REVENUES (OFFSET)	26,857	26,857	15,073	15,703	17,912	17,912	6,409	6,409	6,989	6,989
RECEIPTS FROM SALE OF WETLANDS	0	0	0	0	5,000	5,000	5,000	5,000	5,000	5,000
RECEIPTS FROM FINANCING UTILITY ASSETS	0	0	0	0	0	0	0	0	0	0
UTILITY SURPLUS	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS	7,766	18,171	5,969	18,171	7,160	18,412	6,523	16,958	3,661	3,000
TOTAL	\$ 295,283	\$ 305,406	\$ 279,393	\$ 285,223	\$ 276,673	\$ 283,672	\$ 252,983	\$ 262,582	\$ 236,477	\$ 247,349

Notes: (1) Current Levy includes reserves for uncollected taxes

SEWER UTILITY

General

The City of Elizabeth owns a city-wide sewer collection system ("Sewer System").

On March 3, 2001, pursuant to the requirements under the New Jersey Wastewater Treatment Public-Private Contracting Act at N.J.S.A. 58:27-19 ("the Privatization Act") the City entered into a Wastewater Service Agreement with E'Town Corporation ("E'Town") of Westfield, New Jersey, and the Union County Improvement Authority ("UCIA") for a term of 20 years that will provide the appropriate and necessary management, operation, and maintenance services associated with the City Sewer System. E'Town is currently a wholly-owned subsidiary of New Jersey American Water, a wholly-owned subsidiary of American Water, the largest investor-owned water and wastewater utility company in the United States. Prior to American Water ownership, E'Town had been a wholly-owned subsidiary of Thames Water, the world's largest water service provider, and RWE-AG, one of the world's largest utility groups.

Through increased operating efficiency, the City has received quality services, franchise fees, and rate stabilization. The City will be subject to an annual management fee, annual debt service, charges, rates, fees and formulas to be charged for these services and subject to an allocation of risks relating to financing, operating, and maintaining the City Sewer System. The City contracted to receive franchise fees from the UCIA totaling \$18,000,000 (\$6,000,000 in 2002FY, \$6,000,000 in 2003FY, and \$6,000,000 in 2004FY) which were utilized towards the City's budget in those fiscal years.

The Privatization Act established an alternative procurement process to permit a private vendor to finance, plan, design, construct, operate or maintain (or any combination thereof) a wastewater treatment system on a long-term basis (up to 40 years). Additionally, pursuant to the County Improvement Authorities Law, N.J.S.A. 40:37A-44, et seq., the UCIA is authorized to undertake the provision of services of public facilities N.J.S.A. 40:37A-54. Moreover, the Interlocal Services Act, N.J.S.A. 40:8A-1, et seq., enabled the City and the UCIA to execute agreements by and among themselves relating to the operation, management and maintenance of a municipality's facilities.

The contract with E'Town was structured as a qualified management contract that shall not affect the exclusion from gross income of interest on the City's Sewer Utility bonds.

The Sewer Utility was established in 1979. The City is responsible for maintaining the collection system within the City. Sewage treatment is provided under a contractual agreement with the Essex-Union Joint Meeting (the "Joint Meeting"). The Joint Meeting was developed by eleven owner municipalities with the City as a non-owner customer and provides interceptor sewers and treatment of liquid waste generated by its owner municipalities and the City. The City pays approximately 32% of the costs of the Joint Meeting, based upon usage of the Joint Meeting's system.

The City has, by provisions contained in ordinances duly adopted, covenanted with the holders of previous issues of its sewer bonds and notes that (1) the City shall fix and collect

rates, rentals or other charges for connection with and use of, and for sewer services furnished by, the sanitary sewer system established, maintained and operated by the City, including any improvements thereto and extensions thereof thereafter constructed or acquired, and (2) such rates, rentals and other charges shall be sufficient to produce in each fiscal year of the City the revenues necessary to provide for the payment of (a) all expenses of operation, maintenance and repair of such sanitary sewer system, incurred or payable during such fiscal year, and (b) all principal and interest payable during such fiscal year with respect to all of such bonds and notes and also all other bonds and notes theretofore or thereafter issued to finance such sewer system, and (c) any other obligations having a lien on such revenues or any part thereof, and (3) the revenues derived from such rates, rentals and other charges in each fiscal year of the City, to the extent necessary and before making any other use of such revenues shall be applied to the payment of the expenses of operation, maintenance and repair of such sanitary sewer system incurred or payable during such fiscal year, and then to the payment of the principal and interest payable during such fiscal year with respect to all such bonds and notes or other obligations.

The Sewer Utility has been self-supporting over the last decade except for fiscal 2000. Receipts from fees, rents, and charges, when combined with the fund balance carried over from the prior year, have been sufficient to meet operating and maintenance charges and debt service without recourse to City tax revenues. The City, however, was able to pay debt service on its outstanding debt without recourse to the City's general funds.

The present sewer system includes primary and secondary treatment. The secondary treatment facilities have been in operation since January 1, 1979. The City, through the Joint Meeting, has undertaken construction of tertiary treatment facilities and sludge disposal facilities. The City is now in compliance with the Federal Clean Water Act.

Capital

The Joint Meeting has a 10 Year Capital Improvement Plan to ensure that their facility will continue to run in a cost effective and environmentally sound manner. This Capital Plan outlines certain facility improvements and the related costs, including the necessary capital assessments to the member communities and the City. The Joint Meeting has indicated that it will assess the City approximately \$17 million over this 10 year Capital Plan.

Over the last several years, the City financed and completed approximately \$35 million of Sewer Utility improvements consisting of an approximately \$24 million Combined Sewer Overflow Abatement project undertaken by the Sewer Utility and an approximately \$11 million contribution to the construction of a sewerage sludge dewatering facility located in the City and owned and operated by the Joint Meeting. The projects were financed by a combination of Federal grants, City Sewer Utility bond issues and low interest loans from the New Jersey Environmental Infrastructure Trust Financing Program (the "State Program") (these loans are in the form of Sewer Utility bonds issued to the State Program). The Sewer Utility has been able to pay debt service on all its outstanding debt without recourse to the City's general funds. The City intends to undertake approximately \$15 million in capital improvements over the next several years to meet Federal and State requirements for reduction in pollutants from combined sewer overflows. The City expects to finance such improvements by a combination of City Sewer Utility bond issues and State grants and low interest loans. The City expects to pay debt

service on such new debt through sewer revenues, without recourse to the City's general fund (see "Financing Information").

The City anticipates funding additional sewer improvements through borrowings from the New Jersey Infrastructure Trust Program.

Fund Balances, Revenues and Appropriations

The Sewer Utility Fund is used to account for the receipt and expenditures arising from operations of the Sewer Utility and the assets and liabilities relative to these activities. The balance in the Sewer Utility Fund as of the last day of each fiscal year is comprised of cash, investments and certain receivables. Under State law, only the amount of Sewer Utility Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's Sewer Utility budget, unless the Director of the Division gives written consent to an exception.

The City Council last increased sewer rates in September, 2010, primarily due to the increased usage fees and capital improvement programs charged by the Joint Meeting.

The Sewer Utility Fund end of period fund balances, as of June 30, 2006, 2007, 2008, 2009 and 2010, and the anticipated surplus included in the budget for each succeeding year are shown below:

<u>Year</u>	<u>Sewer Utility End of Period Fund Balance</u>	<u>Used in Succeeding Year Budget</u>
June 20, 2010	\$1,120,360	\$1,000,000
June 30, 2009	4,048,660	3,500,000
June 30, 2008	9,318,894	6,500,000
June 30, 2007	10,922,041	3,000,000
June 30, 2006	10,378,588	2,500,000

In accordance with accounting principles prescribed by the Division, the City realizes revenues on a cash basis. Expenses are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period.

The following schedules of Sewer Utility operations for the five fiscal years ending with June 30, 2010 have been prepared by the City in conformity with accounting principles and practices prescribed by the Division, which principles and practices differ in certain respects, which in some instances may be material from generally accepted accounting principles applicable to local government units. The following schedules should be read in conjunction with the financial statements set forth in Appendices A and B.

Schedule of Appropriation Expenditures (000's)

	Fiscal Year Ended June 30,				2008				2007				2006			
	2010	2009		2008	2007		2006	2005		2004		2003	2002		2001	
	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED	BUDGETED	EXPENDED
OPERATING	\$ 12,000	\$ 10,448	\$ 10,500	\$ 9,976	\$ 9,800	\$ 8,872	\$ 9,200	\$ 8,765	\$ 8,500	\$ 8,435						
CAPITAL IMPROVEMENTS	3,653	2,606	3,693	3,362	3,348	3,170	2,230	1,728	1,808	328						
DEFERRED CHARGES-OTHER	0	0	0	0	0	0	0	0	0	0						
STATUTORY EXPENDITURES	4,347	4,347	4,607	4,607	5,152	5,152	5,184	5,184	4,312	4,312						
DEBT SERVICE	0	0	0	0	0	0	0	0	0	0						
DEFICIT PRIOR YEAR OPERATIONS	0	0	0	0	0	0	0	0	0	0						
SURPLUS TO CURRENT FUND	0	0	3,000	3,000	0	0	0	0	3,000	3,000						
TOTAL	\$ 20,000	\$ 17,401	\$ 21,800	\$ 20,945	\$ 18,300	\$ 17,194	\$ 16,614	\$ 15,677	\$ 17,620	\$ 16,075						
CANCELLATIONS-CIF	\$			\$			\$ 1,000		\$							

Schedule of Revenues (000's)

	Fiscal Year Ended June 30,				2008				2007				2006			
	2010	2009		2008	2007		2006	2005		2004		2003	2002		2001	
	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED	BUDGETED	REALIZED
FUND BALANCE	\$ 3,500	\$ 3,500	\$ 6,500	\$ 6,500	\$ 3,000	\$ 3,000	\$ 2,500	\$ 2,500	\$ 4,000	\$ 4,000						
RENTS	16,000	16,321	14,800	14,626	15,000	14,892	14,800	15,253	14,800	14,929						
MISCELLANEOUS	500	514	500	896	300	1,165	300	1,290	300	841						
OTHER	0	0	0	0	0	0	14	14	20	20						
DEFICIT (GENERAL BUDGET)																
TOTAL	\$ 20,000	\$ 20,335	\$ 21,800	\$ 22,022	\$ 18,300	\$ 19,057	\$ 17,614	\$ 19,057	\$ 19,120	\$ 19,790						

WATER UTILITY

General

On June 2, 1998, the City entered into a Partnership Agreement with Liberty Water Company ("LWC") for a term of 40 years that will provide the appropriate and necessary management, operation, and maintenance services associated with the City Water System. Prior to this agreement, the City of Elizabeth owned and operated a city-wide system of water distribution ("Water System"). The LWC is a qualified private entity and a subsidiary of E'Town Corporation. E'Town is currently a wholly-owned subsidiary of New Jersey American Water, a wholly-owned subsidiary of American Water, the largest investor-owned water and wastewater utility company in the United States. Prior to American Water ownership, E'Town had been a wholly-owned subsidiary of Thames Water, the world's largest water service provider, and RWE-AG, one of the world's largest utility groups. Through increased operating efficiency, the City has received quality services, concession fees and annual payments, revenue sharing, capital improvements, labor considerations, defeased indebtedness, and rate stabilization, as contracted and as applicable. The City will be subject to charges, rates, fees and formulas to be charged for these services and subject to an allocation of risks related to financing and constructing capital improvements and of operating and maintaining the City Water System. The City contracted to receive concession fees from LWC totaling \$50,000,000 (\$19,000,000 in fiscal 1998, \$12,000,000 in fiscal 1999, and \$19,000,000 in fiscal year 2000) which were utilized towards the City's budget in those fiscal years. The contract provides for the City to receive from LWC over \$57,000,000 for capital improvements over the 40 year contract period.

Capital

Under this Partnership Agreement with LWC the City is responsible for financing all Capital Improvements to the system. Capital improvements will be financed principally by the City through payments made by the LWC that will exceed \$57,000,000 over the 40 year contract. LWC shall be responsible for implementing such Capital Improvements. All capital improvements will become the property of the City.

Fund Balances, Revenues and Appropriations

LWC shall be responsible for the preparation, maintenance, and collection of all bills and invoices to the users of both the Water and Sewer Utility and all costs and expenses associated therewith. LWC shall have no right to any revenue attributable in any way to the Sewer Utility. The revenues collected by LWC for the Sewer Utility will be disbursed to the City on a daily basis.

LWC will receive all revenues including all rates, fees, rents, charges and service charges and other income derived from the use or the services of the Water System. LWC shall pay all expenses required for the normal operation, maintenance and management of the Water System.

The Water Utility Fund end of period fund balances, as of June 30, 2006, 2007, 2008, 2009 and 2010, and the anticipated surplus included in the budget for each succeeding year are shown below:

<u>Year</u>	<u>Water Utility End of Period Fund Balance</u>	<u>Used in Succeeding Year Budget</u>
June 30, 2010	\$782,406	-0-
June 30, 2009	762,600	-0-
June 30, 2008	2,661,123	2,000,000
June 30, 2007	2,073,365	-0-
June 30, 2006	1,858,700	-0-

In accordance with accounting principles prescribed by the Division, the City realizes revenues on a cash basis. Expenses are accrued based upon the budget when it is adopted and any unexpended balances are credited to fund balance at the end of the year succeeding the budget period.

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally based upon an assessment to true value. The tax bill includes a levy for City, County and school purposes. The school levy is turned over to the Board of Education as expenditures are incurred and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the City. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid by the 10th day of the month, the amount due becomes delinquent and subject to a penalty of 8%, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the taxes became delinquent. All unpaid taxes for the previous year are annually placed in a tax sale in accordance with the New Jersey Statutes. The most recent tax sale was held on June 1, 2010, resulting in \$2,536,987 in revenues. In rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the City.

Tax bills shall be sent by December 31 for the first tax installment (February 1) and by March 31 for the second tax installment (May 1). The first and second installment tax bill will not show a rate; it will show the percentage necessary to collect the full amount due from each taxpayer for municipal and non-municipal fiscal obligations for the first six months of the calendar year. The amount to be payable for the first and second installments shall include the municipal portion, which shall be the municipal billing percentage (the percentage of the previous year's billing necessary to bill the amount required to collect the full tax levy)

multiplied by the total adjusted prior year taxes (includes changes in tax bills that were made since the last billing); and, the non-municipal portion, which shall be the non-municipal billing percentage (the percentage of the previous year's billing necessary to bill the amount required to collect the full tax levy) multiplied by the total adjusted prior year taxes (includes changes in tax bills that were made since the last billing). The sum of the two shall be divided in half for each installment. Tax bills shall be sent by June 30 for the third tax installment (August 1) and by September 30 for the fourth tax installment (November 1). The amount to be payable for the third and fourth installments shall include the municipal portion, the product of the municipal rate (the preliminary levy (projected new fiscal year levy divided by two plus the net current year levy for the first and second installment) divided by the net valuation table) times the total assessed value per one hundred dollars of assessed value, and subtracting the taxes billed for the first and second installments; and, the non-municipal portion, the non-municipal rate times the total assessed value per one hundred dollars of assessed value, and subtracting the taxes billed for the previous first and second installment. The sum of the two shall be divided in half for each installment.

ANALYSIS OF TAX LEVIES

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Municipal	\$109,071,829	\$105,700,506	\$99,458,660	\$93,793,680	\$86,786,684
School	44,248,475	40,970,810	38,651,708	37,165,104	37,165,104
County	33,349,562	33,120,470	28,938,932	27,476,814	26,079,310
Special Improvement Tax	<u>405,000</u>	<u>372,000</u>	<u>358,000</u>	<u>330,880</u>	<u>317,880</u>
Total Levy	<u>\$187,074,906</u>	<u>\$180,163,786</u>	<u>\$167,407,300</u>	<u>\$158,766,478</u>	<u>\$150,348,978</u>

Source: City Treasurer's Office.

CITY OF ELIZABETH TAX COLLECTIONS

Fiscal Year Ended June 30,

<u>Current Taxes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Levy	\$187,074,906	\$180,163,786	\$167,407,300	\$158,766,478	\$150,348,978
Tax Levy Collected	\$180,090,169	\$171,494,369	\$160,768,228	\$153,430,493	\$144,811,362
Percentage of Tax Levy Collected	96.27%	95.19%	96.03%	96.64%	96.32%
Current Taxes Receivable:					
Account Balance at June 30,	\$6,312,622	\$7,796,529	\$6,048,387	\$5,223,866	\$4,517,997
Percentage of Tax Levy	3.37%	4.33%	3.61%	3.29%	3.01%
<u>Delinquent Taxes*</u>					
Delinquent Taxes Receivable:					
Beginning Account Balance					
Current Year	\$7,796,529	\$6,048,387	\$5,223,866	\$4,517,997	\$4,708,947
Prior Year	\$96,367	\$607,221	\$756,106	\$169,607	\$220,911
	\$7,892,896	\$6,665,608	\$5,979,972	\$4,687,604	\$4,929,858
Tax Title Liens	\$805,207	\$636,488	\$673,894	\$795,069	\$795,150
Total	\$8,698,103	\$7,292,096	\$6,653,866	\$5,482,673	\$5,725,008
Delinquent Taxes Collected:					
Budget Anticipation Amount	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Percentage	40.24%	48.00%	52.60%	63.84%	61.14%
Actual Amount	\$7,532,600	\$5,752,038	\$4,906,514	\$3,938,747	\$3,967,532
Percentage	86.60%	78.88%	73.74%	71.84%	69.30%
Delinquent Taxes Receivable:					
Ending Account Balance					
Current Year	\$6,312,622	\$7,796,529	\$6,048,387	\$5,223,866	\$4,517,997
Prior Year	\$217,878	\$96,367	\$607,221	\$756,106	\$169,607
	\$6,530,500	\$7,892,896	\$6,665,608	\$5,979,972	\$4,687,604
Tax Title Liens	\$1,302,040	\$805,207	\$636,488	\$673,894	\$795,069
Total	\$7,832,540	\$8,698,103	\$7,292,096	\$6,653,866	\$5,482,672
<u>Foreclosed Property Balance</u>	\$2,504,200	\$2,504,200	\$2,469,200	\$2,469,200	\$1,902,100

*New Jersey municipalities are required to provide a reserve for current tax delinquencies based on the percentage of the last preceding year's current tax collection. Furthermore, delinquent taxes can be anticipated only to the extent of the last preceding year's delinquent tax collection percentage.

Source: City Finance Department

CITY OF ELIZABETH

STATEMENT OF ASSESSED VALUATIONS

	<u>Tax Year</u> <u>2011</u>		<u>Tax Year</u> <u>2010</u>		<u>Tax Year</u> <u>2009</u>		<u>Tax Year</u> <u>2008</u>		<u>Tax Year</u> <u>2007</u>	
<u>CLASSIFICATION</u>	<u>AMOUNT</u>	%	<u>AMOUNT</u>	%	<u>AMOUNT</u>	%	<u>AMOUNT</u>	%	<u>AMOUNT</u>	%
VACANT LAND	\$49,204,300	5.43	47,481,800	5.24	\$47,467,100	5.24	\$46,523,400	5.15	\$50,421,400	5.5
RESIDENTIAL LAND & BUILDINGS	523,406,140	57.72	517,612,600	57.10	\$512,058,500	56.49	\$500,936,900	55.43	\$492,296,600	54.3
COMMERCIAL LAND & BUILDINGS	169,616,400	18.70	170,663,300	18.83	\$172,788,100	19.06	\$177,735,100	19.67	\$181,956,800	20.1
INDUSTRIAL LAND & BUILDINGS	70,146,500	7.74	75,393,400	8.32	\$77,384,100	8.54	\$78,542,000	8.69	\$77,715,200	8.5
APARTMENTS LAND & BUILDINGS	92,788,800	10.23	93,784,600	10.35	\$95,324,100	10.52	\$98,546,000	10.90	\$101,245,400	11.1
MACHINERY & EQUIPMENT OF TELEPHONE, TELEGRAPH & MESSENGER SYSTEMS COMPANY	<u>1,703,901</u>	<u>0.19</u>	<u>\$1,555,416</u>	<u>0.17</u>	<u>\$1,450,925</u>	<u>0.16</u>	<u>\$1,438,208</u>	<u>0.15</u>	<u>\$1,579,169</u>	<u>0.1</u>
TOTAL TAXABLE VALUATIONS	<u>\$906,866,041</u>	<u>100.00</u>	<u>\$906,491,116</u>	<u>100.00</u>	<u>\$906,472,825</u>	<u>100.00</u>	<u>\$903,721,608</u>	<u>100.00</u>	<u>\$905,214,569</u>	<u>100.0</u>
RATIO OF ASSESSED TO TRUE VALUE	11.8%		10.62%		9.72%		9.81%		10.98%	

Source: Tax Assessor's Office

ANALYSIS OF TAX RATES
(FISCAL YEAR) AND PERCENT DISTRIBUTION RATE
PER \$100.00 ASSESSED VALUATION

<u>Year</u>	<u>Total</u>	<u>Munic.</u>	<u>%</u>	<u>County</u>	<u>%</u>	<u>School</u>	<u>%</u>
2010	\$21.17	\$12.17	57.4	\$3.63	17.2	\$5.37	25.4
2009	20.16	11.68	57.9	3.60	17.9	4.88	24.2
2008	18.82	10.81	57.4	3.48	18.5	4.53	24.1
2007	17.84	10.39	58.2	3.18	17.8	4.27	24.0
2006	16.81	9.84	58.6	2.89	17.2	4.08	24.2
2005	15.60	8.84	56.7	2.67	17.1	4.09	26.2
2004	14.81	8.36	56.4	2.37	16.0	4.08	27.6
2003	14.22	7.92	55.7	2.16	15.2	4.14	29.1
2002	12.63	6.49	51.5	1.96	15.5	4.18	33.0
2001	12.24	6.28	51.3	1.79	14.6	4.17	34.1

TEN LARGEST TAXPAYERS IN THE CITY OF ELIZABETH

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2010 Assessed Value</u>
New Jersey Metromall	Commercial	\$6,390,400
PennLines/Norfolk	Commercial	4,689,400
Tri-Port Distribution Center	Commercial	4,574,300
Gibbons, A.E./Elberton	Commercial/Industrial	4,396,000
Wakefern Food Corp.	Commercial	4,205,800
Hartz	Commercial	4,144,500
Catellus LLC	Commercial	4,120,200
Stargerlee Real Estate	Commercial	3,913,300
Vestal	Commercial	3,726,000
Ikea	Commercial	<u>3,649,300</u>

**PERCENTAGE OF THE TEN LARGEST TAXPAYERS
TO TOTAL ASSESSED VALUATION:**

4.8%

TAX EXEMPT PROPERTIES IN THE CITY

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Schools	\$91,024,200	\$91,026,900	\$87,324,100	\$87,324,100	\$87,324,100
Schools - Other Than Public	\$6,302,600	6,346,100	6,346,100	6,352,200	6,352,200
Public Property (1)	597,096,400	598,182,600	597,867,600	598,317,500	598,328,600
Churches and Charities	102,339,300	102,346,200	101,467,000	101,633,300	101,995,800
Cemeteries	2,418,000	2,418,000	2,418,000	1,977,000	1,977,000
Total	<u>\$799,180,500</u>	<u>\$800,319,800</u>	<u>\$795,422,800</u>	<u>\$795,604,100</u>	<u>\$795,977,700</u>

- (1) Of this public property, the Port Authority of New York and New Jersey owns \$420,727,000 which is part of Newark Airport, Elizabeth Port, and the Goethals Bridge connecting Elizabeth with Staten Island. While these properties do not generate property taxes, their location in Elizabeth does generate significant economic activity through the varied ancillary services required for a major airport and seaport.

In accordance with an agreement between the City of Elizabeth and the Port Authority of New York and New Jersey signed in December 1984, and updated in May 2001, the City of Elizabeth will receive additional compensation for municipal services provided to said agency. The agreement provided that the City will receive \$3,000,000 annually through the year 2031. Said funds are to be placed in a dedicated Trust Fund. Trust Funds will be utilized to pay debt service on work projects agreed upon by the City and the Port Authority.

INDEBTEDNESS AND DEBT LIMITS

State law regulates the issuance of debt by local government units. No local unit is permitted to issue bonds for the payment of outstanding obligations, other than those to (i) refund outstanding bond anticipation notes and (ii) refund outstanding bonds and other obligations with the approval of the Local Finance Board.

Debt Limits

State statutes set forth debt limits for counties and municipalities. The City's net debt is limited by the Local Bond Law to an amount equal to 3 1/2% of its equalized valuation basis. The equalized valuation basis of the City is set by statute as the average value of all taxable real property within its boundaries as annually determined by the State Board of Taxation for each of the three most recent years. The debt limit pursuant to Title 18A of the New Jersey Statutes for the Board of Education, a Type II school district, is 6% of such equalized valuation basis. As of July 1, 2010, the Board of Education's statutory net debt was 0.05%. Certain categories of debt

are permitted by statute to be deducted for purposes of computing the statutory debt limit. Pursuant to law, the City has deducted the amount of authorized school debt. Debt of the water and sewer utilities is excluded in calculating net debt to the extent the utility operates on a self-liquidating basis.

As detailed in the following tables, as of March 1, 2011, the City has a statutory net debt of \$127,465,994 or 1.42% of its averaged equalized valuation basis for the three (3) preceding years.

Exceptions to Debt Limit - Extensions of Credit

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

State law permits the City school district by action of the Board of Education and a referendum to authorize debt in excess of its individual debt limit. It does so by using the borrowing capacity of the City for school purposes after the school debt margin has been exhausted. The Local Finance Board is involved only if the proposed debt authorization exceeds the debt limit of both the City and the Board of Education.

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization. Before July 31 of each year the City 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 City as of the previous June 30. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

SCHEDULE OF OVERLAPPING DEBT

	<u>Total</u>	Elizabeth Overlap <u>%</u>	<u>Amount</u>
June 30, 2010			
Elizabeth Parking Authority (1)	\$6,910,000	100.00%	\$6,910,000
UCIA (2)	23,575,000	11.49%	2,708,768
UCUA (3)	61,337,990	11.49%	7,047,735
Union County	<u>519,373,809</u>	<u>11.49%</u>	<u>59,676,051</u>
Total	<u>\$611,196,799</u>		<u>\$76,342,553</u>
June 30, 2009			
Elizabeth Parking Authority (1)	\$7,010,000	100.0%	\$7,010,000
UCIA (2)	40,550,000	11.76%	4,767,650
UCUA (3)	64,182,900	11.76%	7,546,279
Union County	<u>467,775,358</u>	<u>11.76%</u>	<u>54,998,501</u>
Total	<u>\$579,518,258</u>		<u>\$74,322,430</u>
June 30, 2008			
Elizabeth Parking Authority (1)	\$7,110,000	100.0%	\$7,110,000
UCIA (2)	25,050,000	11.93%	2,998,946
UCUA (3)	64,182,990	11.93%	7,658,263
Union County	<u>447,374,143</u>	<u>11.93%</u>	<u>53,380,325</u>
Total	<u>\$543,717,133</u>		<u>\$71,137,534</u>
June 30, 2007			
Elizabeth Parking Authority (1)	\$3,500,000	100.0%	\$3,500,000
UCIA (2)	28,180,000	11.51%	3,243,518
UCUA (3)	67,027,990	11.51%	7,714,922
Union County	<u>407,830,870</u>	<u>11.51%</u>	<u>46,941,333</u>
Total	<u>\$506,538,860</u>		<u>\$61,399,773</u>
June 30, 2006			
Elizabeth Parking Authority (1)	\$0	100.0%	\$0
UCIA (2)	30,460,000	11.10%	3,379,537
UCUA (3)	69,702,990	11.10%	7,733,547
Union County	<u>377,971,586</u>	<u>11.10%</u>	<u>41,935,947</u>
Total	<u>\$478,134,576</u>		<u>\$53,049,031</u>

(1) As of the Fiscal Year End, the revenue from operations exceeded the debt service requirements.

(2) Union County Improvement Authority-Non Guaranteed Bonds not included

(3) Union County Utilities Authority-Non Guaranteed Bonds not included

CITY OF ELIZABETH

STATUTORY DEBT

As of March 1, 2011

	<u>Gross Debt</u>	<u>Deductions (1)</u>	<u>Net Debt</u>
School Purpose*	\$2,800,000	\$2,800,000	\$0
Water Utility	0	0	0
Sewer Utility	84,759,137	84,759,137	0
Municipal Purposes	127,465,994	0	127,465,994
Total	<u>\$215,025,131</u>	<u>\$87,559,137</u>	<u>\$127,465,994</u>

*Type I = \$0 Type II = \$2,800,000

\$9,005,328,175

Average Equalized Valuation of Real
Property (Years 2007-2009)

Statutory Net Debt Percentage 1.42%

Maximum Net Debt Percentage 3.50%

Remaining Borrowing Power: Municipal \$198,708,765 2.08%

Net Debt Per Capita
(2000 Population 120,568 Census Figure) \$1,057.21

Gross Debt Per Capita
(2000 Population 120,568 Census Figure) \$1,783.43

Gross Debt as Percentage of 2009 Avg. Equalized Valuations 2.39%

(1) Deductions from Gross Debt are allowed in accordance with statutory provisions. The deduction for school debt is in accordance with Title 18A, which allows a deduction from gross debt of an amount equal to 6% of average equalized valuations.

(2) The above data was updated from information abstracted from the Annual Debt Statement filed by the City's Chief Financial Officer as of June 30, 2010 with the Division in accordance with Section 40A:2-40 of the Local Bond Law. The average equalized valuation was updated to include 2009.

**COMBINED PRINCIPAL AND INTEREST REQUIREMENTS
OUTSTANDING BONDS OF THE CITY AS OF JUNE 30, 2010**

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	6,586,000	3,118,357	9,704,357
2012	6,831,000	2,862,356	9,693,356
2013	7,111,000	2,586,478	9,697,478
2014	7,901,000	2,295,037	10,196,037
2015	7,181,000	2,009,579	9,190,579
2016	7,976,000	1,710,085	9,686,085
2017	8,311,000	1,375,719	9,686,719
2018	5,072,000	1,027,412	6,099,412
2019	3,117,000	817,710	3,934,710
2020	4,162,000	772,700	4,934,700
2021	2,997,000	520,168	3,517,168
2022	2,092,000	390,191	2,482,191
2023	1,875,000	304,844	2,179,844
2024	750,000	223,750	973,750
2025	750,000	191,875	941,875
2026	750,000	160,000	910,000
2027	750,000	128,125	878,125
2028	750,000	96,250	846,250
2029	750,000	63,438	813,438
2030	700,000	30,625	730,625
	<u>\$76,412,000</u>	<u>\$20,684,697</u>	<u>\$97,096,697</u>

PENSION COSTS

Those municipal employees who are eligible for pension coverage are enrolled in one of three pension systems. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are determined by State law.

The three State-administered pension funds are: the Consolidated Police and Firemen's Pension Fund (N.J.S.A. 43:16), the Police and Firemen's Retirement System (N.J.S.A. 43:16A), and the Public Employees' Retirement System (N.J.S.A. 43:15A). The Division annually charges municipalities and other governmental units for their respective contributions.

EMPLOYEES

As of June 30, 2010, the City had 1,430 employees. Of that number, 1,127 are represented by one of fourteen (14) different bargaining units. The New Jersey Public Employee Relations Act, as amended, specifies a negotiation and advisory fact finding process in the event of a negotiations impasse.

The most recent non-uniform four (4) year contract provided for across-the-board increases of 0% effective July 1, 2009, 2% effective July 1, 2010, 2% effective July 1, 2011 and 3% effective July 1, 2012.

The most recent five (5) year public safety contract provided for across the board increase of 0% effective July 1, 2009, and 3¼% effective July 1, 2010, July 1, 2011, July 1, 2012 and July 1, 2013. These increases are offset by a 1-1/2% contribution for health insurance agreed to prior to mandatory requirements.

DEMOGRAPHIC AND ECONOMIC FACTORS

The City is the fourth largest city in the State, with a population currently estimated to be in excess of 124,000. The population was 120,568 according to the 2000 census. It covers an area of 11.7 square miles and is the county seat of Union County. It is located in the northeastern portion of Union County and is bounded by Essex County to the north, Union Township and Hillside Township to the west, Roselle Borough, Roselle Park Borough and the City of Linden to the south and the Arthur Kill waterway to the east.

Population Characteristics

The City's population over the past few decades has remained stable with an increase of approximately 10% between 1990 and 2000. Some other large New Jersey cities and Union County have experienced downward trends over the last few decades.

POPULATION GROWTH

(Calendar Year)

	<u>City</u>	<u>County</u>	<u>State</u>
1960	107,698	504,255	6,086,982
1970	112,654	544,090	7,192,805
1980	106,201	504,094	7,364,158
1990	110,002	493,819	7,730,188
2000	120,568	522,541	8,414,350

Source: U.S. Department of Commerce, Bureau of the Census, General Social and Economic Characteristics, 2000 and New Jersey Department of Labor, Division of Planning and Research.

PUBLIC SCHOOL ENROLLMENT

1995	16,505	2003	20,568
1996	16,812	2004	22,050
1997	17,242	2005	22,090
1998	18,127	2006	22,193
1999	18,870	2007	20,538
2000	18,836	2008	21,308
2001	19,491	2009	21,382
2002	20,019	2010	22,752

Source: Board of Education of the City of Elizabeth.

POPULATION COMPARISON 1970-2000

“Big Six” Cities

	1970(1) (Calendar Year)	1980(1) (Calendar Year)	1990(1) (Calendar Year)	2000(1) (Calendar Year)
1. Newark	381,930	329,249	275,221	273,546
2. Jersey City	260,545	223,532	228,537	240,055
3. Paterson	144,824	137,970	140,891	149,222
4. Elizabeth	112,654	106,201	110,002	120,568
5. Trenton	104,638	92,124	88,675	85,403
6. Camden	102,551	84,910	87,492	79,904

Source: (1) U.S. Department of Commerce, Bureau of the Census.

HOUSING TYPES IN ELIZABETH

<u>Type</u>	<u>Units</u>	<u>% of Total</u>
One Family	9,617	22.5
Two-Four Family	17,407	40.6
Five-Nine Family	3,856	9.0
Ten or More Family	11,913	27.8
Other (Mobile Home, Etc.)	<u>45</u>	<u>.1</u>
TOTAL	<u>42,838</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of the Census, 2000.

NEW CONSTRUCTION PERMITS

1990 to 2010

<u>Year</u> <u>(Calendar)</u>	<u>Value of New</u> <u>Construction</u>	<u>Resident</u>	<u>Non-Resident</u>	<u>Structures</u>
1990	\$23,970,000	\$2,359,000	\$21,611,000	42
1991	5,058,998	4,591,000	467,998	24
1992	4,405,750	643,750	3,762,000	22
1993	5,556,932	1,265,775	4,291,157	21
1994	2,788,000	2,169,500	618,500	32
1995	11,921,200	1,165,000	10,756,200	23
1996	3,022,000	1,822,200	1,199,800	48
1997	116,116,981	1,888,200	114,228,781	28
1998	5,686,943	2,988,862	2,698,081	47
1999	21,376,379	4,555,500	16,820,879	54
2000	53,717,650	8,717,650	45,000,000	102
2001	28,274,000	12,994,000	15,280,000	144
2002	11,327,900	9,532,700	1,795,200	126
2003	34,887,900	30,133,700	4,754,200	218
2004	29,451,100	26,898,100	2,553,000	224
2005	28,982,921	28,682,921	300,000	219
2006	34,278,045	33,971,045	307,000	277
2007	88,381,350	22,379,650	66,001,700	212
2008	7,103,500	5,143,500	1,960,000	26
2009	20,750,000	4,250,000	16,500,000	23
2010	25,677,000	4,926,000	20,751,000	29

Source: City of Elizabeth, Bureau of Construction

LABOR FORCE

<u>Years (as of December 31)</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Percent Employed</u>	<u>Percent Unemployed</u>
1990	56,501	51,452	91.1	8.9
1991	54,713	48,487	88.6	11.4
1992	55,992	48,063	85.8	14.2
1993	54,557	47,619	87.3	12.7
1994	54,822	48,450	88.4	11.6
1995	55,240	49,400	89.4	10.6
1996	55,323	49,655	89.8	10.2
1997	55,723	50,809	91.2	8.8
1998	55,500	50,736	91.8	8.2
1999	55,608	51,219	92.1	7.9
2000	54,858	51,275	93.5	6.5
2001	54,661	50,589	92.6	7.4
*2002	54,941	49,405	89.9	10.1
*2003	54,376	49,425	91.9	9.1
*2004	53,510	49,958	93.4	6.6
*2005	54,383	50,679	93.2	6.8
*2006	54,582	51,233	93.9	6.1
*2007	55,187	52,107	94.4	5.6
*2008	55,835	51,481	92.2	7.8
*2009	56,882	49,781	87.5	12.5

Source: New Jersey Department of Labor, Division of Planning Research.
 *U.S. Department of Labor

LARGEST EMPLOYERS

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Estimated No. of Employees (2010)</u>
Federal Express	Commercial	3,200
Trinitas	Hospital	3,000
Wakefern Food Corporation	Commercial	1,400
Maher Terminals	Commercial	1,000
Actavis	Commercial	500-999
Michael Foods	Commercial	500-999
AFI Foodservice	Commercial	500-999
Olympia Trails Bus Co.	Commercial	500-999
New England Motors	Trucking	400-500
Duro Bag Manufacturing	Commercial	300-400

Source: Union County Economic Development Corporation

ECONOMIC DEVELOPMENT

The City of Elizabeth (the “City”) has fashioned a comprehensive economic development strategy to achieve urban revitalization and expand economic opportunities while cognizant of the current economic climate. Building upon its unique geographic advantages, which includes a portion of Newark Liberty International Airport, the Port Elizabeth-Newark International Container Seaport, New Jersey Turnpike, Routes 1&9, New Jersey Transit rail and bus hubs – the City continues to utilize public and private resources to maximize investment and rehabilitation.

Throughout our local region and the nation, the current economic downturn has had an impact on development. However, the City is incorporating innovative strategies to sustain the community while providing the groundwork for future development opportunities.

The City has taken an aggressive approach to applying nearly \$25 Million in Federal Stimulus Funds to improve the quality within Elizabeth. Helping sustain the local economy, these improvements and programs include: new infrastructure, housing, and police officers that have all contributed to a solid foundation for future economic development initiative.

As part of the City’s efforts to continue to attract businesses to its shopping districts, streetscape improvements have been completed along Broad Street, Elizabeth Avenue and the area surrounding the Midtown train station. These improvements include: new sidewalks and

curbs, new trees, and light fixtures. Improving traffic flow, the area surrounding the train station now includes the relocation of the taxi stand as a kiss-n-ride area. In 2011, we will begin streetscape construction on North Broad Street, complimenting previous improvements to our adjacent business districts and continuing our overall beautification program. These projects are being funded with State, Federal Stimulus and Urban Enterprise Zone funds.

In our continual efforts to make the City more attractive to investors, the City amended its business sign and façade ordinance, thereby creating districts appealing to shoppers, businesses and potential investors. In addition, the City will permit sidewalk cafes to facilitate the attraction of more customers and encourage a greater flow of patrons to the business districts during evening hours.

In the Midtown Redevelopment Area, the City retained an Engineering firm to develop sewer and traffic improvement plans to sustain the future development of the area. With the opening of the new Union County College five-story building; the streetscape improvements around the train station; plans for increased sewer and storm water capacity; a new 1500 space parking deck; streetscape improvements on Broad Street and around the train station; and the improvements to the NJ Transit train station; the Midtown Redevelopment Plan is poised for development.

The City has already received interest from a private company searching for a location in the Midtown Redevelopment Area. This proposed \$80 million project is comprised of a new two hundred thousand sq. ft. office building with 500 parking spaces. Currently the City is one of two finalists for the development.

In the Fall of 2009, the Union County College expanded its campus in the Midtown area and opened the doors to its new 120,000 sq. ft. five-story building.

Adjacent to the college, a new parking deck with 1500 parking spaces and 27,000 sq. ft. of commercial space will be completed this Summer, serving the parking needs of the College, the County and the Central Business District of Midtown.

On Elizabeth Avenue, adjacent to the Midtown Redevelopment Area, Trinitas Regional Medical Center will build a new 14,000 sq. ft. office building that will provide health-related training to its clients and job training to those already in the health field, as well as those looking to enter.

North of the Midtown area is the Morris Avenue corridor, which links Elizabeth to Kean University and the western part of Union County. The City and Kean University are working together to conduct a study of the area, focusing upon revitalization through the creation of business and housing opportunities that will cater to the students, Faculty and staff of the University. The "University Boulevard" will help to attract capital and investments to Morris Avenue, stimulating development to this valuable gateway to the City.

In the North Elizabeth section, an amended Redevelopment Agreement as been approved for the Baker Center allowing for the development of a warehouse facility, which will create an estimated 75 new jobs.

In 2011, Jersey Gardens Mall, New Jersey's largest outlet mall will break ground on the world's sixth largest solar panel roof project. This initiative will generate more than 6 million kilowatts (kWh) annually, resulting in 22% energy cost savings.

Adjacent to the Jersey Gardens Mall, a new eight-story Embassy Suites Hotel with 82 rooms and an 87,200 sq. ft. restaurant broke ground this summer. It is anticipated the project will be completed by the end of 2011. The IKEA Furniture store just completed a \$40 million renovation, which includes a reconfiguration of its operations, and an increase in showroom space to help meet the growth of its business.

The Atalanta Corporation, a food product importer and distributor located in the Elizabeth Industrial Park, embarked upon a \$19 million expansion of its facility with the addition of 72,995 sq. ft. of Warehouse and Office space. The completed project increased employment opportunities, and ultimately generated 65 new jobs.

Wakefern Food Corporation, which operates more than 200 ShopRites among other brands, will move into a new 524,000s/f warehouse (at the same location) that will result in the creation of 130 construction jobs and 350 new jobs over several years.

Last year the City of Elizabeth was one of sixty-seven municipalities in New Jersey that received a bronze level certification through the Sustainable Jersey program, which increases our eligibility for grant funding and enhances ongoing Green initiatives.

In addition, the City of Elizabeth has completed energy audits on its municipal buildings, and all will be retrofitted with solar panels by Spring 2011. These upgrades will increase our efficiency, reduce energy costs by nearly \$270,000 in the first year alone and result in an accumulated savings of \$4.4 million dollars over time. We will use more than \$750,000 dollars in funds from the Energy Efficiency and Conservation Block Grant to implement audit recommendations. This investment in new energy will help the environment, save the City millions in energy costs, and create jobs for our residents.

As the economy improves and the credit markets come back to life, Elizabeth will be poised to take advantage of the opportunities that will surface as a result of the groundwork it is currently establishing.

THE MUNICIPAL FINANCE COMMISSION (N.J.S.A. 52:27-1 ET SEQ)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. The local finance system is

intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the "Municipal Finance Commission Statutes" are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations causes the "Municipal Finance Commission" to become operative in that community.

The "Municipal Finance Commission" exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act has been substantially revised in 1976 so as to permit municipalities to have access to bankruptcy court for protection against suits by bondholders or noteholders and without prior warranty for creditors' approval in cases of impending default.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

THE FEDERAL BANKRUPTCY ACT

The City is entitled under certain conditions outlined in Chapter IX of the Federal Bankruptcy Act to petition for relief from creditors. Such relief could involve modifications or alteration of the rights of creditors of the City generally or any class of creditors secured or unsecured, including the holders of the Obligations. This reference to the Federal Bankruptcy Act is not to be construed as an indication that the City expects to resort to its provisions. Under State law, a city, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board.

INVESTMENT OF MUNICIPAL FUNDS

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, as amended, when authorized by a cash management plan approved pursuant to N.J.S.A. 40A:5-14, municipalities are limited to purchasing the following securities:

(1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) government money market mutual funds; (3) any obligation issued by a federal agency or instrumentality that has been issued in accordance with an act of Congress and 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 particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools; (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 (i) the underlying securities are permitted investments; (ii) the custody of collateral is transferred to a third party; (iii) the maturity of the agreement is not more than 30 days; (iv) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41); and (v) a master repurchase agreement providing for the custody and security of collateral is executed.

In addition, pursuant to N.J.S.A. 52:18A-90.4, municipalities are permitted to invest their funds in the State of New Jersey Cash Management Fund (the "Cash Management Fund"). The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body. The Cash Management Fund is permitted to invest in the same types of investments and subject to the same limitations provided for the investment of funds in the State Treasury.

The City has no investments in derivatives.

LEGALITY FOR INVESTMENT

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

LITIGATION

There is no litigation pending or, to the knowledge of the City Attorney, threatened restraining or enjoining the issuance or the delivery of the Obligations or the levy or the collection of taxes to pay the Obligations or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes. There is

at present no single action pending or threatened against the City which would impose an undue financial burden on the City. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The City is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the City Attorney, would adversely impair the City's ability to pay its bondholders or noteholders. All of the City's tort actions are being defended by the City under its self-insurance program. There are many pending municipal real estate tax appeals. Based upon the City's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the City, such resolution would not in any way endanger the City's ability to pay its bondholders or noteholders.

TAX MATTERS

The City has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Obligations under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds or the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds or the Notes. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Obligations, assuming continuing compliance by the City with certain covenants described herein, under current law, interest on the Obligations is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax; however, interest on the Obligations held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Obligations in "adjusted current earnings" (see discussion below). No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Obligations.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Obligations in order to assure that the interest on the Obligations will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Obligations be rebated to the federal government. Noncompliance with such requirements may cause interest on the Obligations to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The City has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Obligations will be and will remain excluded from gross income for federal income tax purposes. The City will deliver its Arbitrage and Tax Certificates concurrently with the issuance of the Obligations, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the City. In rendering its opinion, Bond Counsel has relied on certain representations, certifications

of fact, and statements of reasonable expectations made by the City in connection with the Obligations, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Obligations from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law interest on the Obligations and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Obligations.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Obligations is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Bank Qualification. The Obligations will not be designated as qualified under Section 265 of the Code by the City for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations

indicating that interest on tax-exempt Bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Obligations should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of each of the Obligations should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action. Legislation affecting municipal Bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Obligations involving either the Obligations or other tax-exempt obligations will not have an adverse effect on the tax-exempt status or market price of the Obligations.

ALL POTENTIAL PURCHASERS OF THE OBLIGATIONS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "A1" to the Bonds and "MIG 1" to the Notes.

An explanation of the significance of such ratings may be obtained from Moody's. The ratings are not a recommendation to buy, sell or hold the Bonds or the Notes and there is no assurance that such ratings will continue for any given period of time or that either rating will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings by Moody's may have an adverse effect on the market price of the Obligations.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of DeCotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel to the City, whose approving legal opinions will be delivered with the Obligations substantially in the forms set forth as Appendix C hereto. Certain legal matters will be passed upon for the City by the City Attorney, William R. Holzapfel, Esq., Elizabeth, New Jersey.

FINANCIAL ADVISOR

Powell Capital Markets, Inc., Roseland, New Jersey, served as financial advisor to the City with respect to the issuance of the Obligations. This Official Statement has been prepared with the assistance of the financial advisor. Certain information set forth herein has been obtained by the City and other sources which are deemed reliable, but no warranty, guaranty, or other representation as to the accuracy or completeness is made as to such information contained herein.

UNDERWRITING

The Bonds are being purchased by _____ from the City at an aggregate purchase price of \$ _____. The Notes are being purchased by _____ from the City at an aggregate purchase price of \$ _____.

SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending June 30, 2011 (the "Annual Report"), and has covenanted for the benefit of the holders and beneficial owners of the Bonds and the Notes to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be provided to the Municipal Securities Rulemaking Board (the "MSRB") and will be in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Forms of Continuing Disclosure Certificates." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

FINANCIAL INFORMATION

The financial statements of the City included in Appendix A to this official statement have been audited by Louis C. Mai CPA & Associates, Independent Certified Public Accountants, to the extent and for the periods indicated in their report hereon. The financial information included in Appendix B has been compiled from public documents of the City. Louis C. Mai CPA & Associates has not audited or reviewed this information.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to the Chief Financial Officer, Anthony M. Zengaro, City Hall, 50 Winfield Scott Plaza, Elizabeth, New Jersey 07201, telephone (908) 820-4097.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Obligations. All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and reference is made to the full text of such laws.

This Official Statement has been duly executed and delivered by the Chief Financial Officer on behalf of the City of Elizabeth.

CITY OF ELIZABETH

By:

Anthony M. Zengaro
Chief Financial Officer

Dated: _____, 2011

APPENDIX A
FINANCIAL STATEMENTS

CITY OF ELIZABETH

Financial Statements

June 30, 2010

(With Independent Auditor's Report Thereon)

LOUIS C. MAI CPA & ASSOCIATES

P.O. Box 624
Pompton Plains, N.J. 07444

Phone: 973-492-2524
Fax: 973-492-9515

Independent Auditor's Report

Mayor and Council
City of Elizabeth:

We have audited the accompanying balance sheets of the various funds and account groups as of June 30, 2010 and 2009 of the City of Elizabeth, New Jersey, and the related statements of operations and changes in fund balances for the years then ended and the related and the related statements of revenues and statements of expenditures of the various funds for the year ended June 30, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between the prescribed accounting practices and with accounting practices generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Elizabeth, New Jersey, as of June 30, 2010 and 2009 and the changes in financial position for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Elizabeth, New Jersey, as of June 30, 2010 and 2009 and the related statements of operations and changes in fund balances for the years then ended and the related and the related statements of revenues and statements of expenditures of the various funds for the year ended June 30, 2010 on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 21, 2011 on our consideration of the City of Elizabeth's internal control over financial reporting and on 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 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.

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

March 21, 2011

LOUIS C. MAI CPA & ASSOCIATES

P.O. Box 624
Pompton Plains, N.J. 07444

Phone: 973-492-2524
Fax: 973-492-9515

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Mayor and Council
City of Elizabeth:

We have audited the financial statements of City of Elizabeth, New Jersey, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 21, 2011, which report expressed an adverse opinion in accordance with accounting principles generally accepted in the United States of America and an unqualified opinion on the basis of accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate authorize, record, process, or report financial data reliably in accordance with accounting principle described in note 1 such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the City of Elizabeth in the accompanying General Comments and Recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of noncompliance that we have described in the accompanying General Comments and Recommendations section of this report.

This report is intended solely for the information and use of the City, management, Federal and State of New Jersey awarding agencies and pass-through entities, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Louis C. Mai CPA & Associates
Louis C. Mai

March 21, 2011

Louis C. Mai, Registered Municipal Accountant
No. CR00217

FINANCIAL STATEMENTS

Exhibit A

CITY OF ELIZABETH

Balance Sheets

Current Fund

June 30, 2010 and 2009

Assets	Ref.	2010	2009
Current Fund - Regular Fund:			
Cash	A-4	\$ 38,351,264	36,141,978
Change funds		1,200	1,200
Due from State of New Jersey - Senior Citizens' and Veterans' deductions	A-5	332,661	361,383
		<u>38,685,125</u>	<u>36,504,561</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-6	6,533,596	7,892,898
Tax title liens receivable	A-7	1,302,040	805,208
Property acquired for taxes - assessed valuation	A-8	2,504,200	2,504,200
Revenue accounts receivable	A-9	9,283,354	7,400,183
Due from Trust Other	A-10	—	19,742
Due from General Capital Fund	A-10	—	13,231
Miscellaneous receivables	A-19	—	6,971
Due from Federal and State Grant Fund	A-20	1,909,584	481,860
		<u>21,532,774</u>	<u>19,124,293</u>
		<u>60,217,899</u>	<u>55,628,854</u>
Federal and State Grant Fund:			
Federal and State grants receivable	A-22	34,769,156	20,680,707
		<u>34,769,156</u>	<u>20,680,707</u>
Total assets	\$	<u>94,987,055</u>	<u>76,309,561</u>
Liabilities, Reserves and Fund Balance			
Current Fund - Regular Fund:			
Encumbrances payable	A-17	\$ 2,646,300	2,801,341
Appropriation reserves	A-3, A-11	9,722,800	10,091,595
Due to General Capital Fund	A-10	68,666	—
Due to Community Development Block Grant Fund	A-10	25,347	25,347
Accounts payable	A-12	419,771	427,757
Miscellaneous payables and deposits	A-18	466,376	590,625
Reserve for special purposes	A-13	2,974,510	3,455,710
		<u>16,323,770</u>	<u>17,392,374</u>
Reserve for receivables		21,532,774	19,124,293
Fund balance	A-1	<u>22,361,355</u>	<u>19,112,187</u>
		<u>60,217,899</u>	<u>55,628,854</u>
Federal and State Grant Fund:			
Unappropriated reserve	A-23	—	6,181
Due to Current Fund	A-20	1,909,584	481,860
Appropriated grant reserves	A-21	32,859,572	20,192,666
		<u>34,769,156</u>	<u>20,680,707</u>
Total liabilities, reserves and fund balance	\$	<u>94,987,055</u>	<u>76,309,561</u>

See accompanying notes to financial statements.

Exhibit A-1

CITY OF ELIZABETH

Statement of Operations
and Changes in Fund Balance

Current Fund

Years ended June 30, 2010 and 2009

	2010	2009
Revenue and other income realized:		
Fund balance utilized	\$ 17,000,000	20,000,000
Miscellaneous revenue realized	91,137,225	84,724,510
Receipts from delinquent taxes	7,532,600	5,752,038
Receipts from current taxes	180,090,169	171,494,369
Nonbudget revenue	2,572,746	3,317,993
Other credits to income:		
Unexpended balance of appropriation reserves	8,695,056	5,782,465
Cancelled appropriations	200,000	200,000
Interfunds returned	—	521,915
Cancelled payables	—	488,299
Other miscellaneous	46,620	14,218
Total income	307,274,416	292,295,807
Expenditures:		
Budget appropriations:		
Operations:		
Salaries and wages	89,487,788	89,712,905
Other expenses	54,227,931	53,530,860
Deferred charges and statutory expenditures	12,284,186	16,341,445
Other operations	35,352,377	25,116,181
Capital improvements	900,000	2,750,000
Municipal debt service	15,382,149	14,779,110
County taxes	33,349,562	33,120,670
Local district school taxes	44,248,475	40,970,810
Special improvement district taxes	405,000	372,000
Interfunds advanced	1,387,780	—
Total expenditures	287,025,248	276,693,981
Excess in revenue over expenditures	20,249,168	15,601,826
Fund balance, July 1	19,112,187	23,510,361
	39,361,355	39,112,187
Less fund balance utilized	17,000,000	20,000,000
Fund balance, June 30	\$ 22,361,355	19,112,187

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues

Current Fund

Year ended June 30, 2010

	Anticipated		Excess/ (deficit)
	Budget	Realized	
General revenues:			
Fund balance utilized	\$ 17,000,000	17,000,000	—
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	100,000	190,587	90,587
Other	300,000	415,095	115,095
Fees and permits	575,000	618,872	43,872
Municipal Court - fines and costs	4,200,000	3,879,398	(320,602)
Interest and costs on taxes	1,200,000	2,070,539	870,539
Interest on investments and deposits	1,200,000	558,279	(641,721)
LEAA rebates - fire	100,000	205,403	105,403
Franchise assessments - Jersey Garden Mall	4,800,000	5,281,987	481,987
Airport parking tax	1,250,000	1,364,213	114,213
Port Authority capital projects aid	3,000,000	3,000,000	—
Receipts from Port Authority - Leased Property 13A	480,000	480,000	—
Additional Port Authority Airport Parking Tax Leased Property 13A Exit	800,000	800,000	—
Rental of City property	500	600	100
Dock rental fees	75,000	86,114	11,114
Sale of junk vehicles and other property	20,000	26,200	6,200
CATV fees	200,000	249,502	49,502
Solid waste disposal - host community	600,000	479,312	(120,688)
Emergency medical services - ambulance charges	2,000,000	2,021,137	21,137
Miscellaneous gasoline sales	125,000	197,353	72,353
P.I.L.O.T. - Pierce Manor Corp.	220,000	245,790	25,790
P.I.L.O.T. - Port Authority NY/ NJ	63,242	63,242	—
P.I.L.O.T. - Residential	1,200,000	1,177,837	(22,163)
P.I.L.O.T. - R.W.B. Associates	130,000	200,902	70,902
P.I.L.O.T. - Newark/North Avenue	50,000	99,237	49,237
P.I.L.O.T. - IKEA - Toys R Us	120,000	149,289	29,289
P.I.L.O.T. - IKEA Expansion	180,000	282,909	102,909
P.I.L.O.T. - Elizabeth Senior Citizens, National Church Residence	12,000	13,416	1,416
P.I.L.O.T. - Immaculate Conception Residence	4,000	53,045	49,045
P.I.L.O.T. - Marina Village Residence	15,000	16,624	1,624
P.I.L.O.T. - 349 First Street	25,000	23,501	(1,499)
P.I.L.O.T. - Winfield Scott Residence	15,000	29,956	14,956
State aid without offsetting appropriations:			
Consolidated municipal property relief act	16,234,782	16,234,782	—
Supplemental Energy Receipts Tax	274,135	274,135	—
Energy Receipts Tax	17,612,283	17,612,283	—
Dedicated uniform construction code fees offset with appropriations:			
Uniform construction code fees	800,000	692,901	(107,099)

(Continued)

CITY OF ELIZABETH

Statement of Revenues

Current Fund

Year ended June 30, 2010

	Anticipated		Excess/ (deficit)
	Budget	Realized	
Public and private programs offset by appropriations:			
Public Health Priority Funding 2nd Half 2009	\$ 40,339	40,339	—
Public Health Priority Funding 1st Half 2010	41,347	41,347	—
H.O.P.W.A. FY 2010	748,186	748,186	—
Greening Union County 2009	8,950	8,950	—
Body Armor 2009	8,656	8,656	—
Clean Communities Grant 2010	137,659	137,659	—
Municipal Alliance Grant 2009	82,881	82,881	—
Alcohol Education Rehabilitation	2,181	2,181	—
Alcohol Education Rehabilitation and Enforcement	2,262	2,262	—
STD Grant 2009	45,337	45,337	—
Summer Pedestrian Safety Grant 2009	7,500	7,500	—
Summer Food Services Program	217,867	217,867	—
Division of Highway Safety	4,000	4,000	—
Division of Highway Safety	4,000	4,000	—
Division of Highway Safety 2009	6,000	6,000	—
Division of Highway Safety 2010	5,000	5,000	—
Lead ID and Testing Grant	18,690	18,690	—
State Health Services Grant 2010	262,696	262,696	—
Port Security Grant (ARRA)	1,850,000	1,850,000	—
COPS Hiring Recovery Program	4,961,943	4,961,943	—
UASI Fire Subcommittee Coordinator Position	15,000	15,000	—
Non Public School Nursing Grant	167,138	167,138	—
Elizabeth Ave. Streetscape NJDOT	500,000	500,000	—
Acquisition of 1 West End Place	100,500	100,500	—
Recycling Tonnage Grant 2007	79,468	79,468	—
Edward Byrne Memorial JAG	98,089	98,089	—
Edward Byrne Memorial JAG 2009-H0624-NJ-SBR	519,164	519,164	—
Edward Byrne Memorial JAG 2009- DJ-BX-1319	125,904	125,904	—
Safe and Secure Grant 2009	154,101	154,101	—
Safe and Secure Grant 2010	156,525	156,525	—
Safe Streets and Neighborhoods	300,000	300,000	—
Energy Efficiency and Conservation Block Grant	1,176,700	1,176,700	—
N.J. Urban Enterprise Zone (UEZ):			
09-127 Police Security 12 Officers	1,098,101	1,098,101	—
09-128 Commercial District Security Program	1,017,376	1,017,376	—
09-130 Graffiti and Litter Removal Program	515,537	515,537	—
09-131 Elizabeth Ave. SID	223,050	223,050	—
09-149 Invest Elizabeth Economic Stimulus Program	1,280,000	1,280,000	—
09-150 Westfield Ave. Median Planting Program	581,200	581,200	—
09-151 Midtown Sewer Rehab	400,000	400,000	—
09-24 SGF Elizabeth Midtown Garage	225,000	225,000	—
09-10 Administrative 2009	950,000	950,000	—
09-28 Acquisition of 1084-1086 Elizabeth Ave.	432,492	432,492	—
09-29 Historic United Counties Trust Building Emergency Funding	58,500	58,500	—
09-167 Financial Lending Program III	2,240,197	2,240,197	—
09-168 Liberty International Initiative GNC & Visitor Bureau	657,030	657,030	—
09-169 Façade Improvement Program VII	279,391	279,391	—
09-753 Purchase of Four Police Scooters	87,981	87,981	—

(Continued)

CITY OF ELIZABETH

Statement of Revenues

Current Fund

Year ended June 30, 2010

10-01 SGF Historical Counties Trust BLDG. Phase II	\$	201,105	201,105	—
10-112 Renewable Energy Capital Stimulus Grant		1,000,000	1,000,000	—
10-342 Revitalization Feasibility Study - Morris Ave.		135,000	135,000	—
09-130 Graffiti and Litter Removal Program III		50,000	50,000	—
Customer Service Skills Training Initiative Phase 2		300,000	300,000	—
Business District Holiday Lighting & Entertainment		44,420	44,420	—
Construction of Building- Trinitas Hosp. Regional Ed. Facility		500,000	500,000	—
GO Elizabeth - NJ Monthly Star Ledger Insert		168,000	168,000	—
Elizabeth Streetscape Phase IV		46,940	46,940	—
09-167 Financial Lending Program III Increase		30,692	30,692	—
06-90 Historic Midtown Elizabeth SID 2010		204,500	204,500	—
North Broad Streetscape		148,080	148,080	—
CCTV Public Security Project		2,134,856	2,134,856	—
Special items of general revenue anticipated with prior written consent of Director of Local Government Services:				
Parking Tax		900,000	1,020,123	120,123
Hotel and Motel Occupancy Tax		3,100,000	2,790,733	(309,267)
Hotel Occupancy Tax		1,400,000	1,374,398	(25,602)
Total miscellaneous revenues		90,238,473	91,137,225	898,752
			Anticipated	Excess/
		Budget	Realized	(deficit)
Receipts from delinquent taxes	\$	3,500,000	7,532,600	4,032,600
Total amount to be raised by taxes for support of municipal budget		106,542,739	111,733,914	5,191,175
Budget totals	\$	217,281,212	227,403,739	10,122,527
Nonbudget revenue			2,572,746	
			\$ 229,976,485	

Analysis of Realized Revenue

Receipts from delinquent taxes:		
Delinquent tax collections realized	\$	7,486,220
Tax title lien collections realized		46,380
	\$	7,532,600
Allocation of current tax collections:		
Collections realized	\$	180,090,169
Allocated to:		
Local school district tax		44,248,475
County taxes		33,349,562
Special assessment		405,000
		78,003,037
Balance for support of municipal budget appropriations		102,087,132
Add reserve for uncollected taxes		9,646,782
Total balance for support of municipal budget appropriations	\$	111,733,914

CITY OF ELIZABETH

Statement of Revenues

Current Fund

Year ended June 30, 2010

Miscellaneous Revenues not Anticipated

Retirement of debt in excess of borrowing	\$ 79,798
Rent Auto Body - Harrison St.	19,000
Recycling	193,846
Motor fuel tax reimbursement	40,643
DDEF MV	61,985
Stale Dated Checks	3,811
Triple M Investment Co.	33,907
ABC Transfer fees	2,634
Interlocal agreement	21,310
Tax sale certificate redemption fees	10,500
Turnpike for Fire Department	13,720
Scrap lead sale	716
Technician fees	4,603
Garnishees	3,975
Bad checks	3,967
Franchise Revenue	400
Legal Fees City Liens	238
Duplicate tax bill fees	1,985
Public Access Info Desk	500
Miscellaneous	13
Ambulance Report Fees	664
EMS Training Fees	5,780
Litigation Fees	14,302
Public Pier	250
Bad Checks Construction	279
Restitution Checks MC	120
Photo ID Replacement	80
Motor Vehicle Rental Tax	72,293
On site inspection fees	81,633
Insurance Damage	6,308
Rent - Borne Chemical	97,500
Parking Lot	4,900
DMV Inspection fines	61,639
Rent - train station	70,854
Handicap fees	15,000
Handicap Application	3,200
Copies and postage reimbursed	1,222
Marina Public Pier and Ferry	1,385
Election polling places	1,269
Foreclosed registration and fines	4,100
PILOT Atlanta (Danic)	301,232
PILOT Westport Homes	180,612
PILOT Magnolia Ave. (Portside II)	110,578
PILOT Pine Street	59,032
PILOT 620 First	127
PILOT Millenium	32,756
PILOT Sierra Gardens	24,957
PILOT IKEA	712,259
PILOT 921 Elizabeth Ave.	19,170
PILOT - Port Authority Bayway Ave.	39,503
PILOT - Hope VI	40,043
PILOT- Housing Authority	106,284
PILOT Burnett Investors	2,173
PILOT 107 First St.	3,691
	<u>\$ 2,572,746</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Operations within "CAPS":				
General Government:				
Administrative and Executive:				
City Council:				
Salaries and wages	\$ 229,720	243,270	243,237	33
Other expenses	31,900	31,900	14,752	17,148
Alcoholic Beverage Control:				
Salaries and wages	120,260	127,160	127,101	59
Other expenses	7,850	7,850	6,439	1,411
City Clerk:				
Salaries and wages	260,689	260,989	260,977	12
Other expenses	9,125	9,125	4,991	4,134
Elections:				
Salaries and wages	8,000	8,000	—	8,000
Other expenses	42,000	42,000	—	42,000
Printing and Publications:				
Other expenses	175,000	175,000	66,124	108,876
Mayor's Office:				
Salaries and wages	267,511	273,501	273,489	12
Other expenses	11,350	11,350	8,916	2,434
Department of Law:				
Salaries and wages	755,767	854,877	847,602	7,275
Other expenses	340,750	340,750	201,407	139,343
Administration:				
Business Administrator's Office:				
Salaries and wages	368,975	329,775	329,707	68
Other expenses	337,900	337,900	292,002	45,898
Division of Budget and Personnel:				
Salaries and wages	180,489	182,989	182,965	24
Other expenses	1,200	1,300	1,280	20
Division of Purchasing:				
Salaries and wages	301,252	304,252	304,220	32
Other expenses	151,100	151,100	67,377	83,723
Division of Data Processing:				
Salaries and wages	738,898	744,398	742,126	2,272
Other expenses	459,000	459,000	379,829	79,171
Division of Employee Benefits:				
Salaries and wages	117,565	116,565	115,121	1,444
Other expenses	1,250	1,250	1,243	7
Division of EMS Billing and Collection:				
Salaries and wages	139,207	119,207	113,913	5,294
Department of Finance:				
Division of Accounts and Controls:				
Salaries and wages	815,027	795,027	789,363	5,664
Other expenses	25,500	35,500	28,549	6,951
Division of Assessments:				
Salaries and wages	509,662	494,662	487,718	6,944
Other expenses	182,800	187,800	181,087	6,713
Annual City Audit:				
Other expenses	57,000	57,000	57,000	—
Single Audit Act:				
Other expenses	57,000	57,000	57,000	—

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Audit - Other Funds:				
Other expenses	\$ 57,000	57,000	57,000	—
Audit - Other Financial:				
Other expenses	5,000	5,000	5,000	—
Division of Revenue:				
Salaries and wages	577,992	595,792	593,809	1,983
Other expenses	29,700	39,700	38,631	1,069
Department of Neighborhood Services:				
Director's Office:				
Salaries and wages	97,791	—	—	—
Other expenses	2,650	2,441	7	2,434
Bureau of Construction and Zoning:				
Salaries and wages	993,590	967,590	954,216	13,374
Other expenses	175,800	175,800	40,245	135,555
Division of Housing:				
Salaries and wages	376,988	364,988	363,529	1,459
Other expenses	7,900	7,900	2,795	5,105
Bureau of Rent Control				
Salaries and wages	48,443	49,043	49,000	43
Other expenses	7,850	7,850	3,307	4,543
Central License Bureau:				
Salaries and wages	530,509	543,309	535,369	7,940
Other expenses	19,500	19,500	4,233	15,267
Division of Weights and Measures:				
Salaries and wages	58,441	59,141	59,113	28
Other expenses	800	800	91	709
Department of Planning and Community Development:				
Director's Office:				
Salaries and wages	190,726	95,726	88,972	6,754
Other expenses	5,000	5,000	2,305	2,695
Bureau of Community Development:				
Other expenses	1,550	1,550	788	762
Bureau of Elizabeth Home Improvement				
Other expenses	2,000	2,000	1,922	78
Bureau of Cultural and Heritage Affairs				
Salaries and wages	130,803	113,803	111,895	1,908
Other expenses	50,500	50,500	27,865	22,635
Bureau of Planning and Zoning				
Salaries and wages	66,393	113,093	112,969	124
Other expenses	160,150	160,150	105,553	54,597
Bureau of Economic Development				
Salaries and wages	58,757	59,307	59,267	40
Other expenses	2,100	2,100	958	1,142
Bureau of Public Information and Citizens Participation Services:				
Salaries and wages	276,777	246,777	238,762	8,015
Other expenses	113,600	113,600	70,958	42,642
Human Rights Commission:				
Salaries and wages	82,811	83,811	83,762	49
Other expenses	3,450	3,450	1,007	2,443
Department of Public Works:				
Director's Office:				
Salaries and wages	901,723	901,723	899,860	1,863
Other expenses	4,250	4,250	113	4,137

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Bureau of Public Buildings:	\$			
Salaries and wages	1,952,546	1,791,546	1,722,889	68,657
Other expenses	1,088,825	1,313,825	1,305,289	8,536
Bureau of Streets, Parks and Trees:				
Salaries and wages	4,852,976	5,103,976	4,889,122	214,854
Other expenses	724,000	724,000	723,871	129
Bureau of Equipment and Yard Maintenance:				
Salaries and wages	980,973	880,973	861,394	19,579
Other expenses	847,200	1,047,200	1,038,869	8,331
Marina:				
Salaries and wages	240,784	230,784	221,364	9,420
Other expenses	224,725	224,725	197,793	26,932
Recycling Program:				
Salaries and wages	148,875	156,575	149,535	7,040
Other expenses	5,575	5,575	5,467	108
Garbage and Trash Removal:				
Other expenses	9,000,000	9,000,000	8,006,520	993,480
Street Lighting:				
Other expenses	1,900,000	1,900,000	1,782,570	117,430
Department of Health and Human Services:				
Director's Office:				
Salaries and wages	273,329	284,629	284,628	1
Other expenses	137,450	137,450	15,210	122,240
Division of Health:				
Salaries and wages	1,725,602	1,269,502	1,241,375	28,127
Other expenses	665,550	650,050	489,941	160,109
Division of Human Services				
Salaries and wages	84,811	84,811	83,793	1,018
Other expenses	10,100	10,100	1,187	8,913
Office of Social Services				
Salaries and wages	107,179	199,179	176,080	23,099
Other expenses	16,250	16,250	7,866	8,384
Office on Aging:				
Salaries and wages	791,319	721,319	681,576	39,743
Other expenses	59,000	59,000	16,971	42,029
Office of Vital Statistics				
Salaries and wages	193,877	173,877	166,433	7,444
Other expenses	7,800	7,800	6,897	903
Office of Relocation				
Salaries and wages	79,885	79,885	68,470	11,415
Other expenses	100,500	100,500	36,205	64,295
Office of Youth Services				
Salaries and wages	480,211	726,211	700,393	25,818
Other expenses	363,050	363,050	184,676	178,374
Division of Air Pollution:				
Salaries and wages	41,058	41,058	40,455	603
Public Health Nurses Division:				
Salaries and wages	428,175	428,175	391,556	36,619
Public Safety:				
Fire Department:				
Salaries and wages	24,681,851	24,965,751	24,961,142	4,609
Other expenses	720,660	720,660	444,292	276,368

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Uniform Fire Safety Act:				
Salaries and wages	\$ 482,155	507,955	506,719	1,236
Other expenses	62,250	62,250	15,365	46,885
Police Department:				
Salaries and wages	35,828,926	36,175,146	34,550,899	1,624,247
Other expenses	1,690,050	1,690,050	1,148,637	541,413
Emergency Medical Services:				
Salaries and wages	2,143,870	1,963,870	1,919,066	44,804
Other expenses	165,350	165,350	127,184	38,166
Recreation Department:				
Salaries and wages	2,530,897	2,530,897	2,480,801	50,096
Other expenses	325,550	325,550	254,470	71,080
Municipal Court:				
Salaries and wages	2,122,894	2,122,894	1,886,886	236,008
Other expenses	223,050	223,050	196,164	26,886
Public Defender:				
Other expenses	140,000	140,000	13,900	126,100
Unclassified Purposes:				
Insurance:				
Other expenses	450,000	450,000	326,679	123,321
Group Insurance:				
Other expenses	200,000	200,000	166,616	33,384
Cobra Administration:				
Other expenses	5,000	5,000	3,545	1,455
Hospital, Medical, Dental, etc. Insurance - Other expenses	25,000,000	25,000,000	23,064,605	1,935,395
Insurance reserve - Other expenses	2,500,000	2,500,000	2,500,000	—
Right to Know Law:				
Other expenses	15,000	15,000	—	15,000
Annual Dues:				
N.J. State League of Municipalities:				
Other expenses	10,000	10,000	—	10,000
U.S. Conference of Mayors:				
Other expenses	10,000	10,000	10,000	—
Utilities:				
Electricity	1,200,000	1,200,000	1,199,371	629
Natural Gas	700,000	600,000	368,409	231,591
Gasoline	1,600,000	1,159,780	909,474	250,306
Fuel Oil	125,000	125,000	121,048	3,952
Telephone	900,000	1,070,000	1,068,387	1,613
Postage	250,000	250,000	192,093	57,907
Parking Lot Agreement	57,300	57,300	57,300	—
Total operations within "CAPS"	143,415,719	143,590,719	134,690,283	8,900,436
Contingent	125,000	125,000	12,349	112,651
Total operations including contingent, within "CAPS"	143,540,719	143,715,719	134,702,632	9,013,087
Detail:				
Salaries and wages	89,376,959	89,487,788	86,952,638	2,535,150
Other expenses including contingent	54,163,760	54,227,931	47,749,994	6,477,937

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contributions to:				
Social Security System	3,350,000	3,175,000	3,060,561	114,439
Consolidated Police and Fire Retirement Fund	350,000	365,790	365,790	—
Police and Firemen's Retirement System of N. J.	7,000,000	6,984,210	6,821,813	162,397
Public Employees Retirement System - Other expenses	1,500,000	1,500,000	1,417,185	82,815
Assessment for CIF/RTK	8,000	8,000	—	8,000
N.J. Unemployment Fund	200,000	200,000	191,167	8,833
Total deferred charges and statutory expenditures - Municipal within "CAPS"	12,408,000	12,233,000	11,856,516	376,484
Total general appropriations for Municipal purpose within "CAPS"	155,948,719	155,948,719	146,559,148	9,389,571
Operations excluded from "CAPS":				
Other operations excluded from "CAPS":				
Matching Fund - City share	333,229	333,229	—	333,229
Public Employees Retirement System - Other expenses	—	—	—	—
Reserve for Tax Appeals:				
Other expenses	3,500,000	3,500,000	3,500,000	—
Maintenance of Free Public Library	3,927,452	3,927,452	3,927,452	—
Total other operations excluded from "CAPS"	7,760,681	7,760,681	7,427,452	333,229
Public and Private Programs Offset by Revenues:				
Public Health Priority Funding 2nd Half 2009	40,339	40,339	40,339	—
Public Health Priority Funding 1st Half 2010	41,347	41,347	41,347	—
H.O.P.W.A. FY 2010	748,186	748,186	748,186	—
Greening Union County 2009	8,950	8,950	8,950	—
Greening Union County 2009 - Local Share	8,950	8,950	8,950	—
Body Armor 2009	8,656	8,656	8,656	—
Clean Communities Grant 2010	137,659	137,659	137,659	—
Municipal Alliance Grant 2009	82,881	82,881	82,881	—
Municipal Alliance Grant 2009 - Local Share	20,720	20,720	20,720	—
Alcohol Education Rehabilitation	2,181	2,181	2,181	—
Alcohol Education Rehabilitation and Enforcement	2,262	2,262	2,262	—
STD Grant 2009	45,337	45,337	45,337	—
Summer Pedestrian Safety Grant 2009	7,500	7,500	7,500	—
Summer Food Services Program	217,867	217,867	217,867	—
Division of Highway Safety	4,000	4,000	4,000	—
Division of Highway Safety	4,000	4,000	4,000	—
Division of Highway Safety 2009	6,000	6,000	6,000	—
Division of Highway Safety 2010	5,000	5,000	5,000	—
Lead ID and Testing Grant	18,690	18,690	18,690	—
State Health Services Grant 2010	262,696	262,696	262,696	—
Port Security Grant (ARRA)	1,850,000	1,850,000	1,850,000	—
COPS Hiring Recovery Program	4,961,943	4,961,943	4,961,943	—
UASI Fire Subcommittee Coordinator Position	15,000	15,000	15,000	—
Non Public School Nursing Grant	167,138	167,138	167,138	—
Elizabeth Ave. Streetscape NJDOT	500,000	500,000	500,000	—
Acquisition of 1 West End Place	100,500	100,500	100,500	—
Recycling Tonnage Grant 2007	79,468	79,468	79,468	—

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Edward Byrne Memorial JAG	98,089	98,089	98,089	—
Edward Byrne Memorial JAG 2009-H0624-NJ-SBR	519,164	519,164	519,164	—
Edward Byrne Memorial JAG 2009- DJ-BX-1319	125,904	125,904	125,904	—
Safe and Secure Grant 2009	154,101	154,101	154,101	—
Safe and Secure Grant - 2009 Local Share	38,525	38,525	38,525	—
Safe and Secure Grant 2010	156,525	156,525	156,525	—
Safe and Secure Grant - 2010 Local Share	39,131	39,131	39,131	—
Safe Streets and Neighborhoods	300,000	300,000	300,000	—
Energy Efficiency and Conservation Block Grant	1,176,700	1,176,700	1,176,700	—
N.J. Urban Enterprise Zone (UEZ):				
09-127 Police Security 12 Officers	1,098,101	1,098,101	1,098,101	—
09-127 Police Security 12 Officers- Local Share	274,525	274,525	274,525	—
09-128 Commercial District Security Program	1,017,376	1,017,376	1,017,376	—
09-128 Commercial District Security Program - Local Share	254,344	254,344	254,344	—
09-130 Graffiti and Litter Removal Program	515,537	515,537	515,537	—
09-131 Elizabeth Ave. SID	223,050	223,050	223,050	—
09-149 Invest Elizabeth Economic Stimulus Program	1,280,000	1,280,000	1,280,000	—
09-150 Westfield Ave. Median Planting Program	581,200	581,200	581,200	—
09-151 Midtown Sewer Rehab	400,000	400,000	400,000	—
09-24 SGF Elizabeth Midtown Garage	225,000	225,000	225,000	—
09-10 Administrative 2009	950,000	950,000	950,000	—
09-28 Acquisition of 1084-1086 Elizabeth Ave.	432,492	432,492	432,492	—
09-29 Historic United Counties Trust Building Emergency Funding	58,500	58,500	58,500	—
09-167 Financial Lending Program III	2,240,197	2,240,197	2,240,197	—
09-168 Liberty International Initiative GNC & Visitor Bureau	657,030	657,030	657,030	—
09-169 Façade Improvement Program VII	279,391	279,391	279,391	—
09-753 Purchase of Four Police Scooters	87,981	87,981	87,981	—
10-01 SGF Historical Counties Trust BLDG. Phase II	201,105	201,105	201,105	—
10-112 Renewable Energy Capital Stimulus Grant	1,000,000	1,000,000	1,000,000	—
10-342 Revitalization Feasibility Study - Morris Ave.	135,000	135,000	135,000	—
09-130 Graffiti and Litter Removal Program III	50,000	50,000	50,000	—
Customer Service Skills Training Initiative Phase 2	300,000	300,000	300,000	—
Business District Holiday Lighting & Entertainment	44,420	44,420	44,420	—
Construction of Building- Trinitas Hosp. Regional Ed. Facility	500,000	500,000	500,000	—
GO Elizabeth - NJ Monthly Star Ledger Insert	168,000	168,000	168,000	—
Elizabeth Streetscape Phase IV	46,940	46,940	46,940	—
Elizabeth Streetscape Phase IV - Local Share	2,860	2,860	2,860	—
09-167 Financial Lending Program III Increase	30,692	30,692	30,692	—
06-90 Historic Midtown Elizabeth SID 2010	204,500	204,500	204,500	—
North Broad Streetscape	148,080	148,080	148,080	—
North Broad Streetscape Local Share	3,520	3,520	3,520	—
CCTV Public Security Project	2,134,856	2,134,856	2,134,856	—
CCTV Public Security Project - Local Share	91,590	91,590	91,590	—
Total public and private programs offset by revenues	27,591,696	27,591,696	27,591,696	—
Total operations - excluded from "CAPS"	35,352,377	35,352,377	35,019,148	333,229
Detail (total operations - excluded from "CAPS"):				
Salaries and wages	—	—	—	—
Other expenses	35,352,377	35,352,377	35,019,148	333,229

(Continued)

CITY OF ELIZABETH

Statement of Expenditures

Current Fund

Year ended June 30, 2010

Appropriations	Budget	Budget after modification	Paid or charged	Reserved
Capital Improvements - excluded from "CAPS":				
Capital Improvement Fund - Restructuring	900,000	900,000	900,000	—
Total Capital Improvements excluded from "CAPS"	900,000	900,000	900,000	—
Municipal Debt Service - excluded from "CAPS":				
Payment of bond principal	1,711,000	1,711,000	1,711,000	—
Interest on bonds	2,736,590	2,736,590	2,736,590	—
Green Trust Loan Program:				
Loan repayment for principal and interest schedule 1	50,321	50,321	50,321	—
Loan repayment for principal and interest schedule 2	42,343	42,343	42,343	—
Restructuring bonds - principal	8,830,000	8,830,000	8,830,000	—
Restructuring bonds - interest	687,296	687,296	687,296	—
Lease ordinance-2 repayment for principal and interest	180,399	180,399	180,399	—
Lease ordinance-3 repayment for principal and interest	202,517	202,517	202,517	—
Lease ordinance-4 repayment for principal and interest	568,163	568,163	568,163	—
NJ Economic Dev. Auth Loan Program Repayment-2	87,720	87,720	87,720	—
NJ Demolition Loan Program	85,800	85,800	85,800	—
Deficiency agreement with EDC	200,000	200,000	200,000	—
Total municipal debt service excluded from "CAPS"	15,382,149	15,382,149	15,382,149	—
Deferred Charges:				
Deferred Charges to Future Taxation Unfunded (Ord. 2370)	18,097	18,097	18,097	—
Deferred Charges to Future Taxation Unfunded (Ord. 2746)	33,089	33,089	33,089	—
	51,186	51,186	51,186	—
Total General Appropriation For Municipal Purposes Excluded from "CAPS"	51,685,712	51,685,712	51,352,483	333,229
Subtotal general appropriations	\$ 207,634,431	207,634,431	197,911,631	9,722,800
Reserve for Uncollected Taxes	9,646,782	9,646,782	9,646,782	—
Total general appropriations	\$ 217,281,213	217,281,213	207,558,413	9,722,800
Original budget		\$ 210,508,353		
Appropriation by N.J.S.A. 40A:4-87		6,772,859		
		\$ 217,281,212		
Encumbered			\$ 2,646,300	
Reserve for uncollected taxes			9,646,782	
Transferred to Federal and State Grant Fund			27,591,696	
Transferred to reserves			3,500,000	
Cancelled deficiency agreement appropriation			200,000	
Due to General Capital Fund			51,186	
Cash disbursed			163,922,449	
			\$ 207,558,413	

See accompanying notes to financial statements.

Exhibit B

CITY OF ELIZABETH

Balance Sheet

Trust Funds

June 30, 2010 and 2009

Assets	Ref.	2010	2009
Dog License Fund:			
Cash	B-1	\$ 19,426	18,164
		<u>19,426</u>	<u>18,164</u>
Other Federal Grant Funds:			
Cash	B-1	27,870	138,964
Grants receivable	B-8	2,870,963	2,550,968
HPRP Receivable	B-19	214,026	—
Due from UDAG Fund	B-12	<u>225,519</u>	<u>225,519</u>
		<u>3,338,378</u>	<u>2,915,451</u>
Urban Development Action Grant (UDAG) Fund:			
Cash	B-1	1,358,556	1,349,107
UDAG loans receivable	B-2	<u>—</u>	<u>300,260</u>
		<u>1,358,556</u>	<u>1,649,367</u>
Community Development Block Grant Fund:			
Cash	B-1	2,178	524,342
Federal grants receivable	B-10	2,885,257	2,111,380
Due from Current Fund	B-5	25,347	25,347
Due from Elizabeth Development Corp.	B-15	<u>80,672</u>	<u>80,672</u>
		<u>2,993,454</u>	<u>2,741,741</u>
General Trust Funds:			
Cash	B-1	16,129,764	10,121,981
Due from Trustee	B-17	<u>13,976</u>	<u>13,976</u>
		<u>16,143,740</u>	<u>10,135,957</u>
		<u>\$ 23,853,554</u>	<u>17,460,680</u>

(Continued)

Exhibit B

CITY OF ELIZABETH

Balance Sheet

Trust Funds

June 30, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Liabilities, Reserves and Fund Balance			
Dog License Fund:			
Due to State of New Jersey	B-6	\$ 304	662
Reserve for Dog Expenditures	B-7	<u>19,122</u>	<u>17,502</u>
		<u>19,426</u>	<u>18,164</u>
Other Federal Grant Funds:			
Reserve for Grants	B-9	3,114,825	2,915,451
Reserve for HPRP Grant Expenditures	B-20	<u>223,553</u>	<u>—</u>
		<u>3,338,378</u>	<u>2,915,451</u>
Urban Development Action Grant (UDAG) Fund:			
Reserve for UDAG loans receivable	B-3	1,131,271	1,422,082
Accounts Payable	B-16	1,766	1,766
Due to Other Federal Grant Funds	B-12	<u>225,519</u>	<u>225,519</u>
		<u>1,358,556</u>	<u>1,649,367</u>
Community Development Block Grant Fund:			
Reserve for Community Development			
Block Grant	B-11	2,993,454	2,656,855
Reserve for Program Income	B-14	<u>—</u>	<u>84,886</u>
		<u>2,993,454</u>	<u>2,741,741</u>
General Trust Funds:			
Off Duty Police Reserve	B-13	312,904	278,619
Due to Current Fund	B-18	—	19,742
Reserves for Special Purposes	B-4	<u>15,830,836</u>	<u>9,837,596</u>
		<u>16,143,740</u>	<u>10,135,957</u>
		<u>\$ 23,853,554</u>	<u>17,460,680</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheets

General Capital Fund

June 30, 2010 and 2009

	Ref.	2010	2009
Assets			
Cash	C-2, C-3	\$ 20,941,688	23,122,645
Due from Current Fund	C-6	68,666	13,231
Due from State of New Jersey -			
Department of Environmental Protection	C-14	267,196	267,196
Department of Transportation	C-10	136,693	136,693
Waterfront Park Loan Receivable	C-5	267,196	267,196
Due from Union County Improvement Authority	C-16	1,112,289	1,112,289
Deferred charges to future taxation:			
Funded	C-7	83,597,577	94,379,924
Unfunded	C-8	31,302,307	19,158,493
		<u>\$ 137,693,612</u>	<u>138,457,667</u>
Liabilities and Fund Balance			
Serial bonds:			
General	C-4	\$ 76,412,000	86,953,000
Loans payable	C-17	7,185,577	7,426,924
Improvement authorizations:			
Funded	C-11	12,921,101	17,563,349
Unfunded	C-11	28,041,800	17,486,048
Capital improvement fund	C-12	3,267,171	3,022,171
Reserve for:			
State aid receivable	-	136,693	136,693
Bond sale expense	C-9	115,333	107,107
Retirement of debt	C-13	3,291,393	3,139,831
Fund balance	C-1	6,322,544	2,622,544
		<u>\$ 137,693,612</u>	<u>138,457,667</u>

There were bonds and notes authorized but not issued on June 30, 2009 and 2010 of \$19,158,493 and \$31,302,307 (Exhibit C-15), respectively.

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Fund Balance

General Capital Fund

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Balance, Beginning of Year	\$ <u>2,622,544</u>	<u>2,417,699</u>
Increased by:		
Improvement authorizations cancelled	4,000,000	1,209,940
Other	<u>—</u>	<u>52</u>
	<u>4,000,000</u>	<u>1,209,992</u>
	<u>6,622,544</u>	<u>3,627,691</u>
Decreased by:		
Improvement authorization	300,000	1,000,000
Receivables cancelled	<u>—</u>	<u>5,147</u>
	<u>300,000</u>	<u>1,005,147</u>
Balance, End of Year	\$ <u><u>6,322,544</u></u>	<u><u>2,622,544</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Balance Sheets

Water Utility Funds

June 30, 2010 and 2009

		<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Assets				
Operating Fund:				
Cash	D-3	\$	998,085	935,124
Due from Water Capital Fund	D-7		1,184	3,809
Due from Water Trust Fund	D-7		14	46
			<u>999,283</u>	<u>938,979</u>
Receivables and inventory with reserves:				
Water liens receivable	D-9		<u>13,063</u>	<u>8,747</u>
			<u>13,063</u>	<u>8,747</u>
Total Operating Fund			<u>1,012,346</u>	<u>947,726</u>
Trust Fund:				
Cash	D-3		<u>157,486</u>	<u>157,518</u>
Total Trust Fund			<u>157,486</u>	<u>157,518</u>
Capital Fund:				
Cash			<u>2,830,659</u>	<u>2,939,920</u>
	D-3,D-4		2,830,659	2,939,920
Fixed capital	D-12		<u>16,441,271</u>	<u>16,441,271</u>
Total Capital Fund			<u>19,271,930</u>	<u>19,381,191</u>
		\$	<u>20,441,762</u>	<u>20,486,435</u>

(Continued)

CITY OF ELIZABETH

Balance Sheets

Water Utility Funds

June 30, 2010 and 2009

	Ref.	2010	2009
Liabilities, Reserves, and Fund Balance			
Operating Fund:			
Accounts payable	D-13	\$ 36,028	36,028
Due to Liberty Water	D-10	180,849	140,290
		<u>216,877</u>	<u>176,318</u>
Reserve for:			
Water liens receivable		13,063	8,747
		<u>13,063</u>	<u>8,747</u>
Fund balance	D-1	782,406	762,661
Total Operating Fund		<u>1,012,346</u>	<u>947,726</u>
Trust Fund:			
Due to Water Operating Fund	D-7	14	46
Reserve for customer deposits	D-5	157,472	157,472
Total Trust Fund		<u>157,486</u>	<u>157,518</u>
Capital Fund:			
Reserve for amortization	D-11	16,441,271	16,441,271
Reserve for capital expenditures	D-6	2,132,236	2,238,872
Due to Water Operating Fund	D-7	1,184	3,809
Capital Improvement Fund	D-8	697,239	697,239
Total Capital Fund		<u>19,271,930</u>	<u>19,381,191</u>
		<u>\$ 20,441,762</u>	<u>20,486,435</u>

There were bonds and notes authorized but not issued of \$0 and \$0 on June 30, 2009 and 2010 respectively.

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Operations and Changes in Fund Balance

Water Utility Operating Fund

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue and other credits to income:		
Miscellaneous revenue not anticipated	\$ <u>19,745</u>	<u>101,537</u>
Total income	<u>19,745</u>	<u>101,537</u>
 Fund balance, July 1	 <u>762,661</u>	 <u>2,661,124</u>
	<u>782,406</u>	<u>2,762,661</u>
 Surplus (general budget)	 <u>—</u>	 <u>2,000,000</u>
Fund balance, June 30	\$ <u><u>782,406</u></u>	<u><u>762,661</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues

Water Utility Operating Fund

Year ended June 30, 2010

	Revenues Realized
	<u> </u>
Nonbudget revenue (interest on investments)	\$ <u> 19,745 </u>
	\$ <u> 19,745 </u>

See accompanying notes to financial statements.

Exhibit E

CITY OF ELIZABETH

Balance Sheets

Sewer Utility Funds

June 30, 2010 and 2009

Assets	Ref.	2010	2009
Operating Fund:			
Cash	E-5	\$ 4,933,430	6,130,847
Due from Sewer Capital Fund	E-8	4	327
		<u>4,933,434</u>	<u>6,131,174</u>
Receivables with reserves:			
Consumers' accounts receivable	E-7	173,504	305,215
Miscellaneous rents receivable	E-28	5,342	5,342
Sewer liens receivable	E-24	10,280	6,929
		<u>189,126</u>	<u>317,486</u>
Total Operating Fund		<u>5,122,560</u>	<u>6,448,660</u>
Capital Fund:			
Cash	E-5, E-6	3,031,698	2,507,964
Fixed capital	E-9	50,421,759	46,228,690
Fixed capital authorized and uncompleted	E-10	80,660,513	72,853,582
Due from Trustee-Environmental Infrastructure Trust and fund loans	E-16	4,931,543	523,200
Due from State of New Jersey -			
Stormwater Grant Receivable	E-30	5,155	5,155
Wastewater Treatment Trust Fund	E-27	508,053	508,053
Total Capital Fund		<u>139,558,721</u>	<u>122,626,644</u>
		<u>\$ 144,681,281</u>	<u>129,075,304</u>

(Continued)

Exhibit E

CITY OF ELIZABETH

Balance Sheets

Sewer Utility Funds

June 30, 2010 and 2009

Liabilities, Reserves, and Fund Balance	Ref.	2010	2009
Operating Fund:			
Appropriation reserves	E-4,E-12	\$ 2,598,737	855,498
Encumbrances payable	E-26	283,881	47,542
Accounts payable	E-13	710,078	943,079
Accrued interest on bonds and notes	E-15	220,379	236,395
		<u>3,813,075</u>	<u>2,082,514</u>
Reserve for receivables		189,126	317,486
Fund balance	E-1	<u>1,120,359</u>	<u>4,048,660</u>
Total Operating Fund		<u>5,122,560</u>	<u>6,448,660</u>
Capital Fund:			
Due to Sewer Operating Fund	E-8	4	327
Bond sale expense payable	E-29	48,705	729
Serial bonds	E-17	4,449,000	5,046,000
Local unit bonds	E-18	1,339,303	1,509,969
Environmental infrastructure loans payable	E-23	22,240,646	17,253,517
Bond anticipation notes	E-14	3,000,000	—
Improvement authorizations:			
Funded	E-19	4,192,504	4,402,677
Unfunded	E-19	34,169,632	32,180,148
Reserve for:			
Amortization	E-20	59,186,728	51,304,978
Deferred amortization	E-21	8,796,766	8,796,766
Renewal and replacement	E-11	364,000	364,000
Appropriated grants	E-31	20,619	20,619
Capital Improvement Fund	E-25	788,338	788,338
Fund balance	E-2	<u>962,476</u>	<u>958,576</u>
Total Capital Fund		<u>139,558,721</u>	<u>122,626,644</u>
		<u>\$ 144,681,281</u>	<u>129,075,304</u>

There were bonds and notes authorized but not issued at June 30, 2009 and 2010 of \$35,433,829 and \$32,332,614 respectively (Exhibit E-22)

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Operations and Changes in Fund Balance

Sewer Utility Operating Fund

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue and other credits to income:		
Fund balance utilized	\$ 3,500,000	6,500,000
Sewer fees and charges	16,320,832	14,625,593
Miscellaneous	514,061	896,019
Other credits to income:		
Appropriation reserves lapsed	236,806	996,109
Receivable returned	—	12,045
Total income	<u>20,571,699</u>	<u>23,029,766</u>
Expenditures:		
Operating	13,000,000	10,500,000
Capital improvements	2,653,055	3,693,068
Debt service	4,346,945	4,606,932
Transfer to Current Fund	—	3,000,000
Total expenditures	<u>20,000,000</u>	<u>21,800,000</u>
Excess of revenues over expenses	571,699	1,229,766
Fund balance, July 1	<u>4,048,660</u>	<u>9,318,894</u>
	4,620,359	10,548,660
Less Fund Balance Utilized	<u>3,500,000</u>	<u>6,500,000</u>
Fund balance, June 30	<u>\$ 1,120,359</u>	<u>4,048,660</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Fund Balance

Sewer Utility Capital Fund

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Balance, Beginning of year	\$ 958,576	958,576
Increased by:		
Premium on sale of notes	<u>3,900</u>	<u>—</u>
Balance, End of year	<u>\$ 962,476</u>	<u>958,576</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Revenues

Sewer Utility Operating Fund

Year ended June 30, 2010

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Operating surplus anticipated	\$ 3,500,000	3,500,000	—
Rents	16,000,000	16,320,832	320,832
Miscellaneous	<u>500,000</u>	<u>514,061</u>	<u>14,061</u>
Total budget revenue	<u>\$ 20,000,000</u>	<u>20,334,893</u>	<u>334,893</u>

Analysis of Certain Realized Revenues

Rents:

Revenues collected	\$ <u>16,320,832</u>
	\$ <u><u>16,320,832</u></u>

Analysis of Miscellaneous

Interest on investments	\$ 124,931
Interest and costs	14,200
Joint Meeting refund	315,187
Miscellaneous	<u>59,743</u>
Cash receipts	\$ <u><u>514,061</u></u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of Expenditures

Sewer Utility Operating Fund

Year ended June 30, 2010

Account	Appropriations		Expended	
	Budget	Budget after modification	Paid or charged	Reserved
Operating:				
Management Fee	\$ 2,500,000	3,500,000	1,365,857	2,134,143
Joint Meeting	9,500,000	9,500,000	9,081,963	418,037
Capital improvements:				
Capital outlay	3,653,055	2,653,055	2,606,498	46,557
Debt service:				
Sewer System lease Payments- principal and int.	1,926,046	1,926,046	1,926,046	—
Payment of bond principal	597,000	597,000	597,000	—
Interest on bonds	210,833	210,833	210,833	—
Wastewater Treatment bonds - principal	1,207,274	1,207,274	1,207,274	—
Wastewater Treatment bonds - interest	405,792	405,792	405,792	—
Total	\$ 20,000,000	20,000,000	17,401,263	2,598,737

Analysis of paid or charged

Cash disbursed	\$ 16,500,757
Encumbrances payable	283,881
Interest on bonds and notes	616,625
	<u>\$ 17,401,263</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Statement of General Fixed Assets

General Fixed Assets Account Group

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
General fixed assets:		
Land and buildings	\$ 41,978,500	41,978,500
Equipment	11,866,625	11,859,056
Vehicles	<u>18,949,021</u>	<u>18,922,854</u>
Total general fixed assets	\$ <u>72,794,146</u>	<u>72,760,410</u>
Investment in general fixed assets	\$ <u>72,794,146</u>	<u>72,760,410</u>

See accompanying notes to financial statements.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Elizabeth conform to the accounting principles and practices 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. Such practices are not in accordance with generally accepted accounting principles (GAAP). The following is a summary of the significant policies:

Reporting entity

Except as noted below, the financial statements of the City of Elizabeth include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City of Elizabeth, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the City of Elizabeth do not include the operations of the Elizabeth Free Public Library, Parking Authority, Board of Education, Housing Authority, Elizabeth Development Corporation, and Special Improvement Districts.

Fund accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the City, the accounts of the City are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified or legal requirements. Separate accounts are maintained for each fund and, accordingly, all financial transactions have been recorded and reported by fund group. Under this method of accounting, the City of Elizabeth accounts for its financial transactions through the following separate funds:

- Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and state grant funds.
- Trust Funds (including the Community Development Block Grant) - 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.
- Water and Sewer Utility Funds - account for the operations and acquisition of capital facilities of the municipally-owned Water and Sewer Utilities.
- General Fixed Assets Account Group - investments in and disposal of fixed assets used to maintain operations of the City. Infrastructure assets

Budgets and budgetary accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

financial statements are those adopted by the City of Elizabeth and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et. seq.

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 differences are as follows:

- Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the current fund are recognized when anticipated in the City budget. GAAP requires such revenues to be recognized in the accounting period when they become available and measurable. GAAP defines available as collectible in the current period or soon enough thereafter to be used to pay liabilities that are owed at the end of the accounting period.
- Property Taxes and Other Revenues - Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheets of the various funds. GAAP requires such revenues to be recognized in the current accounting period if they are expected to be collected soon enough after the end of the year to pay current liabilities.
- Expenditures - unexpended or uncommitted appropriations, at year-end, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures in the current fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.
- Appropriation Reserves - are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves are not established under GAAP.
- Compensated Absences - Expenditures relating to obligations for vacation, sick and compensatory time are not recorded until paid. City officials have determined that only vacation, holiday and compensatory time should be accrued. Employee sick time is appropriated in the various departmental salary and wage accounts and the City is not liable for accrued sick time when employees retire. Any employee who retires, or is laid off from employment with the City, irrespective of years of service, shall be reimbursed for accumulated unused sick time at a rate of fifty (50%) percent of the employee's daily rate of pay for each day of accumulated unused sick time up to a maximum of ten thousand (\$10,000) dollars. Payment shall be made to the employee within six (6) months of the date of separation from employment. In order to be eligible for reimbursement, an employee must have at least thirty (30) accumulated sick days to his or her credit upon the effective date of separation from employment.

As of June 30, 2009 and 2010, the estimated accrued liability as determined by City officials for vacation, sick and compensatory time is approximately \$18,252,739 and \$19,642,189 respectively. In accordance with state regulations this accrued liability has not been expensed or recorded as a liability.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

- **Property Acquired for Taxes** - is recorded in the current fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fund or general fixed assets account group at its net realizable value.
- **Inventories** - Current fund inventory type items and inventories held by the sewer utility fund are expensed as incurred. GAAP requires the amount of inventory on hand to be recorded as an asset at year-end.
- **General Fixed Assets** - Property and equipment purchased by the current fund and the capital fund are recorded as expenditures at the time of purchase and are capitalized and recorded in the fixed assets account group (after January 1, 1985) or at estimated historical cost (prior to January 1, 1985). The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded. Property and equipment purchased by the utility funds are recorded at cost as fixed capital (completed projects) and fixed capital authorized and uncompleted (construction in progress). The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded. GAAP requires that depreciation be recorded in the utility funds.
- **Interfunds** - advances from the current fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.
- **Encumbrances** - contractual orders at year-end, are reported as expenditures through the establishment of a reserve for encumbrances. GAAP does not recognize encumbrances as expenditures or liabilities.
- **Deferred Charges to Future Taxation -Funded and Unfunded** - Upon the authorization of capital projects, the City establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary funding or nonfunding of the authorized costs of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the City may levy taxes on all taxable property within the local unit to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation and records proceeds of debt issued as revenue.
- **Improvement authorizations** – in the General Capital Fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the Current Fund. GAAP does not recognize these amounts as liabilities.
- **Investments** - Investments are carried at cost. Purchases of investments are limited by N.J.S. 40A:5-15.1 to bonds or obligations of or guaranteed by the Federal government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase. GAAP requires that investments be recorded at fair value.

Use of Estimates

To prepare the accompanying financial statements management made estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Taxes Receivable, Tax Title Liens

In accordance with the accounting principles presented by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

Taxes for the City are levied semi-annually in July and January and are payable August 1, November 1, February 1 and May 1. The taxes are liens on the property as of the billing date.

(3) Long-term Debt

The New Jersey Local Bond Law governs the issuance of bonds to finance general municipal and utility capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. General capital serial bonds are direct obligations of the City for which its full faith and credit are pledged, and are payable from the taxes levied on all taxable property located within the City. The water/ sewer utility bonds are payable from revenues generated from user fees but also have the ad valorem taxes pledged, should the utility revenues be insufficient to meet the debt obligations.

In addition, Wastewater Treatment Bonds issued on behalf of the City by the State of New Jersey, are recorded in the Sewer Capital Fund.

On July 25, 1998, the City issued \$2,924,000 of Sewer Utility Bonds maturing in each July 15th 1999 through 2018 with interest rates ranging from 4% to 5%. The balances outstanding at June 30, 2009 and 2010 are \$1,475,000 and \$1,330,000, respectively.

On November 15, 1999, the City issued \$6,092,000 of General Improvement Bonds maturing each November 15th; 2000 through 2014 with interest rates ranging from 5.25% to 5.625%. Bonds maturing on or after November 15, 2010 are subject to redemption on or after November 15, 2009. The balances outstanding at June 30, 2009 and 2010 are \$400,000 and \$0, respectively.

On November 1, 2001, the City issued \$5,225,000 of General Improvement Bonds maturing each November 1st; 2002 through 2021 with interest rates ranging from 4.0% to 4.75%. The City also issued \$4,030,000 of Sewer Utility Bonds on November 1st maturing each November 1st 2002 through 2021 with interest rates ranging from 4.0% to 4.75%. Bonds maturing on or after November 1, 2012 are subject to redemption on or after November 1, 2011. The balances outstanding at June 30, 2009 and 2010 are \$3,398,000 and \$2,616,000 and \$3,137,000 and \$2,414,000, respectively.

On December 1, 2001 the city issued \$2,875,000 of Sewer Utility Refunding Bonds. The bonds dated December 1, 2001 mature each November 15th, 2002 through 2012 with interest ranging from 3.05% to 4.5%. Bonds maturing on or after November 15, 2011 are subject to redemption on or after November 10, 2010. The bonds are general obligations of the City and are secured by the full faith and credit of the City for the payment of the principal thereof and the interest thereon. Unless paid from other sources, the City is authorized and required by law to levy on all real property taxable by the City such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without the limitation as to rate or amount. The City used proceeds from the sale to pay expenses related to the issuance and

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

to redeem the \$2,750,000 of outstanding Sewer Utility Bonds dated November 15, 1992. The balances outstanding at June 30, 2009 and 2010 are \$955,000 and \$705,000, respectively.

On May 15, 2003, the City issued \$14,250,000 of General Improvement Bonds maturing each November 15th; 2004 through 2018 with interest rates ranging from 3.00% to 3.75%. Bonds maturing on or after May 15, 2014 are subject to redemption on or after May 15, 2013. The balances outstanding at June 30, 2009 and 2010 are \$13,050,000 and \$12,850,000, respectively.

On October 1, 2004 the City issued \$6,245,000 of General Obligation Refunding Bonds, Series 2004, maturing each August 15th; 2006 through 2009 with interest ranging from 2% to 4%. Also, on May 19, 2005 the City issued \$13,315,000 of General Obligation Refunding Bonds, Series 2005, maturing each August 15th; 2007 through 2009, with interest rates ranging from 5% to 5.25 %. The Series 2004 and 2005 refunding bonds were issued to refund the December 15, 1994 bonds that matured on each August 15th 2006 through 2009 at interest rates ranging from 6.10% to 6.25%. The balances outstanding at June 30, 2009 and 2010 are \$2,175,000 and \$4,845,000 and \$0, respectively.

On December 14, 2004, the City issued \$2,330,000 of Early Retirement Incentive Refunding Bonds, Series 2004, maturing on each March 1st 2007 through 2020 with interest rates ranging from 3.95% to 5.30%. The bonds were issued to refund the SFY early retirement obligation. The balances outstanding at June 30, 2009 and 2010 are \$2,165,000 and \$2,040,000, respectively. Bonds maturing on or after March 1, 2015 are subject to redemption on or after March 1, 2014.

On May 15, 2005 the City issued \$15,000,000 of General Improvement Bonds, Series 2005, maturing each May 15th 2006 through 2030 with interest rates ranging from 4% to 4.375%. Bonds maturing on or after May 15, 2016 are subject to redemption on or after May 15, 2015. The bonds were issued to fund capital expenditures of the City. The balances outstanding at June 30, 2009 and 2010 are \$14,600,000 and \$14,500,000, respectively.

On May 15, 2006 the City issued \$11,500,000 of General Improvement Bonds, Series 2006 maturing each May 15th 2007 through 2021 with interest rates ranging from 4% to 4.25%. Bonds maturing on or after May 15 2017 are subject to redemption on or after May 15, 2016. The bonds were issued to fund capital expenditures of the City. The balances outstanding at June 30, 2009 and 2010 are \$10,750,000 and \$10,500,000, respectively.

On June 15, 2007 the City issued \$12,325,000 of General Improvement Bonds, Series 2007 maturing each June 15th 2008 through 2017 with interest rates ranging from 4% to 4.25%. The bonds were issued to fund capital expenditures of the City. The balances outstanding at June 30, 2009 and 2010 are \$11,825,000 and \$11,575,000, respectively.

On June 12, 2008 the City issued \$12,645,000 of General Improvement Refunding Bonds, Series 2008 maturing each November 15th; 2008 through 2014 with interest rates ranging from 3.250% to 5.00%. The bonds were issued to currently refund \$10,330,000 of the January 1, 1998 General Improvement Bonds and to advance refund \$2,092,000 of the General Improvement Bonds dated November 15, 1999 maturing on November 15, 2010 through 2014. The balances outstanding at June 30, 2009 and 2010 are \$11,290,000 and \$9,605,000, respectively.

On August 15, 2008 the City issued \$12,455,000 General Improvement Bonds Series 2008 maturing each August 15th; 2009 through 2023 with interest rates ranging from 4.250% to 4.375%. Bonds maturing on or after August 15, 2019 are subject to redemption on or after August 15, 2018. The balances outstanding at June 30, 2009 and 2010 are \$12,455,000 and \$12,205,000, respectively.

CITY OF ELIZABETH

Notes to Financial Statements

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On October 15, 1996, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$1,606,000 and fund loan of \$1,610,000. The interest rate on the trust loan ranges from 4% to 5.25%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on September 1, of each year from 1997 to 2020. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2002 to 2016. The balances outstanding at June 30, 2009 and 2010 are \$644,969 and \$865,000 and \$564,303 and \$775,000, respectively.

On October 1, 2000, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$2,635,000 and fund loan of \$2,548,815. The interest rate on the trust loan ranges from 5% to 5.25%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2002 to 2020. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2002 to 2020. The balances outstanding at June 30, 2009 and 2010 are \$1,935,000 and \$1,606,083 and \$1,815,000 and \$1,472,335, respectively.

On November 8, 2001, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$3,130,000 and fund loan of \$3,084,896. The interest rate on the trust loan ranges from 4.75% to 5.50%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2002 to 2021. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2002 to 2021. The balances outstanding at June 30, 2009 and 2010 are \$2,525,000 and \$2,186,246 and \$2,385,000 and \$2,017,377 respectively.

On August 1, 2002, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$1,945,000 and fund loan of \$1,775,000. The interest rate on the trust loan ranges from 4.75% to 5.50%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2003 to 2022. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2003 to 2022. The balances outstanding at June 30, 2009 and 2010 are \$1,705,000 and \$1,435,106 and \$1,620,000 and \$1,333,161, respectively.

On November 29, 2006, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$1,635,000 and fund loan of \$4,684,369. The interest rate on the trust loan ranges from 4.000% to 5.125%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2009 to 2026. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2009 to 2026. The balances outstanding at June 30, 2009 and 2010 are \$1,580,000 and \$4,271,082 and \$1,525,000 and \$4,039,036 respectively.

On December 1, 2009, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$1,755,000 and fund loan of \$1,763,165. The interest rate on the trust loan ranges from 4.000% to 5.00%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2010 to 2029. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2010 to 2029. The balances outstanding at June 30, 2010 are \$1,755,000 and \$1,763,165 respectively.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

On December 1, 2009, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$1,025,000 and fund loan of \$1,048,267. The interest rate on the trust loan ranges from 4.000% to 5.00%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2010 to 2029. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2010 to 2029. The balances outstanding at June 30, 2010 are \$1,025,000 and \$1,048,267 respectively.

On December 1, 2009, the City entered into a borrowing agreement to fund sewer improvements through the New Jersey Environmental Infrastructure Trust program. The loans consist of trust loan of \$220,000 and fund loan of \$222,305. The interest rate on the trust loan ranges from 4.000% to 5.00%; the fund loan is a non-interest bearing loan. The trust loan matures in annual installments on August 1, of each year from 2010 to 2029. Principal payments on the fund loan are on a semi-annual basis on August 1 and February 1 from 2010 to 2029. The balances outstanding at June 30, 2010 are \$220,000 and \$222,305 respectively.

The City debt is summarized as follows:

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Bonds, Notes and Loans Issued:		
General	\$83,597,575	94,379,924
Sewer	<u>31,028,949</u>	<u>23,799,486</u>
	<u>114,626,524</u>	<u>118,179,410</u>
Bonds and Notes Authorized Not Issued:		
General	31,302,307	19,158,493
Sewer	32,332,614	35,433,829
Water	<u>00</u>	<u>00</u>
	<u>63,634,921</u>	<u>54,592,322</u>
Total Bonds and Notes Issued and Authorized But Not Issued	<u>\$178,261,445</u>	<u>172,771,732</u>

Schedule of annual debt service for principal and interest for the next five years and every five year period thereafter for bonded debt issued and outstanding as of June 30, 2010:

Fiscal Year	<u>General Bonds</u>		<u>Sewer Debt</u>	
Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$6,586,000	3,158,594	2,007,100	762,366
2012	6,831,000	2,925,994	2,118,603	691,255
2013	7,111,000	2,618,915	2,135,956	632,792
2014	7,406,000	2,287,612	1,956,699	576,100
2015	7,676,000	2,019,479	1,990,636	491,608
2016-2020	27,648,000	5,617,900	9,690,544	1622,516
2021-2025	9,454,000	1,723,359	5,670,312	526,793
2026-2030	<u>3,700,000</u>	<u>478,437</u>	<u>2,459,098</u>	<u>155,925</u>
Total	<u>\$76,412,000</u>	<u>20,830,290</u>	<u>28,028,948</u>	<u>5,459,354</u>

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

	<u>Gross Debt</u>	<u>Deduction</u>	<u>Net Debt</u>
Local School District	\$ 2,800,000	2,800,000	—
General Debt	114,899,882	3,291,393	111,608,489
Sewer Utility Debt	63,361,563	63,361,563	—
Water Utility Debt	—	—	—
	<u>\$181,061,445</u>	<u>69,452,956</u>	<u>111,608,489</u>

Net Debt of \$111,608,489 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$8,491,187,034 equals 1.31%.

Borrowing Power Under N.J.S. 40a:2-6 As Amended

3.5% of Equalized Valuation Basis	\$297,191,546
Net Debt	<u>111,608,489</u>
Remaining (Excess) Borrowing Capacity	<u>\$185,583,057</u>

(4) Bond Anticipation Notes

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid or permanent financing obtained no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note and on or before each subsequent anniversary, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were installment of the bonds in anticipation of which such notes were issued, be paid or retired.

On June 30, 2010 there are \$3,000,000 notes outstanding for the Sewer Utility Capital Fund.

(5) Capital Equipment Lease Program

On October 15, 2001 the City executed a contract with the Union County Improvement Authority (UCIA) to acquire capital equipment through financing leases in an amount not to exceed \$4,646,519. The UCIA is authorized by the County Improvement Authorities Law, Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented (N.J.S.A. 40:37A-44 et seq.), to lease capital equipment to the City. The UCIA provides for the financing of the cost of this equipment by the issuance of revenue bonds payable from rentals to be received from the City.

Under the lease the City is required to pay rent due on each March 15 and September 15, commencing September 15, 2002. Future minimum lease payments under the lease program as of June 30, 2010 are:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Amount</u>
2011	\$195,705
2012	<u>185,217</u>

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

On October 15, 2004 the City executed a contract with the Union County Improvement Authority (UCIA) to acquire capital equipment through financing leases in an amount not to exceed \$4,175,649. The UCIA is authorized by the County Improvement Authorities Law, Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, as amended and supplemented (N.J.S.A. 40:37A-44 et seq.), to lease capital equipment to the City. The UCIA provides for the financing of the cost of this equipment by the issuance of revenue bonds payable from rentals to be received from the City.

Under the lease the City is required to pay rent due on each December 1 and June 1, commencing December 1, 2005. Future minimum lease payments under the lease program as of June 30, 2010 are:

Fiscal Year Ending June 30	<u>Amount</u>
2011	\$245,121
2012	237,804
2013	230,197
2014	223,254
2015	218,775
2016	56,698
2017	55,029
2018	53,275
2019	51,465
2020	<u>48,477</u>

(6) Fund Balances Appropriated

Fund balances at June 30, 2010 were utilized as revenue in the 2010-2011 Fiscal Year Budget as follows:

<u>Fund Description</u>	<u>Fund Balance June 30, 2010</u>	<u>Amount Utilized</u>
Current Fund	\$22,361,355	20,000,000
Sewer Utility Operating	1,120,359	1,000,000
Water Utility Operating	782,406	0

(7) Retirement Systems

Substantially all of the City's employees participate in one of the following contributory defined benefit public employee retirement systems (retirement systems) which have been established by State statute: the Consolidated Police and Firemen's Pension fund (CPFPPF), the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the State of New Jersey.

Consolidated Police and Firemen's Pension Fund

Consolidated Police and Firemen's Pension Fund (CPFPPF)--is a single-employer contributory defined benefit plan which was established as of January 1, 1952, under the provisions of N.J.S.A. 43:16 to

CITY OF ELIZABETH

Notes to Financial Statements

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provide retirement, death and disability benefits to county and municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen's Retirement System

Police and Firemen's Retirement Systems (PFRS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System

Public Employees' Retirement System (PERS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provision N.J.S.A. 43:15A to provide retirement, death and disability benefits, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. In the CPFPE, the cost of living increases are payable from the State of New Jersey Pension Adjustment Fund which is funded by the State as a benefit allowances become payable. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to State statutes, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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

Significant Legislation

Chapter 19, P.L. 2009, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS and PFRS

CITY OF ELIZABETH

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for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will be included in their unfunded liability. The actuaries for PERS and PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due to the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Chapter 89, P.L. 2008, effective November 1, 2008, increased PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provision; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provided for the following: changed contribution rates of most state employees of, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5% of annual compensation; imposed an annual maximum wage contribution base for members hired on or after July 1, 2007; amended the early retirement reduction formula for new members. If a person became a member on or after July 1, 2007, that person must be at least 60 years of age in order to retire without a reduction in their retirement allowance. Also, the legislation implemented changes to State Health Benefits Program (SHBP) and established an employee contribution of 1.5% of the employee's base salary; eliminated the funding for postretirement medical benefits through PERS.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annual by PERS as follows: 20% for payments due to State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal 2007; and not more than 80% in fiscal year 2008.

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

Pension service credit will be earned for the highest paid position only. For new members of the SPRS and PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 2, P.L. 2010, effective May 21, 2010, made changes to the SHBP and SHBP – Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Policy

Contribution Requirements:

The contribution policy for CPFPPF, PFRS and PERS is set by New Jersey State statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members of CPFPPF are based on 7% of their salaries. Members of PFRS contribute at a uniform rate of 8.5% of base salary, as defined. Members of PERS contribute at a uniform rate of 5.5% of base salary, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2010, for CPFPPF, which is a cost sharing plan, accumulated pension cost equals annual required contributions. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution.

City Contributions:

The City's contributions were as follows:

	For the Year Ended June 30,			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
CPFPPF	\$365,790	\$398,963	452,280	565,283
PERS	1,417,185	2,191,474	1,564,750	863,259
PFRS	6,821,813	12,383,216	11,637,148	4,809,805

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

(8) Self-Insurance Program

The City established a self-insurance program in 1982 in accordance with New Jersey Statute Chapter 40:10-6. The Chapter enables the governing body of any local unit to create a fund to provide insurance coverage for its exposure to a wide variety of property casualty risks, including:

- Property damage caused to any of the unit's property, motor vehicles, equipment or apparatus.
- Liability resulting from the use or operation of such motor vehicles, equipment or apparatus.
- Liability for the unit's negligence, including that of its officers, employees and servants.
- Workers' compensation obligations.

The City self-insures for its automobile, general liability and workers' compensation exposures. The City has purchased excess workers' compensation coverage for losses in excess of \$1,000,000. Additionally, the City maintains insurance policies covering property, fire, water, utility, boiler and machinery, nurses' professional liability and employee fidelity. Various deductibles, limits, and coinsurance provisions apply to these policies.

(9) Urban Development Action Grants

On December 12, 1990 Northern Feather, Inc., filed for protection from its creditors under Chapter 11 of the bankruptcy laws of the United States. The City is the holder of a second mortgage against the premises owned by Northern Feather, Inc., which has a balance of \$79,432 and \$75,258 as of June 30, 2009 and 2010, respectively. In order for the Trustee appointed by the court to accept and execute a contract to purchase the premises without contingencies, the City granted assumption of the second mortgage it holds to Diversified Furniture, Inc.

(10) Contingent Liabilities

The City is a defendant in various legal proceedings. In the opinion of the City's Corporation Counsel, these matters are adequately covered by the City's insurance program, the City's defense program, or by the City of Elizabeth directly and which may be settled or resolved in a manner satisfactory to the financial stability of the City. It is anticipated that any excess judgments would be paid by the City through future taxation or future debt borrowing.

The City is also defendant in various tax appeals that they are defending vigorously. The amount of the potential settlements is not determinable at this time.

The City participates in numerous Federal and State of New Jersey grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2010 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

In accordance with the NJ Division of Pension and Benefits regulations, the City previously elected to defer the payment of two months health insurance premiums. The June 30, 2009 and 2010 deferrals

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

were approximately \$3,009,000 and \$3,256,000 respectively which becomes payable upon the City leaving the State Health Benefits Program.

The City after June 30, 2010 was required to and did pay approximately \$1,200,000 in judgment, interest and attorney fees in the Guslavage litigation which litigation was pending at June 30. There is presently pending a civil action in Superior Court concerning alleged personal injuries of the plaintiff as a result of a motor vehicle accident that alleges approximately \$300,000 of medical expenses. The city is vigorously defending this action.

(11) Water and Sewer Utility Operations

On June 2, 1998 the City entered into agreement with Liberty Water Company (LWC) for a term of 40 years to provide management, operation and management services associated with the City's water system. The City retains ownership of the Utility infrastructure and is responsible for financing all capital improvements to the system. Capital improvements will be financed principally by the City through payments made by LWC that will exceed \$57,000,000 over the term of the contract. LWC is responsible for the preparation, maintenance, and collection of all bills and invoices to the users of both the Water and Sewer Utility and all costs and expenses associated therewith. LWC has no right to any revenue attributable to the Sewer Utility. The revenues collected by LWC for the Sewer Utility are disbursed to the City on a daily basis. LWC pays all expenses required for the operation, maintenance and management of the water system.

(12) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary to future years. Individuals are one hundred percent vested. The plan is funded solely from voluntary employee payroll deductions. Distribution is available to employees upon termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

(13) Fixed Assets

The City records assets with a useful life in excess of five years and with a value over \$5,000 as a fixed asset. The accounts are adjusted for dispositions and abandonment's. Depreciation is not recorded.

Fixed assets used in governmental operation (general fixed assets) are accounted for in the General Fixed Assets. Public domain ("Infrastructure") general fixed assets consisting of certain improvement other than building, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

The City's fixed assets are summarized as follows:

	Balance June 30, 2008	Additions	Dispositions	Balance June 30, 2009
General fixed assets:				
Land and buildings	\$ 42,397,700	—	419,200	41,978,500
Equipment	11,826,461	348,771	316,176	11,859,056
Vehicles	18,099,764	1,039,511	216,421	18,922,854
	<u>\$ 72,323,925</u>	<u>1,388,282</u>	<u>951,797</u>	<u>72,760,410</u>

	Balance June 30, 2009	Additions	Dispositions	Balance June 30, 2010
General fixed assets:				
Land and buildings	\$ 41,978,500	—	—	41,978,500
Equipment	11,859,056	8,189	620	11,866,625
Vehicles	18,922,854	360,509	334,342	18,949,021
	<u>\$ 72,760,410</u>	<u>368,698</u>	<u>334,962</u>	<u>\$ 18,949,021</u>

(14) Cash

Cash and cash equivalents includes amounts on deposit, and short term investments with original maturities of three months or less from the date of acquisition.

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes Government Unit Deposit Protection Act (GUDPA) require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

GASB Statement No. 40, Deposit and Investment Risk Disclosures, requires disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

30, 2010 the City's bank deposits are insured or covered by the State's Government Unit Deposit Protection Act or are collateralized with the federal securities held by another institution in the City's name.

(15) State Loans

Green Trust Loans:

1989 Green Trust Program – Westfield Ave. Ball Field Acquisition

Interest is 2% with payments through Feb. 14, 2017.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2011	\$ 4,664
2012	4,664
2013	4,664
2014	4,664
2015	4,664
2016-2017	<u>9,326</u>
Total	32,646
Less interest	<u>2,322</u>
Principal Balance	\$30,324

1995 Green Trust Program – Westfield Ave. Ball field Improvements

Interest is 2% with payments through May 1, 2019.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2011	\$ 27,767
2012	27,767
2013	27,767
2014	27,767
2015	27,767
2016-2019	<u>111,069</u>
Total	249,904
Less interest	<u>22,238</u>
Principal Balance	\$227,666

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

1992 Green Trust Program – Arthur Kill Additions

Interest is 2% with payments through Jan. 22, 2017.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
<u>Ending</u>	<u>Amount</u>
<u>June 30</u>	
2011	\$ 13,537
2012	13,537
2013	13,537
2014	13,537
2015	13,537
2016-2017	<u>27,075</u>
Total	94,760
Less interest	<u>6,743</u>
Principal Balance	\$ 88,017

2004 Green Trust Program – Elmora Raquet Club

Interest is 2% with payments through May 7, 2028.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
<u>Ending</u>	<u>Amount</u>
<u>June 30</u>	
2011	\$ 24,873
2012	24,873
2013	24,873
2014	24,874
2015	24,873
2016-2020	124,366
2021-2025	124,367
2026-2028	<u>74,620</u>
Total	447,719
Less interest	<u>73,283</u>
Principal Balance	\$ 374,436

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

1992 Green Trust Program – Kenah Center Acquisition

Interest is 2% with payments through Sep. 2, 2018.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2011	\$ 4,353
2012	4,353
2013	4,352
2014	4,353
2015	4,353
2016-2019	<u>15,235</u>
Total	36,999
Less interest	<u>3,131</u>
Principal Balance	\$33,868

2004 Green Trust Program – Kenah Center Field

Interest is 2% with payments through September 24, 2028.

Future minimum loan payments under the lease program as of June 30, 2010 are:

Fiscal Year	
Ending	
<u>June 30</u>	<u>Amount</u>
2011	\$ 17,470
2012	17,470
2013	17,470
2014	17,470
2015	17,470
2016-2020	87,347
2021-2025	87,347
2026-2029	<u>61,144</u>
Total	323,188
Less interest	<u>54,160</u>
Principal Balance	\$ 269,028

(16) Sewer Utility

The City owns a city wide sewer collection system which is managed under a March 3, 2001 Wastewater Service Agreement by E'Town Corporation, a wholly owned subsidiary of New Jersey American Water, a wholly owned subsidiary of American Water, the largest investor-owned water and wastewater utility company in the United States. Sewage treatment is provided under a contractual agreement with the Joint Meeting of Essex and Union Counties (JMEUC) which is owned and operated by eleven other municipalities. The City pays fees for treatment based upon the usage of the system. The City finances its collection system capital requirements as well as its JMEUC capital contributions through a combination of utility bond issues, state grants and State low interest loans.

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

The Sewer Utility franchised the sewer system to the Union County Improvement Authority and has a \$35,716,736 lease agreement dated March 1, 2002 with the Union County Improvement Authority to lease its franchise of the wastewater system. The City is required to pay rent due on each September 1 and March 1, commencing September 1, 2002 through April 1, 2022. Future minimum lease payments under the lease program as of June 30, 2010 are:

<u>Year</u>	<u>Amount</u>
2011	\$ 1,924,188
2012	1,924,315
2013	1,928,125
2014	1,924,318
2015	1,923,892
2016-2020	9,622,156
2021-2022	3,852,252

17) Interfund Balances

The City has interfund balances at June 30, 2009 and 2008 as follows:

	<u>2009</u>		<u>2010</u>	
	<u>FROM</u>	<u>TO</u>	<u>FROM</u>	<u>TO</u>
Current Fund:				
CDBG	\$ —	25,347	—	25,347
General Trust	19,742	—	—	—
Federal and State Grant	481,860	—	1,909,584	—
General Capital	—	—	—	68,666
Dog Fund	—	—	—	—
Federal and State Grant:				
Current	—	481,860	—	1,909,584
Dog License Fund:				
Current Fund	—	—	—	—
Other Federal Grant:				
UDAG	225,519	—	225,519	—
UDAG:				
Other Federal Grant	—	225,519	—	225,519
CDBG:				
Current	25,347	—	25,347	—
General Trust				
Current	—	19,742	—	—
Capital:				
Current	—	—	68,666	—

(Continued)

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

	<u>2009</u>		<u>2010</u>	
	<u>FROM</u>	<u>TO</u>	<u>FROM</u>	<u>TO</u>
Water Operating:				
Water Capital	3,809	—	1,184	—
Water Trust	46	—	14	—
Water Trust:				
Water Operating	—	46	—	14
Water Capital:				
Water Operating	—	3,809	—	1,184
Sewer Operating:				
Sewer Capital	327	—	4	—
Sewer Capital:				
Sewer Operating	—	327	—	4

The Interfunds with the grant fund result from expenditures made prior to reimbursement from the granting agency. The remaining Interfunds are to record the transfer of interest to the operating funds and to record expenditures paid from other funds.

(18) Post Retirement Medical Benefits

PERS, PFRS and CPFP require post retirement medical benefits to be funded on a pay-as-you-go basis for employees that have 25 years of accumulated service. Benefits include medical and prescription coverage for the participant and family.

Plan Description: The City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment 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. 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 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. On September 14th, 1976, the City authorized participation in the SHBP's post-retirement benefit program by resolution. Premiums or periodic charges for the benefits provided to all eligible retired employees and their dependents covered under the program, but not including survivors, if such employees retired from a State or locally – administered retirement system effective after the date the employer adopted the State Health Benefits Program on a benefit based on 25 years or more of service credited in such retirement system, excepting the employees who elected deferred retirement, but including the employees who retired on disability pensions based on fewer years of service credited in such retirement system and also to reimburse such

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

retired employees for their premium charges under Part B of the Federal Medicare Program covering the retired employees and their spouses in accordance to the regulations of the State Health Benefits Commission.

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 www.state.nj.us/treasury/pensions.gasb-43-sept2088.pdf.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis.

The City contributions to the SHBP for the years ended June 30, 2010, 2009, 2008, and 2007 were \$7,289,143.93, \$6,838,829, \$7,172,358 and \$7,466,948 respectively, which equaled the required contributions for each year. There were approximately 712, 702, 703 and 699 retired participants eligible at June 30, 2010, 2009, 2008, and 2007 respectively.

(19) City Bond Guaranty

The City on December 21, 2006 entered into an agreement with the Parking Authority of the City of Elizabeth on behalf of the \$3,500,000 City Guaranteed Parking Revenue Bonds, Series 2006.

The Authority and the City have entered into the Guaranty Agreement in order to, among other things, provide security to the holders of obligations of the Authority. The Series 2006 Bonds, while outstanding, are entitled to the benefits of the Guaranty Agreement. Pursuant to its terms, the Guaranty Agreement will remain in full force and effect as long as any obligations of the Authority which are entitled to benefits thereof remain outstanding.

Pursuant to the terms of the Guaranty Agreement, if, sixty (60) days prior to any date established for the payment of the principal of and interest on the Series 2006 Bonds, the amount which is on deposit in the applicable account in the Bond Service Fund established under the Resolution (the "Applicable Debt Service Account(s)"), after giving effect to any required transfers from the applicable account (if any) within the Bond Reserve Fund, is insufficient to provide for the payment of the interest and/or principal due and payable on such payment date, the Trustee shall notify the Authority, the Mayor and the City Clerk in writing by certified mail (return receipt request) of the amounts which are necessary to provide for the payment of the principal of and interest on the Series 2006 Bonds. The City shall be obligated to make payment to the Trustee of the amount referred to above no later than said payment date except to the extent the Applicable Debt Service Account(s) otherwise has sufficient funds on hand on the date or dates required for the payment of such principal and/or interest. In such event, such sum shall be applied by the Trustee for deposit into the Applicable Debt Service Account(s).

CITY OF ELIZABETH

Notes to Financial Statements

June 30, 2010

Forty-five (45) days prior to said payment date the City must notify the Trustee in writing as to the source of funds to provide for such payment. Notwithstanding any other provision in the Guaranty Agreement, failure by the Trustee to give the City notice as provided therein shall not relieve the City of its obligation to make payment under the terms of the City Guaranty.

Deficiency Agreement

On February 1, 2007 the City entered into a deficiency agreement with the Elizabeth Development Company whereby the City will provide funding for payment of the Parking Revenue Refunding Bonds Series 2007A and B in the event there is not sufficient funds to pay the debt service on these bonds. The City has authorized bonding in an amount equal to the refunding bonds to fund such payments if necessary. The agreement will terminate upon mutual consent of the parties thereto; or upon final payment of the bonds.

(20) Other Loans

1998 New Jersey Department of Transportation Loan

Future payments for this \$5,000,000 loan as of June 30, 2010 will be \$500,000 per year after the initial payment date is established.

Water Front Park Project Loan

The repayment schedule for this \$821,796 loan has not yet been established.

2002 Underground Storage Tank Loan

Future payments for this loan as of June 30, 2010 are:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2011	\$87,720
2012	<u>87,720</u>
	\$175,440

2003 Demolition Loan

Future payments for this loan as of June 30, 2010 are:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2011	\$85,800
2012	<u>85,800</u>
Total	171,600
Less interest	<u>6,600</u>
Principal Balance	\$ 165,000

APPENDIX B
SELECTED FINANCIAL INFORMATION

CITY OF ELIZABETH

**Current Fund - Balance Sheets
Assets**

		June 30,				
		2010	2009	2008	2007	2006
Current Fund:						
Cash and investments:						
Cash		\$ 38,352,464	\$ 36,143,178	\$ 42,639,920	\$ 43,347,134	\$ 42,831,412
		38,352,464	36,143,178	42,639,920	43,347,134	42,831,412
State accounts receivable		332,661	361,383	366,093	35,024	58,615
		38,685,125	36,504,561	43,006,013	43,382,158	42,890,027
Receivables with full reserves:						
Delinquent property taxes		7,835,636	8,698,106	6,061,979	5,979,972	4,687,604
Other receivables		13,697,138	10,426,187	9,909,641	13,110,219	11,688,956
		21,532,774	19,124,293	15,971,620	19,090,191	16,376,560
		60,217,899	55,628,854	58,977,633	62,472,349	59,266,587
Federal and State Grant Fund:						
Federal and State grants receivable		34,769,156	20,680,707	19,302,953	12,068,925	15,339,993
		34,769,156	20,680,707	19,302,953	12,068,925	15,339,993
		<u>\$ 94,987,055</u>	<u>\$ 76,309,561</u>	<u>\$ 78,280,586</u>	<u>\$ 74,541,274</u>	<u>\$ 74,606,580</u>

CITY OF ELIZABETH

**Current Fund - Balance Sheets
Liabilities, Reserves and Fund Balance**

	June 30,				
	2010	2009	2008	2007	2006
Liabilities, Reserves and Fund Balance:					
Encumbrances payable	\$ 2,646,300	\$ 2,801,341	\$ 2,970,187	\$ 2,555,690	\$ 2,735,037
Appropriation reserves	9,722,800	10,091,595	9,816,485	7,795,082	8,421,575
Accounts payable	419,771	427,757	736,385	1,099,934	990,782
Interfund payables	68,666	25,347	28,882	—	1,518
Other reserves and payables	3,466,233	4,046,334	5,943,713	10,017,188	7,565,695
	<u>16,323,770</u>	<u>17,392,374</u>	<u>19,495,652</u>	<u>21,467,894</u>	<u>19,714,607</u>
Reserve for receivables	21,532,774	19,124,293	15,971,620	19,090,191	16,376,560
Fund balance	<u>22,361,355</u>	<u>19,112,187</u>	<u>23,510,361</u>	<u>21,914,264</u>	<u>23,175,420</u>
	<u>60,217,899</u>	<u>55,628,854</u>	<u>58,977,633</u>	<u>62,472,349</u>	<u>59,266,587</u>
Federal and State Grant Fund:					
Interfund payables	1,909,584	481,860	993,306	567,931	109,046
Unappropriated grant funds	—	6,181	—	—	53,897
Reserve for Federal and State grants	<u>32,859,572</u>	<u>20,192,666</u>	<u>18,309,647</u>	<u>11,500,994</u>	<u>15,177,050</u>
	<u>34,769,156</u>	<u>20,680,707</u>	<u>19,302,953</u>	<u>12,068,925</u>	<u>15,339,993</u>
	<u>\$ 94,987,055</u>	<u>\$ 76,309,561</u>	<u>\$ 78,280,586</u>	<u>\$ 74,541,274</u>	<u>\$ 74,606,580</u>

CITY OF ELIZABETH

**Current Fund
Statements of Operations and Changes in Fund Balance**

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Revenues and Other Credits to Income:					
Fund balance utilized	\$ 17,000,000	\$ 20,000,000	\$ 20,000,000	\$ 19,000,000	\$ 11,000,000
Receipts from current taxes	180,090,169	171,494,369	160,768,228	153,430,494	144,811,362
Miscellaneous revenue anticipated	91,137,225	84,724,510	92,537,996	78,348,272	80,282,239
Receipts from delinquent taxes	7,532,600	5,752,038	5,385,942	3,938,747	3,967,532
Nonbudget revenue	2,572,746	3,317,993	7,752,371	2,437,089	3,118,455
Miscellaneous revenue and other credits to income	8,941,676	7,006,897	6,387,175	6,046,637	7,973,204
Total income	307,274,416	292,295,807	292,831,712	263,201,239	251,152,792
Expenditures:					
Municipal budget appropriations	207,634,431	202,230,501	201,095,120	180,171,547	165,626,689
Local district school taxes	44,248,475	40,970,810	38,651,708	37,165,104	37,165,104
County taxes	33,349,562	33,120,670	30,269,992	27,476,815	26,079,311
Other expenditures	1,792,780	372,000	1,218,795	648,929	349,325
Total expenditures	287,025,248	276,693,981	271,235,615	245,462,395	229,220,429
Excess (deficit) in revenues	20,249,168	15,601,826	21,596,097	17,738,844	21,932,363
Fund balance, July 1	19,112,187	23,510,361	21,914,264	23,175,420	12,243,057
	39,361,355	39,112,187	43,510,361	40,914,264	34,175,420
Utilized as anticipated revenues	17,000,000	20,000,000	20,000,000	19,000,000	11,000,000
Fund balance, June 30	\$ 22,361,355	\$ 19,112,187	\$ 23,510,361	\$ 21,914,264	\$ 23,175,420

CITY OF ELIZABETH

**General Capital Fund - Balance Sheets
Assets**

	June 30,				
	2010	2009	2008	2007	2006
Cash (including certificates of deposits)	\$ 20,941,688	\$ 23,122,645	\$ 18,472,434	\$ 29,234,845	\$ 26,077,104
Receivables:					
Union County Improvement Authority	1,112,289	1,112,289	1,316,214	2,991,586	2,991,586
Department of Environmental Protection	267,196	267,196	954,736	954,736	954,736
PA/NJ Emergency Response	—	—	—	10,906,655	15,000,000
Interfund receivables	68,666	13,231	—	140,133	140,133
Waterfront Park Loan	267,196	267,196	481,151	481,151	481,151
State of New Jersey	136,693	136,693	236,693	903,000	863,272
	<u>1,852,040</u>	<u>1,796,605</u>	<u>2,988,794</u>	<u>16,377,261</u>	<u>20,430,878</u>
Deferred charges to future taxation:					
Funded	83,597,575	94,379,924	91,721,438	100,951,920	96,599,096
Unfunded	31,302,307	19,158,493	28,433,793	20,453,793	20,418,486
	<u>114,899,882</u>	<u>113,538,417</u>	<u>120,155,231</u>	<u>121,405,713</u>	<u>117,017,582</u>
	<u>\$ 137,693,610</u>	<u>\$ 138,457,667</u>	<u>\$ 141,616,459</u>	<u>\$ 167,017,819</u>	<u>\$ 163,525,564</u>

CITY OF ELIZABETH

**General Capital Fund - Balance Sheets
Liabilities and Fund Balance**

	June 30,				
	2010	2009	2008	2007	2006
General serial bonds	\$ 76,412,000	\$ 86,953,000	\$ 84,099,000	\$ 96,472,737	\$ 88,281,558
Bond anticipation notes	—	—	3,500,000	—	—
Loans payable	7,185,575	7,426,924	7,622,438	7,979,183	8,317,538
Improvement authorizations:					
Funded	12,921,101	17,563,349	16,987,997	36,464,734	39,865,686
Unfunded	28,041,800	17,486,048	20,399,428	17,444,922	18,832,599
Capital Improvement Fund	3,267,171	3,022,171	3,732,171	2,652,171	842,171
Interfund payables	—	—	33,328	30,972	70,673
Reserve for:					
State of New Jersey grants	136,693	136,693	136,693	803,000	763,272
Bond sale expense	115,333	107,107	252,205	317,902	407,994
Interest payable	—	—	—	—	—
Retirement of debt	3,291,393	3,139,831	2,435,500	1,869,366	2,357,320
Fund balance	6,322,544	2,622,544	2,417,699	2,982,832	3,786,753
	<u>\$ 137,693,610</u>	<u>\$ 138,457,667</u>	<u>\$ 141,616,459</u>	<u>\$ 167,017,819</u>	<u>\$ 163,525,564</u>

CITY OF ELIZABETH

**General Capital Fund
Statements of Changes in Fund Balance**

Year Ended June 30,

	2010	2009	2008	2007	2006
Increased by:					
Premium on sale of bonds and notes	\$ —	\$ —	\$ —	\$ 66,891	\$ —
Reserves cancelled	—	—	—	—	6,596
Miscellaneous	—	52	—	829,188	117,060
Funded improvement authorizations cancelled	4,000,000	1,209,940	—	—	—
	<u>4,000,000</u>	<u>1,209,992</u>	<u>—</u>	<u>896,079</u>	<u>123,656</u>
Decreased by:					
Appropriated to finance improvement auth.	300,000	1,000,000	425,000	1,700,000	—
Receivables cancelled	—	5,147	140,133	—	—
	<u>300,000</u>	<u>1,005,147</u>	<u>565,133</u>	<u>1,700,000</u>	<u>—</u>
	3,700,000	204,845	(565,133)	(803,921)	123,656
Fund balance, July 1	<u>2,622,544</u>	<u>2,417,699</u>	<u>2,982,832</u>	<u>3,786,753</u>	<u>3,663,097</u>
Fund balance, June 30	<u>\$ 6,322,544</u>	<u>\$ 2,622,544</u>	<u>\$ 2,417,699</u>	<u>\$ 2,982,832</u>	<u>\$ 3,786,753</u>

CITY OF ELIZABETH

Water Utility Funds - Balance Sheets
Assets

June 30,

Operating Fund:

	2010	2009	2008	2007	2006
Cash (including certificates of deposits)	\$ 998,085	\$ 935,124	\$ 2,936,517	\$ 2,106,698	\$ 1,892,274
Interfund receivables	1,198	3,855	249	2,696	2,454
Receivables and inventory with reserves:					
Water liens receivable	13,063	8,747	27,447	27,447	28,981
Total Operating Fund	1,012,346	947,726	2,964,213	2,136,841	1,923,709

Trust Fund:

Cash (including certificates of deposits)	157,486	157,518	157,507	158,568	158,037
Total Trust Fund	157,486	157,518	157,507	158,568	158,037

Capital Fund:

Cash (including certificates of deposits)	2,830,659	2,939,920	2,210,205	2,410,512	1,922,554
Fixed capital	16,441,271	16,441,271	16,441,271	19,270,930	19,270,930
Total Capital Fund	19,271,930	19,381,191	18,651,476	21,681,442	21,193,484
	\$ 20,441,762	\$ 20,486,435	\$ 21,773,196	\$ 23,976,851	\$ 23,275,230

CITY OF ELIZABETH

**Water Utility Funds - Balance Sheets
Liabilities, Reserves and Fund Balances**

June 30,

	2010	2009	2008	2007	2006
Operating Fund:					
Accounts payable	\$ 36,028	\$ 36,028	\$ 36,028	\$ 36,028	\$ 36,028
Due to Liberty Water	180,849	140,290	239,614	—	—
Interfund payable					
Reserve for receivables	13,063	8,747	27,447	27,447	28,981
Fund balance	782,406	762,661	2,661,124	2,073,366	1,858,700
Total Operating Fund	1,012,346	947,726	2,964,213	2,136,841	1,923,709
Trust Fund:					
Due to Water Operating Fund	14	46	35	1,096	565
Reserve for consumer deposits	157,472	157,472	157,472	157,472	157,472
Total Trust Fund	157,486	157,518	157,507	158,568	158,037
Capital Fund:					
Miscellaneous payable	—	—	—	5,595	5,595
Reserve for capital expenditures	2,132,236	2,238,872	1,512,752	1,317,618	829,371
Reserve for amortization	16,441,271	16,441,271	16,441,271	13,919,731	13,919,731
Reserve for deferred amortization	—	—	—	2,910,000	2,910,000
Interfund payable	1,184	3,809	214	1,600	1,889
Improvement authorizations:					
Funded	—	—	—	807,654	784,330
Unfunded	—	—	—	2,022,005	2,045,329
Capital Improvement Fund	697,239	697,239	697,239	697,239	697,239
Total Capital Fund	19,271,930	19,381,191	18,651,476	21,681,442	21,193,484
	\$ 20,441,762	\$ 20,486,435	\$ 21,773,196	\$ 23,976,851	\$ 23,275,230

CITY OF ELIZABETH

**Water Utility Funds
Statements of Operations and Changes in Fund Balance**

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Revenues and Other Credits to Income:					
Miscellaneous	\$ 19,745	\$ 101,537	\$ 193,796	\$ 214,666	\$ 127,863
Other credits to income	—	—	394,054	—	—
Total income	<u>19,745</u>	<u>101,537</u>	<u>587,850</u>	<u>214,666</u>	<u>127,863</u>
Expenditures and Other Charges to Income:					
Refund of prior year revenue	—	—	92	—	—
Debt service	—	—	—	—	616
Total expenditures	<u>—</u>	<u>—</u>	<u>92</u>	<u>—</u>	<u>616</u>
Excess in revenues	19,745	101,537	587,758	214,666	127,247
Fund balance, July 1	<u>762,661</u>	<u>2,661,124</u>	<u>2,073,366</u>	<u>1,858,700</u>	<u>1,731,453</u>
	782,406	2,762,661	2,661,124	2,073,366	1,858,700
Surplus (Current Fund)	<u>—</u>	<u>(2,000,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, June 30	<u>\$ 782,406</u>	<u>\$ 762,661</u>	<u>\$ 2,661,124</u>	<u>\$ 2,073,366</u>	<u>\$ 1,858,700</u>

CITY OF ELIZABETH

**Sewer Utility Funds - Balance Sheets
Assets**

	June 30,				
	2010	2009	2008	2007	2006
Operating Fund:					
Cash (including certificates of deposits)	\$ 4,933,430	\$ 6,130,847	\$ 11,831,127	\$ 13,467,136	\$ 12,309,170
Interfund receivables	4	327	1,050	7,408	23,434
Receivables with reserves:					
Consumer accounts receivable	178,846	310,557	415,580	609,663	875,458
Due to Liberty Water	—	—	12,045	—	—
Sewer liens receivable	10,280	6,929	29,358	29,358	31,254
Total Operating Fund	<u>5,122,560</u>	<u>6,448,660</u>	<u>12,289,160</u>	<u>14,113,565</u>	<u>13,239,316</u>
Capital Fund:					
Cash (including certificates of deposits)	3,031,698	2,507,964	2,699,514	2,794,990	2,854,033
Interfund receivables	—	—	—	—	7,800
Fixed capital	131,082,272	119,082,272	94,882,272	94,882,272	90,882,272
Due from trustee - Environmental Infrastructu	4,931,543	523,200	654,489	5,585,790	131,289
Stormwater grant receivable	5,155	5,155	5,155	—	—
Waste Water Treatment Trust Fund	508,053	508,053	508,053	508,053	1,163,108
Total Capital Fund	<u>139,558,721</u>	<u>122,626,644</u>	<u>98,749,483</u>	<u>103,771,105</u>	<u>95,038,502</u>
	<u>\$ 144,681,281</u>	<u>\$ 129,075,304</u>	<u>\$ 111,038,643</u>	<u>\$ 117,884,670</u>	<u>\$ 108,277,818</u>

CITY OF ELIZABETH

**Sewer Utility Funds - Balance Sheets
Liabilities, Reserves and Fund Balances**

	June 30,				
	2010	2009	2008	2007	2006
Operating Fund:					
Appropriation reserves	\$ 2,598,737	\$ 855,498	\$ 1,106,480	\$ 936,984	\$ 1,044,624
Miscellaneous payable	1,214,338	1,227,016	1,406,803	1,615,519	909,392
Reserve for receivables	189,126	317,486	456,983	639,021	906,712
Fund balance	1,120,359	4,048,660	9,318,894	10,922,041	10,378,588
Total Operating Fund	5,122,560	6,448,660	12,289,160	14,113,565	13,239,316
Capital Fund:					
Miscellaneous payable	48,705	729	729	729	729
Local unit bonds	1,339,303	1,509,969	1,881,150	2,814,683	3,825,390
Serial bonds	4,449,000	5,046,000	5,648,000	6,255,000	7,012,000
Bond anticipation notes	3,000,000	—	—	—	—
Environmental Infrastructure loan	22,240,646	17,243,517	18,278,777	19,177,777	13,565,291
Interfunds payable	4	327	1,050	7,408	21,916
Reserve for:					
Amortization	59,186,728	51,314,978	49,306,537	46,867,004	44,392,414
Renewal and replacement	364,000	364,000	364,000	364,000	364,000
Deferred amortization	8,796,766	8,796,766	8,308,979	8,308,979	8,108,979
Improvement Authorizations:					
Funded	4,192,504	4,402,677	4,673,914	9,368,420	3,015,320
Unfunded	34,169,632	32,180,148	8,293,814	8,635,191	12,560,549
Appropriated grants	20,619	20,619	20,619	—	—
Capital Improvement Fund	788,338	788,338	1,013,338	1,013,338	1,213,338
Fund balance	962,476	958,576	958,576	958,576	958,576
Total Capital Fund	139,558,721	122,626,644	98,749,483	103,771,105	95,038,502
	\$ 144,681,281	\$ 129,075,304	\$ 111,038,643	\$ 117,884,670	\$ 108,277,818

CITY OF ELIZABETH

**Sewer Utility Funds
Statements of Operations and Changes in Fund Balance**

		Year Ended June 30,				
		2010	2009	2008	2007	2006
Revenues and Other Credits to Income:						
Fund balance utilized	\$	3,500,000	\$ 6,500,000	\$ 3,000,000	\$ 2,500,000	\$ 4,000,000
Rents		16,320,832	14,625,593	14,892,736	15,252,883	14,928,846
Miscellaneous		514,061	896,019	1,164,578	1,290,097	843,126
Wastewater trust fund earnings		—	—	—	14,099	20,018
Other credits to income		236,806	1,008,154	651,645	1,600,473	2,639,546
Total Income		<u>20,571,699</u>	<u>23,029,766</u>	<u>19,708,959</u>	<u>20,657,552</u>	<u>22,431,536</u>
Expenditures and Other Charges to Income:						
Operating		13,000,000	10,500,000	9,800,000	9,200,000	8,500,000
Capital improvements		2,653,055	3,693,068	3,347,570	3,230,398	3,307,433
Debt service		4,346,945	4,606,932	5,152,430	5,183,701	4,312,585
Miscellaneous		—	—	12,106	—	—
Transfer to Current Fund		—	3,000,000	—	—	3,000,000
Total expenditures		<u>20,000,000</u>	<u>21,800,000</u>	<u>18,312,106</u>	<u>17,614,099</u>	<u>19,120,018</u>
Excess in revenue		<u>571,699</u>	<u>1,229,766</u>	<u>1,396,853</u>	<u>3,043,453</u>	<u>3,311,518</u>
Statutory excess to fund balance		571,699	1,229,766	1,396,853	3,043,453	3,311,518
Fund balance, July 1		<u>4,048,660</u>	<u>9,318,894</u>	<u>10,922,041</u>	<u>10,378,588</u>	<u>11,067,070</u>
		4,620,359	10,548,660	12,318,894	13,422,041	14,378,588
Utilized as anticipated revenues		<u>3,500,000</u>	<u>6,500,000</u>	<u>3,000,000</u>	<u>2,500,000</u>	<u>4,000,000</u>
Fund balance, June 30	\$	<u><u>1,120,359</u></u>	<u><u>4,048,660</u></u>	<u><u>9,318,894</u></u>	<u><u>10,922,041</u></u>	<u><u>10,378,588</u></u>

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APPENDIX C
FORMS OF BOND COUNSEL OPINIONS

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.*

_____, 2011

City Council of the
City of Elizabeth in the
County of Union, New Jersey

Re: City of Elizabeth, in the County of Union, New Jersey
\$13,985,000 General Obligation Bonds, Series 2011

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Elizabeth, in the County of Union, New Jersey (the "City"), of its General Obligation Bonds, Series 2011, in the aggregate principal amount of \$13,985,000 (the "Bonds"), consisting of \$12,755,000 General Improvement Bonds, Series 2011 and \$1,230,000 Refunding Bonds, Series 2011. The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Bonds. The Bonds are dated _____, 2011 and mature on April 15 in the years and in the principal amounts and bear interest at the rates, payable on October 15, 2011 and semiannually thereafter on the first days of April and October in each year until maturity or earlier redemption, as follows:

Year	General Improvement Bonds	Refunding Bonds	Combined Bonds	Interest Rate
2012	\$ 570,000	\$410,000	\$ 980,000	%
2013	570,000	410,000	980,000	
2014	570,000	410,000	980,000	
2015	615,000		615,000	
2016	645,000		645,000	
2017	680,000		680,000	
2018	715,000		715,000	
2019	755,000		755,000	
2020	790,000		790,000	
2021	835,000		835,000	
2022	880,000		880,000	
2023	925,000		925,000	

2024	970,000		970,000	
2025	1,025,000		1,025,000	
2026	1,075,000		1,075,000	
2027	1,135,000		1,135,000	

The Bonds will be initially issued in book-entry form only in the form of one certificate for the principal amount of Bonds of each series maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or multiples of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), Bond Ordinance Nos. 3635, 3980, 4092, 4123, 4124, 4125, 4156 and 4166 of the City (collectively, the "Ordinances"), and a resolution adopted by the City Council on April 22, 2011 (the "Resolution"). The Bonds are issued for the purpose of providing funds for the financing of the capital improvements and the refunding of an emergency appropriation described in the Ordinances.

The Bonds are subject to redemption prior to maturity as described in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the City; the Ordinances and the Resolution have been duly authorized and adopted by the City; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. The City has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Notes under the Code. Failure to comply with certain requirements of the Code could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In our opinion, assuming continuing compliance by the City with its covenants, under current law, interest on the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Notes in "adjusted current earnings".

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the City to pay the Bonds is unlimited, and the City shall be required to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

DECOTIIS

City Council of the
City of Elizabeth in the
County of Union, New Jersey
_____, 2011
PAGE 4

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK & COLE, LLP

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.*

_____, 2011

Mayor and City Council
of the City of Elizabeth
in the County of Union, New Jersey

Re: City of Elizabeth, in the County of Union, New Jersey
\$3,000,000 Sewer Utility Bond Anticipation Notes, Series 2011

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Elizabeth, in the County of Union, New Jersey (the "City" or the "Issuer"), of its \$3,000,000 original principal amount of its Sewer Utility Bond Anticipation Notes, Series 2011 (the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer are available to pay the principal of and the interest on the Notes. The Notes are issued in registered form and are dated April 15, 2011, mature on April 13, 2012, bear interest at a rate of ____% per annum payable at maturity, and are not subject to redemption prior to maturity.

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the "Act"), and a bond ordinance of the Issuer numbered 4093 (the "Ordinance"). The Notes are issued for the purpose of providing funds for refinancing the projects authorized by the Ordinance.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Notes, including: (a) a copy of the Ordinance; (b) such matters of law, including inter alia, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, and documents as to various matters with respect to the issuance of the Notes as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied on the forms of the proceedings and other certifications of public officials to be executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinance has been duly authorized and adopted by the Issuer; and the Notes and the Ordinance are legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

2. The power and obligation of the Issuer to pay the Notes is unlimited, and, unless paid from other sources, the Issuer shall be obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the principal of and interest on the Notes, without limitation as to rate or amount.

3. The Issuer has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Notes under the Code. Failure to comply with certain requirements of the Code could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In our opinion, assuming continuing compliance by the Issuer with its covenants, under current law, interest on the Notes is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax; however, interest on the Notes held by corporate taxpayers is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Notes in "adjusted current earnings".

4. Interest on the Notes and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 3 and 4, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

DECOTIIS, FITZPATRICK & COLE, LLP

APPENDIX D
FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Elizabeth, in the County of Union, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$13,985,000 General Obligation Bonds, Series 2011, consisting of \$12,755,000 principal amount of its General Improvement Bonds, Series 2011 and \$1,230,000 principal amount of its Refunding Bonds, Series 2011 (collectively, the "Bonds"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the MSRB's Electronic Municipal Markets Access System.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New Jersey.

Section 3. Provision of Annual Reports.

(a) Not later than nine (9) months after the end of the Issuer’s fiscal year, beginning with the fiscal year ending June 30, 2011, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be provided in the same manner as the Annual Report when they become available.

(b) The financial information and operating data pertaining to the City set forth in the Official Statement dated _____, 2011 pertaining to the sale of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events, to the MSRB through EMMA, notice of any of the following events with respect to the Bonds (each, a “Listed Event”):

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. 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 or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall promptly file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in

full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is

specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer 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 reasonable 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 Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2011

CITY OF ELIZABETH, IN THE COUNTY OF
UNION, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Elizabeth, in the County of Union, New Jersey

Name of Bond Issue: \$13,985,000 General Obligation Bonds, Series 2011, consisting of:
\$12,755,000 General Improvement Bonds, Series 2011 and
\$1,230,000 Refunding Bonds, Series 2011

Dated Date: _____, 2011

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2011. The Issuer anticipates that the Annual Report will be filed by _____.
_____.

Dated: _____

CITY OF ELIZABETH, IN THE COUNTY
OF UNION, NEW JERSEY

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Elizabeth, in the County of Union, New Jersey (the "Issuer"), in connection with the issuance by the Issuer of \$3,000,000 principal amount of its Sewer Utility Bond Anticipation Notes, Series 2011 (the "Notes"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the of the Securities and Exchange Commission.

Section 2. Definitions. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the MSRB's Electronic Municipal Markets Access System.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Note.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.

3. unscheduled draws on the debt service reserves reflecting financial difficulties.

4. unscheduled draws on the credit enhancements reflecting financial difficulties.

5. substitution of the credit or liquidity providers or their failure to perform.

6. 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 or determinations with respect to the tax status of the Notes or other material events affecting the tax status of the Notes.

7. modifications to rights of Noteholders.

8. note calls, if material, and tender offers.

9. defeasances.

10. release, substitution or sale of property securing repayment of the Notes, if material.

11. rating changes.

12. bankruptcy, insolvency, receivership or similar event of the Issuer.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

14. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall file or cause to be filed a notice of such occurrence with the MSRB through EMMA in a timely manner not in excess of ten (10) business days after the occurrence of such event. The notice shall be filed in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes.

Section 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full

of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 3(c).

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future or notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default

under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer 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 reasonable 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 Issuer under this Section 9 shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____, 2011

CITY OF ELIZABETH, IN THE COUNTY OF
UNION, NEW JERSEY

By: _____
Anthony Zengaro, Chief Financial Officer