

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 16, 2013**

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

**\$20,000,000**  
**COUNTY OF ESSEX, NEW JERSEY**  
**TAX ANTICIPATION NOTES OF 2013, SERIES A**

(Non-Callable)

Interest Rate: \_\_\_\_\_%

Yield: \_\_\_\_\_%

CUSIP No.: \_\_\_\_\_

**Dated: Date of Delivery**

**Due: November 20, 2013**

The \$20,000,000 aggregate principal amount of Tax Anticipation Notes of 2013, Series A ("Notes") of the County of Essex ("County"), in the State of New Jersey, are in book-entry only form, issuable in the form of one certificate registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. DTC will be responsible for maintaining a book-entry only system for recording the interests of DTC Direct Participants (as defined herein), who in turn will be responsible for maintaining records regarding the interests in the Notes of the Indirect Participants and Beneficial Owners (as defined herein). The Notes may be purchased in the principal amount of \$5,000, or any integral multiple thereof, through DTC Direct Participants and Indirect Participants. See "DESCRIPTION OF THE NOTES – Book-Entry Only System" herein. Interest and principal are payable upon presentation and surrender of the Notes to the County on the maturity date. The Notes are not subject to redemption prior to maturity.

The County is authorized to issue the Notes pursuant to: (i) Section 64 of the Local Budget Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Budget Law"); (ii) a resolution adopted by the Board of Chosen Freeholders of the County on March 27, 2013; and (iii) a Certificate of Determination and Award executed by the County Treasurer on April \_\_, 2013.

The Notes are issued by the County in anticipation of the collection of taxes and other revenues of the 2013 calendar year. The proceeds of the Notes are to be used to pay costs of operations of the County and to cover deficiencies resulting from imbalances between the timing of receipts and disbursements of money during 2013. See "PURPOSE OF THE NOTE ISSUE" herein.

The Notes are general obligations of the County and the full faith and credit of the County are irrevocably pledged for the payment thereof. The Notes are issued in anticipation of the collection of taxes and, if not paid from the receipt of such taxes or other funds, are payable ultimately from ad valorem taxes that shall be levied upon all taxable property within the County without limitation as to rate or amount.

**This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices attached hereto, to obtain information essential to their making of an informed investment decision.**

The Notes are offered when, as and if issued, subject to the prior approval of legality by the law firm of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County. Certain legal matters will be passed upon for the County by James R. Paganelli, Esquire, County Counsel, and delivery of the Notes is further subject to certain other conditions set forth herein. It is anticipated that the Notes in definitive form will be available for delivery, in immediately available funds, through the facilities of DTC in New York, New York, on or about April 30, 2013.

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

**COUNTY OF ESSEX, NEW JERSEY**

**COUNTY EXECUTIVE**

Joseph N. DiVincenzo, Jr.

**BOARD OF CHOSEN FREEHOLDERS**

Blonnie R. Watson	President
Patricia Sebold	Vice President
Rufus I. Johnson	Freeholder
Gerald W. Owens	Freeholder
Rolando Bobadilla	Freeholder
D. Bilal Beasley	Freeholder
Carol Y. Clark	Freeholder
Leonard M. Luciano	Freeholder
Brendan W. Gill	Freeholder

**CLERK OF THE BOARD OF CHOSEN FREEHOLDERS**

Deborah Davis Ford

**COUNTY ADMINISTRATOR**

Ralph J. Ciallella

**DEPUTY COUNTY ADMINISTRATOR**

Alan C. Abramowitz

**COUNTY TREASURER/  
DIRECTOR OF ADMINISTRATION AND FINANCE**

Mark E. Acker

**CHIEF FINANCIAL OFFICER**

Norman A. Willis

**COUNTY COUNSEL**

James R. Paganelli, Esquire

**INDEPENDENT AUDITOR**

Samuel Klein and Company  
Certified Public Accountants  
Newark, New Jersey

**FINANCIAL ADVISOR**

Acacia Financial Group, Inc.  
Montclair, New Jersey

**BOND COUNSEL**

Gibbons P.C.  
Newark, New Jersey

This Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Notes may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

No dealer, broker, salesperson or other person has been authorized by the County of Essex, New Jersey ("County") or the Underwriter to give any information or to make any representations with respect to the Notes 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. 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 Notes referred to herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information that is set forth herein has been provided by the County, DTC and by other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not construed as a representation or warranty by the Underwriter, or as to information from sources other than itself, by the County.

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

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

Upon issuance, the Notes will not be registered under the Securities Act of 1933 as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the County, will have passed upon the accuracy or adequacy of the Official Statement.

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

**IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.**

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**OFFICIAL STATEMENT**  
**OF**  
**COUNTY OF ESSEX, NEW JERSEY**  
**RELATING TO**  
**\$20,000,000**  
**TAX ANTICIPATION NOTES OF 2013, SERIES A**  
**(Non-Callable)**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page hereof and the Appendices attached hereto, is to provide certain information relating to the issuance by the County of Essex, New Jersey ("County"), of its \$20,000,000, aggregate principal amount of Tax Anticipation Notes of 2013, Series A ("Notes") pursuant to Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented (*N.J.S.A. 40A:4-1 et seq.*), and a resolution of the County described below.

The information contained herein relating to the County was furnished by the County unless otherwise indicated.

**AUTHORIZATION FOR THE NOTES**

The Notes are authorized to be issued by the County pursuant to: (i) Section 64 of the Local Budget Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Budget Law"); (ii) a resolution of the Board of Chosen Freeholders of the County adopted on March 27, 2013 ("Resolution"); and (iii) a Certificate of Determination and Award executed by the County Treasurer on April \_\_, 2013 ("Award Certificate").

**PURPOSE OF THE NOTE ISSUE**

The Notes are being issued in anticipation of the collection of taxes and other revenues of the 2013 calendar year. The proceeds of the Notes are to be used to pay costs of operations of the County and to cover deficiencies resulting from imbalances between the timing of receipts and disbursements of monies during 2013. Pursuant to the Local Budget Law, the Notes (and any renewals thereof) must mature no later than June 30th of the next succeeding fiscal year. See, "Appendix C - Actual 2012 Fiscal Year and Projected 2013 Fiscal Year Cash Flows."

## DESCRIPTION OF THE NOTES

### General

The Notes will be issued in the aggregate principal amount of \$20,000,000 in fully registered book-entry only form, without coupons, in denominations of \$5,000, or any integral multiple thereof. The Notes shall bear interest at the rate of \_\_\_\_\_ and \_\_\_\_\_ hundredths per centum (\_\_\_\_%) per annum, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes will be dated their date of delivery and will mature on November 20, 2013. Payment of the principal of and interest on the Notes will be paid at maturity.

The Notes are *not* subject to redemption prior to maturity.

So long as The Depository Trust Company, New York, New York (“DTC”), or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Notes, payment of the principal of and interest on the Notes will be made by the County directly to DTC or its nominee, Cede & Co. (or any successor or assign). The principal of and interest on the Notes will be credited to the Direct Participants (hereinafter defined) as listed on the records of DTC as of the close of business on November 13, 2013 (“Record Date”), the Record Date for the payment of the Notes.

### Book-Entry Only System<sup>1</sup>

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes 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 regulated subsidiaries. Access to the

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

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 rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds and principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from the County, 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) or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

#### **Discontinuance of Book-Entry-Only System**

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions would apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations, of the same Series and maturity, upon surrender thereof at the offices of the County Treasurer; (ii) the transfer of any Notes may be registered on the books maintained by the County for such purpose only upon the surrender thereof to the County together with the duly executed assignment in form satisfactory to the County; and (iii) for every exchange or registration of transfer of Notes, the County may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. The Notes will be payable by check or draft mailed to the registered owners thereof.

#### **SECURITY FOR THE NOTES**

The Notes are general obligations of the County and the full faith and credit of the County are irrevocably pledged for the payment of the principal of and interest on the Notes. The Notes, if not paid from the anticipated receipt of tax revenues and other anticipated funds, are payable ultimately from *ad*



*valorem* taxes that shall be levied upon all taxable property within the County without limitation as to rate or amount. See “CERTAIN PROVISIONS OF THE LAWS OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT – Local Bond Law” herein.

The County may pledge only its own credit and taxing power in respect of the Notes, and has no power to pledge the credit or taxing power of the State of New Jersey (“State”) or any other political subdivision thereof, nor shall the Notes be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of or interest on the Notes.

## **CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY AND THE UNITED STATES RELATING TO GENERAL OBLIGATION DEBT**

### **Local Bond Law**

**General** – The Local Bond Law governs the issuance of bonds and notes by counties and municipalities for the financing of capital improvements. Among its provisions are the following: (i) the power and obligation to pay any and all bonds and notes issued pursuant to the Local Bond Law shall be unlimited; (ii) the county or municipality shall levy *ad valorem* taxes upon all taxable property therein for the payment of the principal of and interest on such bonds and notes without limitation as to rate or amount; (iii) generally, a down payment that is not less than five percent (5%) of the amount of debt obligations authorized must be appropriated in addition to the amount of debt obligations authorized; (iv) all nonspecial-assessment bonds shall mature within the period of usefulness or average period of usefulness of the improvements being financed; and (v) after issuance, all bonds and notes shall be conclusively presumed to be fully authorized and issued by all of the laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery.

**Debt Limits** – The authorized bonded indebtedness of the County is limited by statute, subject to the exceptions noted below, to an amount equal to two percent (2%) of its equalized valuation basis. The equalized valuation basis of the County is set by statute as the average for the last three years of the sum total of the equalized value of all taxable real property and improvements and the assessed valuation of certain Class II railroad property within its boundaries as annually determined by the Director of the Division of Taxation in the New Jersey Department of the Treasury. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The County, including the issuance of the Notes, will not exceed its two percent (2%) debt limit.

**Exceptions to Debt Limits – Extensions of Credit** – The County may exceed its debt limit with the approval of the New Jersey Department of Community Affairs, Division of Local Government Services, Local Finance Board (“Local Finance Board”), a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the County must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the County to meet its obligations or to provide essential services or make other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the statutory debt limit may be issued by the County without the approval of the Local Finance Board to fund certain notes and for self-liquidating purposes and in each fiscal year in an amount not exceeding two-thirds of the amounts budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for assessments and utility purposes).

**Short-Term Financing** – When approved by bond ordinance, the County may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are full faith and credit obligations of the County, may be issued for a period not exceeding one year. However, all such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes.

### **Local Fiscal Affairs Law**

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented (“Local Fiscal Affairs Law”), governs audits, auditors, public moneys and financial statements of local governmental units, including the County.

Every county of the State is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director (“Director”) of the Division of Local Government Services (“Division”) in the New Jersey Department of Community Affairs, by qualified employees of the Division.

An independent examination of the County’s books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the New Jersey Board of Public Accountants. The audit, conforming to the Division’s “Requirements of Audit”, includes recommendations for improvement of the local unit’s financial procedures and must be filed with the County and the Director of the Division. The entire annual audit report for the year ended December 31, 2010 is on file with the County Treasurer and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the chief financial officer of the local unit file annually with the Director of the Division a verified statement of the financial condition of the local governmental unit as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end local governmental units and August 10 for June 30 fiscal year end local units.

### **Local Budget Law**

The Local Budget Law, Chapter 4 of Title 40A of the State, as amended and supplemented (“Local Budget Law”), governs the budgeting and appropriation of funds by local governmental units.

The Local Budget Law requires local governmental units to adopt a “cash basis” budget in such form that there will be sufficient cash collected to meet all annual debt service requirements, necessary operations of the local governmental unit for the current fiscal year and any mandatory payments required to be met during such fiscal year.

No budget shall be adopted unless the Director of the Division shall have previously certified his/her approval thereof.

Each local governmental unit must include in its budget an appropriation for the payment of annual debt service. The Director is required to examine such appropriation to determine whether it is properly set forth, in addition to determining whether all estimates of revenue contained in the budget are reasonable, accurate and correctly stated.

N.J.S.A. 40A:4-45.4 places limits on county tax levies and expenditures. This law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the County shall limit any increase in its budget to 2.5% or the Cost-of-Living Adjustment, whichever is less, of the previous year’s

County tax levy, subject to certain exceptions. The Cost-of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-of-Living Adjustment is equal to or less than 2.5%, the County may, by resolution approved by a majority vote of the full membership of the governing body, provide that the tax rate of the County for such year be increased by a percentage rate that is greater than the Cost-of-Living Adjustment, but not more than 3.5% over the previous year's county tax levy. See N.J.S.A. 40A:4-45.14. The Cost-of-Living Adjustment for State Fiscal Year 2012 is 2.5%. In addition, pursuant to Chapter 100 of the Laws of New Jersey of 1994 (N.J.S.A. 40A:4-45.15a, -45.15b) and Chapter 74 of the Laws of New Jersey of 2004, counties may "Cap" bank under the Local Budget Law. Counties are permitted to appropriate available "Cap Bank" in either of the next two (2) succeeding years' final appropriations if its actual appropriations in a fiscal year are below the allowable Cost of Living Adjustment.

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

The Division has advised that counties and municipalities must comply with both the budget "cap" and the tax levy limitation. Neither the tax levy limitation nor the "Cap Law", however, limits the obligation of the County to levy ad valorem taxes upon all taxable property within the County to pay debt service on its bonds or notes.

### **Tax Anticipation Notes**

*N.J.S.A. 40A:4-64* provides that in any fiscal year, in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, any local unit may, by resolution, borrow money and issue its negotiable notes, including the Notes.

The proceeds of the sale of tax anticipation notes, unless used to pay outstanding notes issued in anticipation of the collection of taxes of the same fiscal year, shall be applied only to purposes provided for in the budget or for which taxes are levied or to be levied for such year, and shall not be applied to any other purpose. *N.J.S.A. 40A:4-65*.

The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power, and no such notes shall be authorized in excess of an amount certified as the net borrowing power, as computed by the formula set forth in *N.J.S.A. 40A:4-66*. The issuance of the Notes is within the net borrowing power of the County.

Pursuant to *N.J.S.A. 40A:4-67*, tax anticipation notes may be renewed from time to time, but all such notes and any renewals thereof shall mature, in the case of municipalities within 120 days after the beginning of the succeeding fiscal year, and in the case of counties not later than June 30 of the succeeding fiscal year.

## **Miscellaneous Revenues**

The Local Budget Law (*N.J.S.A. 40A:4-26*) provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit”.

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

## **Real Estate Taxes**

The same general principal that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. *N.J.S.A. 40A:4-29* delineates 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”.

Section 41 of the Local Budget Law provides with regard to the current taxes that: “Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31, of such preceding fiscal year”.

Section 40 of the Local Budget Law requires that an additional amount (“Reserve For Uncollected Taxes”) 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 be at least equal to the tax levy required to balance the budget.

## **Deferral of Current Expenses**

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental unit. With minor exceptions, however, such appropriations must be included in full in the following year’s budget. When such appropriations exceed three percent (3%) of the previous year’s adopted operating budget, consent of the Director of the Division must be obtained.

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although subaccounts within an appropriation are not subject to the same year-end transfer restrictions, they are subject to internal review and approval.

## **Capital Budget**

In accordance with the Local Budget Law, each local unit shall prepare and adopt a capital budget, in conjunction with its annual operating budget, for any year in which it proposes to undertake a capital project. Every local unit which adopts a capital budget must also adopt a three (3) year capital program unless the local unit's population exceeds 10,000 where a six (6) year capital program is required.

## **Related Constitutional and Statutory Provisions**

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disapproval.

## **The Municipal Finance Commission**

The Municipal Finance Commission ("Commission") was created in 1931 to assist in the financial rehabilitation of municipalities, which had defaulted in their obligations. The powers of the Commission are exercised today by the Local Finance Board. The previously discussed elements of the local finance system are 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 local unit in the State's Superior Court. Any local unit may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the local unit is in default or unable to meet its obligations causes the Commission to become operative in that local unit.

The Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. The Commission is authorized to appoint an auditor to examine and approve all

claims against the local unit 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 permits local units to have access to bankruptcy court for protection against suits by bondholders and creditors.

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.

### **Limitation of Remedies Under Federal Bankruptcy Code**

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

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

**THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE COUNTY EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE NOTES.**

The summaries of and references to the State Constitution and other statutory provisions above are not and should not be construed as comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

### **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, money or other funds belonging to them or within their control in any notes of the County, including the Notes, and such notes are authorized security for any and all public deposits.

## **INFORMATION REGARDING THE COUNTY OF ESSEX, NEW JERSEY**

### **General**

General information concerning the County, including economic, financial, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

### **Financial**

Appendix "B" to this Official Statement contains audited financial statements of the County for the four years ended December 31, 2011 and unaudited financial statements of the County for the year ended December 31, 2012. Copies of the complete Reports of Audit may be obtained upon request to the office of the County Treasurer.

### **LITIGATION**

Various claims of a routine nature have been asserted against the County. The County Counsel believes that such claims will not have a material adverse effect on the financial condition of the County.

Upon delivery of the Notes, the County shall furnish an opinion of its County Counsel, James R. Paganelli, Esquire, dated the date of delivery of the Notes, to the effect that there is no litigation of any nature, pending or threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such opinion shall state that there is no litigation of any nature now pending or threatened by or against the County wherein an adverse judgment or ruling could have a material and adverse impact on the financial condition of the County or adversely affect the power of the County to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds and notes, including the Notes, which has not been disclosed in this Official Statement.

### **LEGAL MATTERS**

All legal matters incident to the authorization, the issuance, sale and delivery of the Notes are subject to the approval of Gibbons P.C., Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth in Appendix "E" hereto. Certain legal matters will be passed upon for the County by its County Counsel, James R. Paganelli, Esquire, Newark, New Jersey.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **TAX MATTERS**

#### **Exclusion of Interest on the Notes from Gross Income for Federal Income Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Notes in order to assure that

interest on the Notes will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the County to comply with such requirements may cause interest on the Notes to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Notes. The County has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or permit any action that would cause the interest on the Notes to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference under Section 57 of the Code.

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

### **Additional Federal Income Tax Consequences**

In the case of certain corporate holders of the Notes, interest on the Notes will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Notes in “adjusted current earnings” of certain corporations.

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

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

### **State Taxation**

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

### **Miscellaneous**

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



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

### **RATING**

Moody's Investors Service Inc. ("Moody's") has assigned a short-term municipal credit rating of "MIG 1" to the Notes. Explanations of the significance of such rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Such rating expresses only the views of the rating agency. There is no assurance that the rating will continue for any period of time or that the rating will not be revised or withdrawn. Any such revision or withdrawal of the rating may have an effect on the marketability and market price of the Notes. The County has not undertaken the responsibility to take any action with regard to possible credit rating changes or to bring any such changes to the attention of the owners of the Notes.

### **PREPARATION OF OFFICIAL STATEMENT**

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

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

Bond Counsel and County Counsel have not participated in the preparation of the financial or statistical information contained in this Official Statement, including the Appendices hereto, nor have they verified the accuracy, completeness or fairness of the statements contained in this Official Statement and, accordingly, will express no opinion with respect thereto.

### **FINANCIAL ADVISOR**

Acacia Financial Group, Inc. ("Financial Advisor") has been retained to act as financial advisor to the County in connection with the issuance of the Notes. Although the Financial Advisor has assisted in the preparation of the Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **SECONDARY MARKET DISCLOSURE**

The Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibits a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Notes, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the

benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board through its electronic data program, the Electronic Municipal Market Access System (the "MSRB") (the "Continuing Disclosure Requirements").

On the date of delivery of the Notes, the County will enter into a Continuing Disclosure Certificate ("the Continuing Disclosure Certificate") containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Notes pursuant to which the County will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the County will covenant for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events (each, a "Disclosure Event"). The notices of Disclosure Events will be filed by the County with the MSRB. The specific nature of the information to be contained in the notices of Disclosure Events is set forth in "Appendix D - Form of Continuing Disclosure Certificate". These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

In addition to the County's undertaking in connection with the Notes regarding enumerated event disclosure, the County has made annual and enumerated event disclosure undertakings in prior bond offerings (collectively, the "Continuing Disclosure Undertakings"). As part of those Continuing Disclosure Undertakings, the County has agreed, among other things, to provide continuing disclosure of its financial statements no later than a date certain of each year as set forth in each Continuing Disclosure Undertaking. It has been the experience of the County that its financial statements have not always been available, in audited form, as of each such annual date in each such year. The County's financial information for the years ended December 31, 2007 through 2010, inclusive, in connection with its Continuing Disclosure Undertakings were untimely filed with the MSRB or the applicable predecessor repositories. As soon as such audited financial statements have been made available to the County in such years, the County has supplied such audited financial statements to the MSRB or the applicable predecessor repositories. The County anticipates that, notwithstanding its undertaking with respect to the Notes to provide notices of the occurrence of certain enumerated events as set forth in the Continuing Disclosure Certificate, (i) audited financial statements may not be available by each such annual date certain, and (ii) in such instance, the County's historical practice of promptly providing audited financial statements, when available, shall be continued. In addition, the County anticipates filing unaudited financial statements by each such annual date certain to the extent audited financial statements are not then available. The unaudited financial statements for the year ended December 31, 2011 have been timely filed with the MSRB. The Audited Financial Statements for the year ended December 31, 2011 have been filed with the MSRB. The County is currently in compliance with its previous undertakings to provide the required Annual Report.

#### **NO DEFAULT**

There is no record of default in the payment of the principal of or interest on the bonds or notes of the County.

#### **UNDERWRITING**

\_\_\_\_\_ ("Underwriter") has agreed, subject to certain customary conditions to closing, to purchase the Notes from the County at a price of \$\_\_\_\_\_. The Underwriter has agreed to purchase the Notes in accordance with the Notice of Sale for the Notes. The Notes are being reoffered to the public at a price of \$\_\_\_\_\_. The Underwriter is obligated to purchase all of the Notes if any Notes are purchased.

The Underwriter intends to offer the Notes initially at the offering yield set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) at yields higher than the offering yield set forth on the front cover page, and such offering yields may be changed, from time to time, by the Underwriter.

### **CLOSING CERTIFICATES**

The Underwriter will be furnished certificates, at the time the Notes are delivered, in form satisfactory to Bond Counsel, evidencing (a) the proper execution and delivery of the Notes, (b) the receipt thereof and payment therefor and (c) the absence of litigation now pending or, to the knowledge of the officers signing the Notes, threatened to restrain or enjoin the issuance or delivery of the Notes.

The County will state in a certificate signed on its behalf by the County Administrator or the County Treasurer, or such other County representative, delivered at the closing, to the effect that the information and statements (other than the information and statements with respect to DTC) in this Official Statement, including the Appendices hereto, on the date of this Official Statement and as of the date of delivery of the Notes, are, to the best of the knowledge of the signing officer, true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the information and statements herein, in the light of the circumstances under which they were made, not misleading.

### **FINANCIAL STATEMENTS OF THE COUNTY**

The audited financial statements of the County as of and for the four-year period ended December 31, 2011 and unaudited financial statements of the County as of and for the year ended December 31, 2012 are included in Appendix "B" to this Official Statement. The financial statements for the four-year period ended December 31, 2011 have been audited by Samuel Klein and Company, the County's Independent Auditor, as stated in its report appearing in Appendix "B" hereto.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, and requests for additional information relating to the County, may be directed to Mr. Mark E. Acker, County Treasurer, County of Essex, Hall of Records, 465 Dr. Martin Luther King, Jr. Boulevard, Newark, New Jersey 07102, Telephone (973) 621-4443.

### **MISCELLANEOUS**

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

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

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

circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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

**COUNTY OF ESSEX, NEW JERSEY**

**By:** \_\_\_\_\_  
**RALPH J. CIALLELLA**  
**County Administrator**

**Dated: April \_\_, 2013**

## **APPENDIX A**

### **Information Concerning the County of Essex, New Jersey**

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# COUNTY OF ESSEX

## INTRODUCTION

The County of Essex (the "County"), approximately 127 square miles in area and comprising about 1.7% of the area of the State of New Jersey (the "State"), is situated in the northeastern part of the State. Bergen and Passaic counties form the County's northern border, Union and Morris counties are respectively to the south and west of the County, and Newark Bay, providing direct deep water access to the Atlantic Ocean, is to the east. Approximately 783,969 people, based on the 2010 U.S. Census, constituting approximately 8.9% of the State's population, reside in the twenty-two municipalities located in the County. Within the County are approximately twenty-six office and industrial parks and over 750 individually operated commercial businesses. The County contains the following twenty-two municipalities: Newark, Bloomfield, Montclair, Verona, Cedar Grove, Essex Fells, Belleville, Orange, East Orange, West Orange, South Orange, Millburn, Roseland, Caldwell, Fairfield, Glen Ridge, Livingston, Maplewood, North Caldwell, West Caldwell, Nutley and Irvington. The County is located at the focal point for the confluence of three interstate, four federal and four State highways serving rail, air and bus passengers and freight facilities and ocean-borne freight facilities within and outside the County.

## GOVERNMENTAL STRUCTURE

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

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

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

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

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

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

### **GOVERNING BODY**

The governing body of the County consists of the Board and the County Executive. The Board consists of nine Freeholders, four of whom are elected at-large. Each member of the Board is elected to office for a three year term, and all of the current members' terms of office are scheduled to expire on December 31, 2013. The positions of President and Vice President of the Board are determined by election by the members of the Board. The President and Vice President of the Board serve for a term of one year and until their successor has been duly elected and qualified. Each may be re-elected to successive terms.

The County Executive is elected for a four year term of office. The current County Executive is Joseph N. DiVincenzo, Jr. whose 3<sup>rd</sup> term began on January 1, 2011 and whose term expires on December 31, 2014.

### **COUNTY OFFICIALS**

**Administrator** – Ralph J. Ciallella was appointed County Administrator in July 2011. He has over 30 years of experience with all levels of government in New Jersey. He is currently the Chairman of the governing body of the Essex County Psychiatric Hospital and Vice Chairman of the Essex County Parks Foundation.

**Director of Administration and Finance/County Treasurer** - Mark E. Acker was appointed Director of Administration and Finance in August 2011 and County Treasurer in June 2012. Mr. Acker is a Certified Municipal Officer and a Certified County Finance Officer. He has over 35 years of experience in municipal and County levels of government. Mr. Acker most recently served as the Director of Finance/CFO for Monmouth County (1984-2009) and Edison Township (2009-2010).



## **FINANCIAL INFORMATION AND BUDGET HIGHLIGHTS**

### **Tropical Storm Sandy**

On October 29, 2012, Tropical Storm Sandy made landfall five miles south of Atlantic City, New Jersey. The resulting storm caused physical damage to the several of the buildings in the County and needed cleanup to parks and roads within the County. In order to fund the cost of these repairs, the Board of Chosen Freeholders adopted an emergency appropriation in the amount of \$12,515,000 at its meeting on December 5, 2012. The emergency appropriation was used to fund repairs to the roof of the Veterans Courthouse, minor repairs, tree and debris removal at all County Parks, repair of damage to the co-gen facility at the Essex County Correctional Facility and other costs related to the County's response and restoration of services due to Tropical Storm Sandy. The County expects the emergency appropriation will be paid in full from the proceeds of insurance and FEMA reimbursements. Consequently, there will be no long term fiscal impact on the County.

### **The 2013 Budget**

The 2013 Budget, which includes a \$6.85 million increase in taxes, was adopted by the Board of Chosen Freeholders on April 10, 2013. The 2013 Budget continues the hiring freeze instituted in 2009. These policies affect all County Departments and Constitutional Offices.

## **SERVICES IN THE COUNTY**

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

### **Educational Facilities**

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

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

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

## **Health Care Facilities**

Serving the County's residents are numerous accredited private, municipal and County-operated hospitals, an estimated twenty-three nursing care facilities, and numerous private and volunteer ambulance services. Acute care hospitals in Essex County include Newark Beth Israel Medical Center, St. Michael's Medical Center, and University Hospital of the University of Medicine and Dentistry of New Jersey, all located in Newark, as well as Clara Maass Medical Center in Belleville, East Orange General Hospital, St. Barnabas Medical Center in Livingston, and Mountainside Hospital in Montclair and Glen Ridge. In addition, within Essex County is the Veterans Administration Medical Center located in East Orange and the Kessler Institute for Rehabilitation located in West Orange. A major burn center is located at St. Barnabas Medical Center. The County is responsible for the operations of the Essex County Hospital Center (a psychiatric/chemical dependency facility) located in Cedar Grove. The Hospital Center, with a bed capacity of 180, is staffed by 383 full-time professional personnel. The Hospital Center's current occupancy rate is 98%.

## **Sheriff's Department**

The Essex County Sheriff's Department is currently staffed by 399 sworn personnel (this includes sheriffs, under-sheriffs, captains, lieutenants and officers) and 67 other support personnel. The Sheriff's Department is mandated by law under *N.J.S.A. 2B:6-1(d)* to provide security for the Superior Courts; under *N.J.S.A. 2B:6-3(a)* for the service, execution and return of process, orders, warrants and judgments; and under *N.J.S.A. 2C:43-10(e)* to provide for the transportation of convicted criminal defendants. The Sheriff's Department is located in the Essex County Courts Building.

## **Parks and Recreation**

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

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

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

## **Transportation Facilities**

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

### *Highways*

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

### *Rail Transportation*

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

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

### *Bus Transportation*

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

### *Airport Facilities*

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

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

During 2011, an estimated 33.7 million air passengers embarked and debarked at the Airport. The Port Authority anticipates in future years that the major portion of increases in passenger traffic will be from international travel. The amount of freight handled in 2011 totaled approximately 811,989 revenue tons, and included the operations of United Parcel Service, Federal Express and Airborne located on the Airport's property. A mono-rail link to Amtrak and NJ Transit was used by 2.0 million passengers in 2011.

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

### *Ocean Borne Freight Facilities*

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

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

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

### **THE SOLID WASTE SYSTEM**

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

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

All Municipal processible waste (I.D. Type 10) for Essex County's twenty-two (22) municipalities is currently delivered to the Essex County Resource Recovery Facility ("the ECRRF") pursuant to a five (5) year government to government contract between the Port Authority of NY & NJ and the ECUA which commenced as of January 1, 2010, terminating December 31, 2014, pursuant to regulatory waste flow control, certified by the NJDEP.

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

Pursuant to a five (5) year public bid contract which commenced on January 1, 2011, terminating on December 31, 2015, all Essex County non processible waste is currently directed to the Hackensack Meadowlands Keegan Landfill in Kearny, New Jersey pursuant to regulatory waste flow control, certified by the NJDEP.

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

That portion of processible waste generated in Essex County that is not otherwise directed to the ECRRF is delivered to Waste Management's transfer station located at Julia Street, Elizabeth, New Jersey pursuant to a three (3) year public bid contract which commenced on January 1, 2013, terminating December 31, 2015, pursuant to regulatory waste flow control.

### **THE COUNTY WELFARE SYSTEM**

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

The Division of Welfare is the eighth largest in the nation. Expenditures for welfare and other costs of the Department of Citizen Services are budgeted at \$98,491,824 in the 2013 Budget. The Division of Welfare employs 821 persons to administer the Temporary Assistance to Needy Families (TANF), Food Stamp Program, Medicaid Program and several other federally mandated programs. All of these programs are directed by the State of New Jersey, Department of Human Services. The federal government provides partial reimbursement to the County for all administrative costs to provide these programs. The County is responsible for five percent of the costs of the TANF program and all other assistance payments are state and federally funded. Approximately 123,000 families receive benefits from the Division of Welfare.

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

## **LABOR RELATIONS**

As of January 1, 2013, the County employed approximately 3,339 personnel. Of the 3,339 employees, approximately 3,167 employees are represented by 26 collective bargaining units. The County's negotiations with these bargaining units are managed by the County's Office of Labor Relations. All employee contracts expire on December 31, 2013.

## **RETIREMENT SYSTEMS**

### **County Pension Plan**

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

In 1989, the County issued \$48,996,807.50 of general obligation bonds in order to permanently fund the balance of the County's pension system liabilities, through the purchase of a dedicated securities portfolio covering substantially all of the County's theretofore unfunded pension liability with respect to the Essex County Employees' Retirement System. In 2010 that portfolio could no longer fully fund the Employee Retirement Systems obligations. In 2010 the County Budget included a \$2.5 million appropriation to supplement the existing portfolio. The 2011 budget contained an appropriation of \$4.5 million to fund the requirements of the pension fund. The 2012 budget contained an appropriation of \$4.0 million. The 2013 Budget contains an appropriation of \$3.5 million.

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

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

**Retirement Benefits  
Five Year Historical Summary**

<u>System</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
PERS* .....	\$14,957,664	\$14,713,508	\$14,499,082	\$12,071,085	\$10,634,935
PFRS* .....	18,517,250	18,350,257	22,532,979	17,800,000	15,607,009
Social Security .....	16,056,513	16,056,513	16,150,579	16,121,940	15,607,009
Non-Contributory.....	<u>295,000</u>	<u>345,000</u>	<u>345,000</u>	<u>420,000</u>	<u>420,000</u>
 Total.....	 <u>\$49,826,427</u>	 <u>\$49,465,278</u>	 <u>\$53,527,640</u>	 <u>\$46,413,025</u>	 <u>\$42,268,953</u>

Source: County's audited and unaudited financial statements.

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

**INSURANCE**

**Self-insurance**

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

Administration and management of unemployment insurance claims are contracted to Consultec Associates, Inc. The 2013 budget includes an appropriation for unemployment compensation insurance in the sum of \$1,500,000.

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

**Health Benefits Insurance**

As of January 1, 2013, the County entered into a one year contract with Aetna Life Insurance Company for all of its employee and eligible retiree health care coverage, all plan varieties are fully insured. The County also entered into a one year contract with Benecard Services, Inc. for a fully insured prescription drug program for all employees and eligible retirees.

**Liability Insurance**

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

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

The County also maintains hospital professional and specialists' professional liability excess coverage through a policy provided by One Beacon Insurance Company. The County's retained limit under this policy is \$300,000 per incident, and coverage is \$1,000,000 per occurrence/\$3,000,000 annual aggregate each for employed physicians and the Hospital Center. AIG Insurance Co. provides a public employees blanket bond to the County, in the amount of \$1,000,000.

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

### PROPOSED CAPITAL IMPROVEMENT PROGRAM

The County's six-year Capital Improvement Program annual funding requirement, as set forth in the County's 2013 budget, is summarized below.

<u>Year</u>	<u>Annual Funding Requirement</u>
2013 .....	\$20,000,000
2014 .....	20,000,000
2015 .....	20,000,000
2016 .....	20,000,000
2017 .....	20,000,000
2018 .....	20,000,000
 Total All Projects .....	 <u>\$120,000,000</u>

### 2013 Capital Budget Appropriations, Funding Sources and Amounts

<u>Project</u>	<u>Six Year Estimated Total Cost</u>	<u>2013 Budget Appropriations Fund</u>	<u>2013 Capital Improvement Fund</u>	<u>Debt Authorized</u>	<u>Future Years Funding</u>
Hospital Center Complex, Rehabilitation.....	\$ 800,000	\$ 0	\$ 0	\$ 0	\$ 800,000
Inter-County Movable Bridges.....	1,250,000	0	0	0	1,250,000
Hazardous Material Chemical Control.....	5,500,000	750,000	36,000	714,000	4,750,000
County Bridge/Culvert Improvements.....	5,950,000	1,700,000	81,000	1,619,000	4,250,000
Traffic Signal Improvements.....	5,800,000	650,000	31,000	619,000	5,150,000
Various County Building Improvements.....	18,850,000	6,150,000	293,000	5,857,000	12,700,000
H.O.R./Court House Improvements.....	6,250,000	0	0	0	6,250,000
Jail/Jail Annex Rehabilitation.....	13,000,000	0	0	0	13,000,000
Highway Rehabilitation.....	9,300,000	2,800,000	133,420	2,666,580	6,500,000
Highway Safety.....	4,200,000	600,000	28,580	571,420	3,600,000
Parks Rehabilitation.....	16,850,000	5,600,000	267,000	5,333,000	11,250,000
Capital Equipment.....	9,750,000	0	0	0	9,750,000
Handicapped Access Improvements.....	1,250,000	0	0	0	1,250,000
Transportation Improvements.....	3,750,000	0	0	0	3,750,000
Youth House Facility Improvements.....	1,250,000	0	0	0	1,250,000
County College/Vo-Tech School Improvements.....	<u>16,250,000</u>	<u>1,750,000</u>	<u>0</u>	<u>1,750,000</u>	<u>14,500,000</u>
Total All Projects	<u>\$120,000,000</u>	<u>\$20,000,000</u>	<u>\$ 870,000</u>	<u>\$19,130,000</u>	<u>\$100,000,000</u>

## Trend of Employment and Unemployment

<u>Year</u>		<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2012	County	375,700	336,100	39,500	10.5%
	State	4,640,300	4,198,400	441,900	9.5
	U.S.	154,975,000	142,469,000	12,506,000	8.1
2011	County	366,700	330,100	36,500	10.0
	State	4,534,200	4,140,200	394,000	8.7
	U.S.	153,617,000	139,869,000	13,747,000	8.9
2010	County	363,700	326,600	37,100	10.2
	State	4,472,545	4,065,242	407,303	9.1
	U.S.	153,690,000	139,206,000	14,485,000	9.4
2009	County	367,800	329,100	38,100	10.4
	State	4,536,650	4,118,350	418,300	9.2
	U.S.	154,142,000	139,877,000	14,265,000	9.3
2008	County	365,500	341,450	24,050	6.6
	State	4,502,750	4,256,950	245,800	5.5
	U.S.	154,287,000	145,362,000	8,924,000	5.8

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

## LARGEST EMPLOYERS

<u>Employer</u>	<u>Business</u>	<u>Location</u>	<u>2012 Approximate Employment</u>
St. Barnabas Health Care System	Acute Care Hospital	Livingston	23,000
Verizon	Communications	Newark	17,100
Prudential Ins. Co. of America	Insurance	Newark, Roseland	16,850
Univ. of Medicine and Dentistry of NJ	University	Newark	15,500
Continental Airlines	Airline	Newark	11,000
Newark Board of Education	Board of Education	Newark	7,050
Automatic Data Processing	Computer Software	Roseland	5,649
New Jersey Transit	Transportation	Newark	4,000
Essex County	Government	Newark	3,900
City of Newark	Government	Newark	4,000

Source: City of Newark and County of Essex.



## MAJOR REAL PROPERTY TAXPAYERS

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

<u>Taxpayer</u>	<u>Business</u>	<u>Location</u>	<u>2012 Assessed Valuation</u>
Short Hills Assoc. LLC	Mall	Millburn	\$700,000,000
Hoffman – La Roche, Inc	Pharmaceutical	Nutley	283,693,900
Livingston Mall	Mall	Livingston	140,000,000
Prudential Financial, Inc.-NJ020	Insurance	Roseland	89,038,300
Organon International, Inc.	Office Building	Roseland	80,300,000
Lutheran Social Ministries at Crane	Nursing Home	West Caldwell	81,000,000
Wells Reit II 80 Park Plaza LLC	Office Building	Newark	85,314,000
Anheuser Busch Inc.	Brewery	Newark	81,299,000
Three Penn Plaza (Horizon)	Office Building	Newark	79,145,700
Short Hills Hilton	Hotel	Millburn	75,960,000
Rreef America Reit III Corp JJ	Shopping Center	West Orange	75,357,100
Verizon	Communications	Newark	72,125,700
Total 2012 Assessed Valuation of Major Taxpayers			<b>\$1,673,895,400</b>
2012 Assessed Valuation of Real Property in the County			<b>\$77,175,617,150</b>
Ratio of Major Taxpayers Net 2012 Assessed Valuation to the 2012 Valuation of Real Property in the County			<b>2.17%</b>

Source: Essex County Board of Taxation.

## PROPERTY VALUATIONS

### Net Assessed Valuations by Classification of Real Property

Type of Real Property	Net Assessed Valuation				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Residential	\$57,143,781,273	\$59,573,419,363	\$55,324,992,859	\$50,265,908,693	\$44,196,481,191
Apartment	3,479,709,000	3,551,217,290	3,480,584,550	3,319,333,150	3,402,924,400
Commercial	12,555,239,247	13,127,672,731	12,259,833,678	11,446,105,300	9,939,957,200
Industrial	2,914,536,550	3,050,927,150	2,890,502,200	2,730,281,740	2,180,619,540
Farm	2,973,700	3,115,200	3,273,300	2,298,200	1,404,100
Vacant Land	<u>1,079,377,380</u>	<u>1,143,355,280</u>	<u>1,130,066,000</u>	<u>1,124,824,900</u>	<u>984,658,000</u>
Sub -Total	<u>\$77,175,617,150</u>	<u>\$80,449,707,014</u>	<u>\$75,089,252,587</u>	<u>\$68,888,751,983</u>	<u>\$60,706,044,431</u>
Exempt	16,772,831,343	16,974,269,593	15,900,869,066	13,073,196,297	13,859,637,347
Total of Real Property	<u>\$93,948,448,493</u>	<u>\$97,423,976,607</u>	<u>\$90,990,121,653</u>	<u>\$81,961,948,280</u>	<u>\$74,565,681,778</u>

Source: Essex County Board of Taxation.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Assessed Valuation:					
Real Property (1)	\$77,175,617,150	\$80,449,707,014	\$75,089,255,587	\$68,888,851,983	\$60,706,044,431
Personal Tangible Property (2)	185,759,001	187,636,633	167,175,713	162,857,390	146,888,187
Total Net Assessed Valuation	77,613,376,151	80,637,343,647	75,256,431,300	69,051,709,373	60,852,932,618
Percent Increase (Decrease) Over Previous Year	(3.75%)	7.15%	8.99%	3.98%	7.37%
Equalized Valuation (3)	\$88,368,834,408	\$91,284,599,647	\$96,376,838,097	\$97,911,850,661	\$94,164,040,217
Percent Increase(Decrease) Over Previous Year	(3.30%)	(5.58%)	(1.57%)	3.98%	6.37%

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

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

(3) As equalized by the County.

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

## TAX INFORMATION

### County Tax Levy

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

### Tax Rates, Tax Apportionments and Tax Collections

<u>Year</u>	<u>Tax Rate (1)</u>	<u>Tax Apportionment</u>	<u>Tax Collection</u>	<u>Percent</u>
2012 .....	\$4.505	\$391,714,299	\$391,714,299	100.00%
2011 .....	4.254	384,033,638	384,033,638	100.00
2010 .....	3.944	373,755,354	373,755,354	100.00
2009 .....	3.783	363,575,246	363,575,246	100.00
2008 .....	3.764	349,575,243	349,575,243	100.00

(1) Per \$1,000 of assessed valuation.

### Added and Omitted Tax Levies (1)

<u>Year</u>	<u>Added Taxes</u>	<u>Omitted Taxes</u>	<u>Total</u>
2012 .....	\$625,204	\$21,241	\$646,445
2011 .....	829,102	29,795	858,897
2010 .....	659,792	26,057	685,848
2009 .....	1,108,017	185,087	1,293,104
2008 .....	3,694,925	421,148	4,116,073

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

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

### COMPARISON OF TAX LEVY TO ANNUAL DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Tax Levy(1)</u>	<u>Debt Service Requirements(2)</u>	<u>Percent of Debt Service To Tax Levy</u>
2012.....	\$391,714,299	\$99,766,643	26.00%
2011.....	384,033,638	99,510,889	25.91
2010.....	373,753,354	97,999,122	26.22
2009.....	364,863,347	92,152,427	25.26
2008.....	353,691,308	88,763,230	25.10

(1) Includes added and omitted taxes.

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

### CURRENT FUND REVENUE SOURCES PER ANNUAL ADOPTED BUDGET

<u>Year</u>	<u>Budget Requirement(1)</u>	<u>Revenue Surplus Appropriated</u>	<u>Miscellaneous Revenues</u>	<u>Amount to Be Raised by Taxation</u>
2012 .....	\$720,929,639	\$4,000,000	\$325,215,340	\$391,714,299
2011 .....	722,374,224	21,660,540	318,019,506	384,033,638
2010 .....	739,777,253	18,500,000	347,521,904	373,755,349
2009 .....	693,480,189	18,500,000	311,404,946	363,575,243
2008 .....	662,199,754	36,450,000	276,174,519	349,575,235

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

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

<u>Year</u>	<u>Balance as of December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2012	\$37,436,657	\$4,000,000	10.68%
2011	26,225,761	4,000,000	15.24
2010	43,603,765	21,660,540	49.78
2009	35,177,099	18,500,000	52.67
2008	26,260,622	18,500,000	65.43
2007	54,949,895	36,450,000	66.52

Source: The County's audited and unaudited financial statements and 2012 budget.

### DEBT INFORMATION

#### General Information

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

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

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

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

**Appropriation Not Required for Payments on Debt**

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

**Statutory Debt and Borrowing Power**

The following tables set forth information, as of December 31, 2012, on the amounts of the County's outstanding debt and outstanding net debt, outstanding debt guaranteed by the County or issued for County purposes, statutory debt, and statutory borrowing power. After the dates noted, the debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

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**OUTSTANDING DEBT AND OUTSTANDING NET DEBT**  
(As of December 31, 2012)

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Dated</u> <u>Date</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Outstanding</u>
<b>County Bonds Outstanding</b>				
General Improvement Series 1996A	Variable	09/18/1996	07/01/2016	\$590,000
General Improvement Series 2004A	4.00	11/03/2004	10/01/2019	36,665,000
General Improvement Series 2004D	3.50-4.00	11/03/2004	10/01/2020	1,505,000
G.O. Bonds, Series 2005A	4.00-5.00	05/01/2005	05/01/2022	21,280,000
Verona Diamond Pond	2.00	01/12/2007	09/15/2025	450,000
Vocational School Bonds, Series 2007	4.00-5.00	08/14/2007	12/15/2022	10,185,000
E.C.I.A Loan: General Improvement Series 2010	Variable	06/03/2010	07/01/2025	3,705,000
G.O. Bonds Series 2010	5.00	06/10/2010	08/15/2025	58,445,000
County Vocational School Series 2010 B	5.00	06/10/2010	08/15/2025	2,840,000
Build America Bonds Series 2010	5.00-6.15	06/10/2010	08/15/2025	37,550,000
G.O. Bond Series 2011A Refunding	3.00-4.00	11/10/2011	06/01/2015	1,650,000
<b>County College (1):</b>				
County College Bonds, Series 1999C	5.35-5.45%	09/22/1999	08/01/2014	\$800,000
County College Bonds, Series 2004B	3.00	11/03/2004	10/01/2017	6,605,000
County College Bonds, Series 2008A	3.50-5.00	06/26/2008	03/01/2023	7,110,000
County College Bonds, Series 2010 C	5.00	06/10/2010	08/01/2025	15,240,000
County College BABs Series 2010 F	5.90-6.15	06/10/2010	08/01/2025	8,600,000
County College Refunding Bonds, Series 2011B	3.00-4.00	11/10/2011	06/01/2017	8,535,000
County College Bonds, Series 2012A	2.00-4.00	09/19/2012	09/01/2022	1,250,000
<b>General Obligation Refunding:</b>				
Series 1989A	15.25%	01/15/1989	08/15/2019	\$3,500,000
Series 2003 G.O. Pension Refunding (Taxable)	4.75	06/25/2003	04/01/2033	54,665,000
Series 2005A	5.00	06/23/2005	06/01/2016	21,565,000
Series 2008B County Portion	3.75-4.00	08/21/2008	11/15/2014	1,145,000
Series 2008C (Taxable)	5.31-5.46	10/07/2008	12/01/2017	<u>18,905,000</u>
<b>TOTAL</b>				<u>\$322,785,000</u>
<b>Less: County Bonds Payable State of NJ</b>				
ECC Series 2004C	3.50-4.00%	11/03/2004	10/01/2019	\$2,180,000
ECC Series 2008B	3.50-5.00	06/26/2008	03/01/2023	7,110,000
ECC Series 2010D Refunding	5.00	06/23/2010	08/01/2025	1,050,000
ECC Series 2011C Refunding	3.00-4.00	11/10/2011	06/01/2017	815,000
ECC Series 2012B	2.00-4.00	09/19/2012	09/01/2022	<u>1,250,000</u>
<b>Total Net Outstanding County Debt</b>				<u>\$310,380,000</u>

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

Source: The County.

**OUTSTANDING DEBT GUARANTEED BY THE COUNTY OR  
ISSUED FOR COUNTY PURPOSES  
(As of December 31, 2012)**

**The Essex County Improvement Authority**

<u>Issue Name</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
<b>Bonds and Notes Payable by the County Under Lease or Deficiency Agreements</b>				
Guaranteed Revenue Bonds, Series 1995 (Garden State Cancer Center Project)	6.00	06/15/1995	12/01/2020	1,770,000
G.O. Guaranteed Lease Revenue Bonds, Series 1997B	5.63%	07/02/1997	10/01/2027	\$1,500,000
G.O. Guaranteed Lease Revenue Bonds, Series 1998C (Charm Acres)	6.40	12/16/1998	09/01/2023	150,000
G.O. Lease Revenue Bonds, Series 2002 (Cogen Facility Project)	4.10	07/11/2002	01/01/2023	1,065,000
Guaranteed Lease Revenue Bonds, Series 2003B (Correctional Facility Project)	4.15	04/01/2003	09/01/2028	860,000
Project Consolidation Revenue Bonds, Series 2003 (Refunding Project)	4.00-5.00	09/29/2003	12/15/2020	70,990,000
Project Consolidation Revenue Bonds, Series 2004A	5.125-5.50	09/02/2004	10/01/2030	170,380,000
Project Consolidation Revenue Bonds, Series 2006 (Refunding Project)	5.25	09/07/2006	12/15/2024	31,235,000
Project Consolidation Revenue Bonds, Series 2005 (Refunding Project)	4.00-5.00	08/15/2005	12/15/2027	9,275,000
G.O. Guaranteed Lease Revenue Refunding, Series 2005 (Sportsplex Project)	4.00-5.00	09/13/2005	10/01/2029	11,975,000
Project Consolidation Revenue Bonds, Series 2007 (Refunding Project)	5.00-5.25	03/29/2007	12/15/2023	235,845,000
Department of Environmental Protection Loan	2.00	07/24/2009	04/23/2028	441,790
G.O. Guaranteed Lease Revenue Refunding Bonds, Series 2011 (Social Services)	3.00	04/13/2011	10/01/2027	3,690,000
G.O. Guaranteed Lease Revenue Refunding Bonds, Series 2011 (NJPAC)	3.00	04/13/2011	10/01/2018	2,100,000
G.O. Guaranteed Lease Revenue Refunding Bonds, Series 2011 (Riverbank)	3.00-4.00	04/13/2011	10/01/2018	2,370,000
G.O. Guaranteed Lease Revenue Refunding Bonds, Series 2012 (Correctional)	2.00-4.00	10/30/2012	10/01/2013	<u>10,510,000</u>
<b>Total Bonds and Notes Payable by the County Under Lease or Deficiency Agreements (A)</b>				<b><u>\$554,156,790</u></b>
<b>Bonds Payable Under Deficiency Agreement and Guaranteed by the County</b>				
Parking Facility Revenue Refunding Bonds, Series 2009 (County-Guaranteed)	2.50-5.00%	02/10/2009	10/01/2022	<u>\$5,530,000</u>
<b>Total Bonds Payable Under Deficiency Agreement and Guaranteed by the County (B)</b>				<b><u>\$5,530,000</u></b>
<b>Total Bonds and Notes Payable by the County Under Lease or Deficiency Agreements (Total (A)+(B))</b>				<b><u>\$559,686,790</u></b>
<b>Bonds Guaranteed by the County and Payable from Other Sources</b>				
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1993A	3.85-6.00	02/01/1993	08/01/2013	\$340,000
Airport Revenue Bonds, Series 1998 (AMT)	4.00 -5.10	08/01/1998	11/01/2018	410,000
Airport Revenue Refunding Bonds, Series 2004 (AMT) (County Guaranteed)	5.125-5.50	10/05/2004	10/01/2021	2,355,000
Airport Revenue Refunding Bonds, Series 2007 (AMT) (County-Guaranteed)	4.00-4.50	10/11/2007	11/01/2032	<u>7,210,000</u>
<b>Total Bonds Guaranteed by the County &amp; Payable from Other Sources (C)</b>				<b><u>\$10,315,000</u></b>
<b>Total ECIA ((A)+(B)+(C))</b>				<b><u>\$570,001,790</u></b>
<b>The Essex County Utilities Authority</b>				
<b>Bonds Payable Under Deficiency Agreement if not Paid from Other Sources</b>				
Solid Waste System Refunding Revenue Bonds, Series 2006A and 2006B	3.70-5.45%	03/23/2006	10/01/2022	68,930,000
2.00% Water System Project Notes (Series 2012)	2.00	11/08/2012	11/08/2013	<u>6,250,000</u>
<b>Total ECUA</b>				<b><u>\$75,180,000</u></b>

**STATUTORY DEBT**  
As of December 31, 2012

	<u>Gross Debt</u>	<u>Deductible Debt</u>	<u>Net Debt</u>
General Purpose:			
Bonds Issued	\$216,030,000	\$9,365,000	\$206,665,000
Pension Bonds	58,165,000	54,665,000	3,500,000
Bond Anticipation Notes Issued	46,060,000		46,060,000
Debt Authorized but Unissued	23,483,534		23,483,534
County College Bonds Issued (1):	60,545,000	12,405,000	48,140,000
County Guaranteed Debt (2):			
Essex County Improvement Authority	570,001,790	569,560,000	441,790
Essex County Utilities Authority	<u>75,180,000</u>	<u>75,180,000</u>	<u>0</u>
Total Gross Statutory Debt	<u>\$1,049,465,324</u>		
Total Statutory Deductions		<u>\$721,175,000</u>	
Total Net Statutory Debt			<u>\$328,290,324</u>

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

Source: The County.

**STATUTORY BORROWING POWER**  
As of December 31, 2012

Three Year Average Equalized (1)	\$87,429,146,176.33
Statutory Borrowing Power(2)	1,748,582,923.52
Statutory Net Debt	328,290,324.49
Remaining Statutory Borrowing Power	1,420,292,599.03
Ratios:	
Statutory Net Debt to State Equalized Valuation	0.375%
Statutory Net Debt Per Capita (3)	\$418.90

- (1) Average for three years (2010, 2011 and 2012), as prepared by the State.
- (2) 2.00% of the three-year average equalized valuation as prepared by the State.
- (3) 2010 Census population 783,969.



County of Essex, New Jersey  
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE COUNTY'S TAX SUPPORTED DEBT  
(Beginning December 31, 2012)

Period Ending	Net Outstanding County Debt (1)			Essex County Improvement Authority (2)			Total Debt Service	Maturing
	Principal	Interest	Debt Service	Principal	Interest	Debt Service		
12/31/2013	\$ 24,847,500.00	\$ 16,330,567.27	\$ 41,178,067.27	\$ 28,579,575.99	\$ 28,636,556.82	\$ 57,216,132.81	\$ 98,394,200.08	
12/31/2014	31,287,500.00	15,185,109.75	46,472,609.75	24,400,069.97	27,318,820.29	51,718,890.26	98,191,500.01	12.19%
12/31/2015	31,362,500.00	13,736,028.75	45,098,528.75	26,580,573.88	26,098,887.64	52,679,461.52	97,777,990.27	
12/31/2016	29,927,500.00	12,421,031.73	42,348,531.73	30,531,087.91	24,859,747.85	55,390,835.76	97,739,367.49	
12/31/2017	23,840,000.00	11,094,062.50	34,934,062.50	38,401,612.28	23,432,652.24	61,834,264.52	96,768,327.02	
12/31/2018	19,235,000.00	9,986,318.75	29,221,318.75	42,097,147.18	21,494,158.58	63,591,305.76	92,812,624.51	
12/31/2019	23,175,000.00	9,136,706.25	32,311,706.25	44,632,692.85	19,331,139.17	63,963,832.02	96,275,538.27	46.81%
12/31/2020	13,715,000.00	7,738,181.25	21,453,181.25	56,818,249.47	17,021,405.04	73,839,654.51	95,292,835.76	
12/31/2021	13,785,000.00	7,113,187.50	20,898,187.50	59,438,817.29	14,071,137.23	73,509,954.52	94,408,142.02	
12/31/2022	13,295,000.00	6,514,625.00	19,809,625.00	63,524,396.51	10,982,158.00	74,506,554.51	94,316,179.51	
12/31/2023	25,560,000.00	5,970,307.50	31,530,307.50	50,809,987.39	7,677,800.88	58,487,788.27	90,018,095.77	
12/31/2024	24,260,000.00	4,712,257.50	28,972,257.50	18,150,590.13	5,079,023.14	23,229,613.27	52,201,870.77	84.73%
12/31/2025	24,490,000.00	3,243,825.00	27,733,825.00	13,761,204.99	4,109,172.02	17,870,377.01	45,604,202.01	
12/31/2026	2,795,000.00	1,733,118.75	4,528,118.75	13,416,832.21	3,370,398.55	16,787,230.76	21,315,349.51	
12/31/2027	3,215,000.00	1,584,371.25	4,799,371.25	13,717,472.04	2,650,088.73	16,367,560.77	21,166,932.02	
12/31/2028	3,670,000.00	1,413,967.50	5,083,967.50	11,176,479.40	1,910,794.79	13,087,274.19	18,171,241.69	
12/31/2029	4,165,000.00	1,220,051.25	5,385,051.25	11,765,000.00	1,298,750.00	13,063,750.00	18,448,801.25	96.15%
12/31/2030	4,710,000.00	1,000,395.00	5,710,395.00	11,885,000.00	653,675.00	12,538,675.00	18,249,070.00	
12/31/2031	5,295,000.00	752,771.25	6,047,771.25				6,047,771.25	
12/31/2032	5,935,000.00	474,828.75	6,409,828.75				6,409,828.75	
12/31/2033	6,625,000.00	163,968.75	6,788,968.75				6,788,968.75	
12/31/2034								100.00%
<b>Totals</b>	<b>\$ 335,190,000.00</b>	<b>\$ 131,525,681.25</b>	<b>\$ 466,715,681.25</b>	<b>\$ 559,686,789.49</b>	<b>\$ 239,996,365.98</b>	<b>\$ 799,683,155.47</b>	<b>\$ 1,266,398,836.72</b>	

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

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

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

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

(As of December 31, 2012)

Debt Ratios

	<u>Debt Outstanding</u>		<u>Debt Per Capita (1)</u>		<u>Debt as % of Equalized Value (2)</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
<b>Direct Debt:</b>						
General Purpose .....	\$343,738,534	\$280,150,324				
County College.....	<u>60,545,000</u>	<u>48,140,000</u>				
<b>Subtotal Direct Debt.....</b>	<b><u>404,283,534</u></b>	<b><u>328,290,324</u></b>	<b>\$515.86</b>	<b>\$418.90</b>	<b>0.45%</b>	<b>0.37%</b>
<b>Overlapping Debt:</b>						
ECIA:(3)						
Payable by the County Under Lease or Deficiency Agreement and Guaranteed by the County .....	567,219,790	567,219,790				
Payable from other sources .....	16,010,000	0				
ECUA: (3).....	<u>75,180,000</u>	<u>0</u>				
Subtotal Overlapping Debt .....	<u>658,409,790</u>	<u>567,219,790</u>				
<b>Subtotal Direct and Overlapping Debt .....</b>	<b>1,062,693,234</b>	<b>895,510,115</b>	<b>\$1,356.00</b>	<b>\$1,142.67</b>	<b>1.21%</b>	<b>1.02%</b>
<b>Underlying Debt:(4)</b>						
Municipal .....	1,168,224,374	1,168,224,374				
School.....	638,757,560					
Self-supporting:						
Municipal Utility.....	426,922,778					
Commissions:(5)						
PVSC.....	126,287,139					
North Jersey .....	<u>26,703,688</u>					
Subtotal Underlying Debt.....	<u>1,230,353,409</u>	<u>1,168,224,374</u>				
<b>Total Direct, Overlapping and Underlying Debt:.....</b>	<b><u>\$2,293,046,643</u></b>	<b><u>\$2,063,734,489</u></b>	<b>\$2,925.94</b>	<b>\$2,633.34</b>	<b>6.62%</b>	<b>2.36%</b>

(1) New Jersey Department of Labor 2010 Estimate 783,969

(2) 2012 equalized valuation as shown in the County's Annual Debt Statement (\$87,429,146,176).

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

(4) Underlying debt information and its apportionment are as of December 31, 2012 with exceptions, and are described under "Selected Economic and Debt Information on Municipalities in the County".

(5) Includes on a pro-rata basis, Passaic Valley Sewerage Commissioners share of outstanding debt and North Jersey District Water Supply Commission share of outstanding debt as of January 1, 2012. Refer to "Selected Economic and Debt Information on Municipalities in the County" for apportionment of respective outstanding debt amounts by municipality.

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

**SELECTED ECONOMIC AND DEBT INFORMATION  
ON MUNICIPALITIES IN ESSEX COUNTY**

<u>Municipality</u>	<u>Outstanding Debt (9)</u>								
	<u>2012 Net Valuation (1)</u>	<u>2012 Tax Levy (1)</u>	<u>Gross Debt(2)</u>	<u>Municipal Debt (3)</u>	<u>Self Liquidating Debt(4)</u>	<u>Net Direct Debt(5)</u>	<u>School(6)</u>	<u>County(7)</u>	<u>Commissions(8)</u>
Belleville	\$2,982,890,760	\$365,739,480	\$27,482,745	\$24,432,745	\$3,050,000	23,889,097		\$10,944,487	7,037,857.00 A
Bloomfield	4,499,685,662	431,413,100	107,191,356	67,667,856	5,803,500	47,667,856	33,720,000	16,911,890	8,582,621.00 A 3,082,636.00 B
Caldwell	1,074,905,267	126,177,800	33,266,655	12,927,865	16,334,453	12,859,832	4,004,336	3,984,315	
Cedar Grove	2,315,885,178	204,623,391	37,905,000	11,150,000	9,410,000	11,299,848	17,345,000	8,738,210	886,852.00 B
E. Orange	3,645,972,180	1,707,092,500	96,449,645	64,063,768	32,385,877	47,687,533	0	13,348,162	
Essex Fells	757,461,483	109,142,100	8,614,905	4,102,235	1,716,431	4,102,235	2,796,239	2,854,275	
Fairfield	2,962,755,685	196,146,500	23,015,440	10,604,834	2,508,100	10,315,384	9,902,506	10,559,680	
Glen Ridge	1,453,453,496	91,236,600	15,865,087	4,876,898	5,433,189	5,681,139	5,555,000	5,432,991	1,509,656.00 A 196,925.00 B
Irvington	2,850,518,506	361,806,200	122,081,712	79,553,814	0	73,458,814	42,527,899	10,422,734	
Livingston	7,515,707,997	1,167,146,300	204,603,338	95,430,545	10,050,944	95,430,221	99,121,849	27,738,463	
Maplewood	3,598,651,233	798,466,100	73,917,619	46,887,155	25,512,763	46,803,946	0	13,537,773	
Milburn	8,677,645,021	495,539,100	65,481,564	39,991,175	8,145,000	12,612,564	44,724,000	32,554,108	
Montclair	6,881,985,278	659,913,200	212,023,986	80,995,890	22,946,015	80,327,640	92,862,080	25,043,221	10,053,117.00 A
Newark	16,805,296,955	7,724,862,399	727,527,369	422,543,044	188,127,325	296,526,008	116,857,000	62,515,946	84,207,180.00 A 19,007,311.00 B
N. Caldwell	1,629,143,891	174,526,500	18,471,798	6,357,150	893,000	6,337,150	11,241,648	6,148,371	
Nutley	3,839,003,308	220,816,499	60,967,368	9,514,990	3,049,378	9,514,990	48,403,000	14,477,253	7,559,080.00 A
Orange	1,507,745,618	312,186,250	46,939,802	13,047,698	31,667,472	11,050,723	2,224,631	5,582,660	7,337,628.00 A
Roseland	1,876,699,561	53,022,680	28,620,077	12,890,508	1,723,958	12,890,508	14,005,611	7,080,934	
S. Orange	2,668,298,113	606,292,500	99,129,006	53,909,904	44,114,096	55,014,909	14,630,098	9,912,260	
Verona	2,229,573,763	253,395,900	72,931,840	29,069,914	11,090,927	29,068,782	32,771,000	8,403,186	
W. Caldwell	2,349,678,860	133,513,064	27,369,192	15,583,178	2,960,350	17,410,309	8,825,663	8,770,230	
W. Orange	<u>6,245,876,593</u>	<u>579,773,180</u>	<u>99,863,208</u>	<u>62,623,208</u>	<u>0</u>	<u>62,623,208</u>	<u>37,240,000</u>	<u>23,329,175</u>	
<b>Total</b>	<b><u>\$88,368,834,408</u></b>	<b><u>\$16,772,831,343</u></b>	<b><u>\$2,209,718,712</u></b>	<b><u>\$1,168,224,374</u></b>	<b><u>\$426,922,778</u></b>	<b><u>\$972,572,696</u></b>	<b><u>\$638,757,560</u></b>	<b><u>\$328,290,324</u></b>	<b><u>\$151,677,994</u></b>

- (1) Source: Essex County 2012 Abstract of Ratables.
- (2) Includes outstanding debt plus authorized but unissued debt for municipal purposes, self liquidating bonds and school bonds.
- (3) Municipal bonds and notes outstanding plus authorized but unissued debt.
- (4) Self-supporting portion only.
- (5) In addition to municipal general improvement debt, includes that portion of utility debt which is not self-supporting.
- (6) Includes local and regional school debt.
- (7) Apportionment of the County's net bonded debt of \$328,290,315 is equal to the ratio that a municipality's 2012 equalized valuation, as calculated by the County, bears to the County's total 2010 equalized valuation, as calculated by the County.
- (8) (A) The Passaic Valley Sewerage Commissioners ("PVSC") had \$316,515,886 debt outstanding as of December 31, 2012. Of this amount, seven municipalities in the County ultimately are responsible for \$126,287,139. The responsibility per municipality is determined by the amount of sewage flow from users in each municipality compared to the total sewage flow received at PVSC's treatment plant.  
\*East Orange is not a PVSC participant. Newark bills East Orange for its share of costs as determined by a meter measuring sewage flow from East Orange.  
(B) The North Jersey District Water Supply Commission ("North Jersey") had \$55,448,880.19 debt outstanding as of December 31, 2012. Of this amount, six municipalities in the County ultimately are responsible for \$26,703,688. The responsibility per municipality is determined by the amount of water consumed by users in each municipality compared to the total water consumed as recorded by North Jersey.
- (9) At the time of publishing Essex Fells, Fairfield and Newark did not have their municipal debt prepared; therefore the County used existing numbers from 2011

Sources: The Essex County Abstract of Ratables, The Essex County Improvement Authority, The Essex County Utilities Authority, the PVSC, North Jersey, the 2012 Annual Debt Statement for each municipality as provided by the New Jersey Department of Community Affairs, and the New Jersey Department of Labor, Office of Demographic and Economic Analysis.

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**APPENDIX B**

**Audited Financial Statements of the County of Essex, New Jersey for the  
Four Years Ended December 31, 2011 and Unaudited Financial Statements for the Year Ended  
December 31, 2012**

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

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**INDEPENDENT AUDITOR'S REPORT**

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

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

as of and for the years ended December 31, 2011, 2010, 2009 and 2008. These statutory basis financial statements are the responsibility of the management of the County of Essex. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

These statutory basis financial statements of the County of Essex were prepared for the purpose of inclusion in a preliminary and final official statement for Tax Anticipation Notes of 2013, Series A for the County of Essex, New Jersey, and were abstracted from audit reports issued under the periods referred to above as dated July 24, 2012, July 29, 2011, July 2, 2010 and July 2, 2009, respectively.

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

Bond and Coupon Group of Accounts  
Fixed Asset Group of Accounts

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

In our opinion, because of the County's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly in conformity with generally accepted accounting principles, the financial position of the County of Essex, Department of Administration and Finance, as of December 31, 2011, 2010, 2009 and 2008 or the results of its operations for the years then ended.

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the County of Essex, Department of Administration and Finance, as of December 31, 2011, 2010, 2009 and 2008, and the results of operations of such funds for the years then ended in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and described in Note 1 to the financial statements.



SAMUEL KLEIN AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey  
July 24, 2012



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

**COMPARATIVE BALANCE SHEETS**

Sheet #1

<b>ASSETS AND DEFERRED CHARGES</b>	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<b>Regular Fund</b>					
Cash	\$ 96,993,028	\$ 56,148,961	\$ 75,635,593	\$ 62,066,111	\$ 59,011,399
Cash - Change Fund	11,700	11,700	11,700	11,350	11,350
	<u>97,004,728</u>	<u>56,160,661</u>	<u>75,647,293</u>	<u>62,077,461</u>	<u>59,022,749</u>
Receivables and Other Assets with Full Reserves:					
Taxes Receivable	896,250	1,533,146	632,536	1,065,789	3,552,028
Deposits Receivable	9,832	9,832	6,410	7,855	8,489
Other Accounts Receivable					1,216
Revenue Accounts Receivable		2,349,902	1,602,426	2,874,577	2,488,645
Due from Pension Trust Fund		161		4,298	2,923
Due from Federal and State Grant Fund	6,222,413	7,094,638	1,177,320	3,175,170	
	<u>7,128,495</u>	<u>10,987,679</u>	<u>3,418,692</u>	<u>7,127,689</u>	<u>6,053,301</u>
	<u>104,133,223</u>	<u>67,148,340</u>	<u>79,065,985</u>	<u>69,205,150</u>	<u>65,076,050</u>
<b>Federal and State Grant Fund</b>					
Federal and State Grants Receivable	65,717,336	90,190,982	93,857,082	123,660,019	87,126,392
Other Accounts Receivable	10,972				
Due from Current Fund					3,022,030
	<u>65,728,308</u>	<u>90,190,982</u>	<u>93,857,082</u>	<u>123,660,019</u>	<u>90,148,422</u>
	<u>\$ 169,861,531</u>	<u>\$ 157,339,322</u>	<u>\$ 172,923,067</u>	<u>\$ 192,865,169</u>	<u>\$ 155,224,472</u>

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

**COMPARATIVE BALANCE SHEETS**

Sheet #2

<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>	Unaudited	Audited			
	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>	Balance <u>Dec. 31, 2009</u>	Balance <u>Dec. 31, 2008</u>
<b><u>Regular Fund</u></b>					
Appropriation Reserves	\$ 49,577,150	\$ 25,623,614	\$ 27,240,989	\$ 22,967,795	\$ 23,906,728
Accounts Payable	5,236,625	3,304,848	3,203,575	2,761,317	2,069,982
Prepaid Revenue	3,160,908		440,343	37,315	487,561
Due to Federal and State Grant Fund					3,022,029
Other Reserves:					
Performance Bonds	1,348,622	983,834	1,140,474	1,103,537	1,068,666
Miscellaneous	244,766	22,605	18,147	30,398	96,162
Sub-Total Cash Liabilities	<u>59,568,071</u>	<u>29,934,901</u>	<u>32,043,528</u>	<u>26,900,362</u>	<u>30,651,128</u>
Reserve for Receivables	7,128,495	10,987,679	3,418,692	7,127,689	6,053,302
Fund Balance	<u>37,436,657</u>	<u>26,225,760</u>	<u>43,603,765</u>	<u>35,177,099</u>	<u>28,371,620</u>
	<u>104,133,223</u>	<u>67,148,340</u>	<u>79,065,985</u>	<u>69,205,150</u>	<u>65,076,050</u>
<b><u>Federal and State Grant Fund</u></b>					
Reserve for Federal and State Grant Funds:					
Encumbered	19,851,531	27,737,772	33,714,917	36,177,646	34,711,462
Unencumbered	38,873,487	54,644,464	58,492,227	83,447,160	54,830,168
Unappropriated Reserves	780,877	714,108	472,618	860,043	593,704
Due to Current Fund	6,222,413	7,094,638	1,177,320	3,175,170	
Due to State of New Jersey					13,088
	<u>65,728,308</u>	<u>90,190,982</u>	<u>93,857,082</u>	<u>123,660,019</u>	<u>90,148,422</u>
	<u>\$ 169,861,531</u>	<u>\$ 157,339,322</u>	<u>\$ 172,923,067</u>	<u>\$ 192,865,169</u>	<u>\$ 155,224,472</u>

See accompanying notes to financial statements.

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

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

	Unaudited	Audited			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Revenue and Other Income</b>					
Fund Balance Utilized	\$ 4,000,000	\$ 21,660,540	\$ 18,500,000	\$ 18,500,000	\$ 36,450,000
Miscellaneous Revenue Anticipated	371,903,324	368,030,434	359,951,184	397,368,214	330,351,708
Receipts from Current Taxes	391,714,306	384,033,638	373,755,354	363,575,246	349,575,243
Other Credits to Income:					
Other Accounts Receivable Realized				1,216	1,694
Interfunds Realized			2,002,149		6,762
Unexpended Balance of Appropriation Reserves Cancelled	4,928,765	3,550,689	3,574,610	4,503,457	4,743,311
Reserve for Performance Bonds Cancelled		1,058	10,000	8,700	26,460
Other Reserves Cancelled	1,472,456				
Accounts Payable Cancelled		647,215	697,269	902,300	996,136
Reserve for Capital Improvements Cancelled				83,789	
Performance Bond Interest Cancelled				457	1,396
Federal and State Grant Appropriation Reserves Cancelled	872,225		172,978		88,671
	<u>774,891,076</u>	<u>777,923,574</u>	<u>758,663,544</u>	<u>784,943,379</u>	<u>722,241,381</u>
<b>Expenditures</b>					
Budget Appropriations	772,152,023	767,580,384	731,455,177	754,760,528	711,991,875
Other Charges:					
Interfund Charges		5,917,480		3,176,545	
Reserve for Other Accounts Receivable Established					1,216
Prior Years' Revenue Refunds	43,156	137,745	280,701	223,630	300,788
Federal Grant Adjustments					75,777
Federal and State Grants Receivable Cancelled		5,429		1,477,197	
Reserve for Performance Bonds			1,000		
	<u>772,195,179</u>	<u>773,641,038</u>	<u>731,736,878</u>	<u>759,637,900</u>	<u>712,369,656</u>
Excess in Revenue	2,695,897	4,282,536	26,926,666	25,305,479	9,871,725
Adjustments to Income before Surplus:					
Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Year	12,515,000				
Statutory Excess to Surplus	15,210,897	4,282,536	26,926,666	25,305,479	9,871,725
<b>Fund Balance</b>					
Balance January 1	26,225,760	43,603,764	35,177,099	28,371,620	54,949,895
	<u>41,436,657</u>	<u>47,886,300</u>	<u>62,103,765</u>	<u>53,677,099</u>	<u>64,821,620</u>
Decreased by:					
Utilization as Anticipated Revenue	4,000,000	21,660,540	18,500,000	18,500,000	36,450,000
Balance December 31	<u>\$ 37,436,657</u>	<u>\$ 26,225,760</u>	<u>\$ 43,603,765</u>	<u>\$ 35,177,099</u>	<u>\$ 28,371,620</u>

See accompanying notes to financial statements.

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

**COMPARATIVE BALANCE SHEETS**

	Unaudited	Audited			
	Balance Dec. 31, 2012	Balance Dec. 31, 2011	Balance Dec. 31, 2010	Balance Dec. 31, 2009	Balance Dec. 31, 2008
<b>ASSETS AND DEFERRED CHARGES</b>					
Cash	\$ 27,973,555	\$ 20,368,927	\$ 22,701,299	\$ 13,603,156	\$ 10,674,634
Other Accounts Receivable	1,060,558	2,262,785	3,434,593	4,634,336	5,817,720
Federal and State Grants Receivable				30,271	4,530,271
Capital Lease Program Funds Receivable		897,758	1,374,395	2,154,183	6,334,747
Loans Receivable	450,000	450,000	450,000	450,000	576,552
Deferred Charges to Future Taxation:					
Funded	335,181,790	351,635,702	382,759,819	283,927,470	313,527,320
Unfunded	69,543,534	45,468,534	23,641,034	118,778,384	94,175,584
	<u>\$ 434,209,437</u>	<u>\$ 421,083,706</u>	<u>\$ 434,361,140</u>	<u>\$ 423,577,800</u>	<u>\$ 435,636,828</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>					
Refunding Bonds	\$ 110,780,000	\$ 123,040,000	\$ 134,090,000	\$ 158,830,000	\$ 180,735,000
Fiscal Year Adjustment Bonds					1,550,000
Serial Bonds	223,960,000	228,129,820	248,180,320	124,584,820	131,242,320
Loans Payable	441,790	465,882	489,499	512,651	
Bond Anticipation Notes	46,060,000	22,500,000		99,000,000	75,000,000
Improvement Authorizations:					
Funded	6,104,014	4,469,811	11,975,080	6,499,219	6,489,937
Unfunded	30,224,100	26,906,349	20,926,182	12,560,641	16,531,025
Encumbered	10,040,572	6,918,690	7,293,241	16,513,645	16,876,269
Capital Improvement Fund	3,039	3,039	153,539	3,539	3,539
Capital Leasing Program	564,796	1,044,366	1,724,280	2,812,897	4,763,755
Miscellaneous Reserves	198,605	198,605			
Reserves for:					
Federal and State Grants Receivable				30,271	30,271
Improvements			198,605	198,605	282,394
Loans Receivable	450,000	450,000	450,000	450,000	576,552
Loan Proceeds					473,448
Fund Balance	<u>5,382,521</u>	<u>6,957,144</u>	<u>8,880,394</u>	<u>1,581,512</u>	<u>1,082,318</u>
	<u>\$ 434,209,437</u>	<u>\$ 421,083,706</u>	<u>\$ 434,361,140</u>	<u>\$ 423,577,800</u>	<u>\$ 435,636,828</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 23,483,534</u>	<u>\$ 22,968,534</u>	<u>\$ 23,641,034</u>	<u>\$ 19,778,933</u>	<u>\$ 19,311,969</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

## COUNTY OF ESSEX, NEW JERSEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

#### 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### A. **Reporting Entity**

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

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

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

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

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

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

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

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

**A. Reporting Entity (Continued)**

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

**B. Description of Funds**

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

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

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

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

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

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

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

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

C. **Basis of Accounting**

The accounting principles and practices prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from accounting principles generally accepted in the United States of America. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey and applicable to the County are summarized as follows:

**Taxes and Other Revenue**

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

**Grant Revenue**

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

**Expenditures**

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

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

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

Payroll expense is maintained on the cash basis.

The County's share of contributions for fringe benefits, such as retirement plans and accrued sick leave are maintained on the cash basis with certain exceptions. The County has elected to pay for certain early retirement benefits over a period of 26 years starting in 1996. Employer reserves for certain former Essex County Employees' Retirement System members who transferred to the Police and Firemen's Retirement System of New Jersey are being paid in 26 year installments which are to continue through the year 2011.

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

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

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



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

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

**Encumbrances**

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

**Appropriation Reserves**

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

**Compensated Absences**

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

**Self-Insurance Contributions**

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

**Interfunds Receivable**

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

**Inventories of Supplies**

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

**Capital Fixed Assets**

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

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

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

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

**Capital Fixed Assets (Continued)**

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

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

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

Land and buildings are valued at assessed valuation.

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

**D. Basic Financial Statements**

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

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

**A. Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

**B. Investments**

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

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

As of December 31, 2011, the County had funds invested and on deposit in checking, statement savings and Certificates of Deposit.

Except for the investment portfolios of the Employees' Retirement System Dedicated Bond Fund, the carrying amount of the County's cash and cash equivalents and investments as of December 31, 2011 was \$109,106,504.44. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40.

**3. COMPARATIVE TAX INFORMATION**

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

<u>Year</u>	<u>Net Valuation on Which County Taxes are Apportioned</u>	<u>County Tax Rate</u>	<u>County Open Space Tax Rate</u>
2011	\$ 91,284,599,647.00	\$ 0.4254	\$ 0.0152
2010	96,376,538,097.00	0.3944	0.0152
2009	97,911,850,661.00	0.3784	0.0151
2008	94,164,040,217.00	0.3765	0.0151
2007	88,523,931,921.00	0.3828	0.0101

**3. COMPARATIVE TAX INFORMATION (Continued)**

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

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

<u>Year</u>	<u>Real and Personal Property Tax</u>	<u>Added and Omitted Taxes Under Chapter 397, P.L. 1941</u>	<u>Total Tax Levy</u>	<u>Cash Collections</u>
2011	\$ 384,033,637.75	\$ 1,622,084.38	\$ 385,655,722.13	\$ 384,755,111.63
2010	373,755,353.78	659,791.29	374,848,397.92	374,848,397.92
2009	363,575,246.00	1,293,104.54	364,868,350.54	367,354,589.64
2008	349,575,243.00	3,969,072.53	353,544,315.53	353,162,149.76
2007	334,701,235.00	3,539,688.02	338,240,923.02	336,339,277.07

Cash collections include taxes unpaid in prior years.

**4. FUND BALANCE APPROPRIATED**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2011	\$ 26,225,760.55	\$ 4,000,000.00
2010	44,032,964.62	21,660,540.00
2009	35,177,098.98	18,500,000.00
2008	28,371,620.32	18,500,000.00
2007	54,949,894.87	36,450,000.00

**5. NEW JERSEY STATE PENSION PLANS**

**Description of Systems**

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

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

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

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

#### Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60<sup>th</sup> of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

The Police and Firemen's Retirement System (PFRS) was established in July, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and, if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

### **Contributions Required and Made**

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates will be increased for PERS from 5.5% to 6.5% and for PFRS from 8.5% to 10% of their base wages, respectfully. These increases will be effective with the first payroll amount to be paid on or after October 1, 2011.

Employee contribution rates for PERS employees will be increased from 6.5% to 7.5% to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Employee pension contribution rate for PERS Prosecutors will be increased from 8.5% to 10% of the base wage.

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

**Contributions Required and Made (Continued)**

Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Employer contributions include early retirement incentive payments. Contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>		<u>PFRS</u>	
	<u>County</u>	<u>Employees</u>	<u>County</u>	<u>Employees</u>
2011	\$ 9,897,074.00	\$ 8,030,757.71	\$ 22,532,980.00	\$ 6,973,378.44
2010	8,225,860.00	7,623,280.12	17,710,190.00	6,696,647.00
2009	7,436,647.00	8,030,757.71	17,335,548.00	6,973,378.44

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

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

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

**Description of System**

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

**Contributions Required and Made**

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

<u>Year</u>	<u>Amount</u>
2011	\$ 4,176.49
2010	6,131.72
2009	7,432.45

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

**Other Matters**

a. Investments:

Investments held by the Retirement System as of December 31, 2011 are detailed as follows:

	<u>Cost</u>
Money Funds	<u>\$ 682,075.50</u>

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

b. Annuity Contract:

In the year 1986, the County issued pension refunding bonds in the sum of \$48 million to purchase a group annuity from the Metropolitan Life Insurance Company to fund the pension obligations of approximately 1,000 employees who retired prior to January 1, 1985. During 2011, the sum of \$527,249.94 was collected from this source.

**7. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Description of System**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to \$5,000.00.

The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

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

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

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

**7. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)**

**Description of System (Continued)**

- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

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

**Contributions Required and Made**

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

During the year 2011 there was one official enrolled in the DCRP.

**8. COUNTY DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County are general obligation bonds, backed by the full faith and credit of the County. Pursuant to N.J.S.A. 40A:2-8, bond anticipation notes, which are issued to temporarily finance capital projects, cannot be renewed past the third anniversary unless an amount equal to at least the first requirement is paid prior to each anniversary and must be paid off within ten years and five months or retired by the issuance of bonds.

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

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
Issued:			
Bonds and Notes	\$ 250,629,820.00	\$ 248,180,320.00	\$ 223,584,820.00
Refunding Bonds	123,040,000.00	134,090,000.00	158,830,000.00
Loan Payable	465,881.85	489,498.90	512,650.60
Authorized but Not Issued:			
Bonds and Notes:			
General	22,968,534.40	23,641,034.40	19,778,933.35
County Guaranteed Debt:			
Essex County Improvement Authority:			
Lease Revenue Bonds and Lease Revenue Refunding Bonds Outstanding (40:37A-80)	589,450,000.00	606,850,000.00	619,560,000.00
Bonds, Bond Anticipation Notes and Loans Issued	17,980,000.00	19,845,000.00	21,610,000.00
Essex County Utilities Authority:			
Bonds Issued	74,335,000.00	79,690,000.00	83,465,000.00
Notes Issued	6,250,000.00	6,250,000.00	6,250,000.00
	<u>\$ 1,085,119,236.25</u>	<u>\$ 1,119,035,853.30</u>	<u>\$ 1,133,591,403.95</u>



**8. COUNTY DEBT (Continued)**

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

The summarized statement of debt condition which follows is prepared in accordance with the procedures prescribed for the preparation of the Annual Debt Statement and indicates a statutory net debt of 0.350%:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 1,085,119,236.25</u>	<u>\$ 765,360,000.00</u>	<u>\$ 319,759,236.25</u>
Deductions:			
Lease Revenue and Lease Revenue Refunding Bonds and Bond Anticipation Notes Issued by the Essex County Improvement Authority		\$ 589,450,000.00	
Bonds and Loans Issued and Authorized but Not Issued by the Essex County Improvement Authority		17,980,000.00	
Capital Projects for the County College - Chapter 12 State Aid		12,165,000.00	
Pension Refunding Bonds		54,665,000.00	
Bonds and Notes Issued by Essex County Utilities Authority		80,585,000.00	
Other Deductions:			
Open Space Trust		9,985,000.00	
Police Academy		<u>530,000.00</u>	
		<u>\$ 765,360,000.00</u>	

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

Net Debt, \$319,759,236.25 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$91,384,288,226.00 equals 0.350%.

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

Borrowing Power - 2% of Equalized Valuation Basis	\$ 1,827,685,765.32
Net Debt	<u>319,759,236.25</u>
Remaining Borrowing Power	<u>\$ 1,507,926,529.07</u>

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

**8. COUNTY DEBT (Continued)**

**General Obligation Bonds**

\$2,950,000, 1996 Bonds due in annual installments of \$147,500 through September 2016, interest at 6.30%* (noncallable).	\$ 737,500.00
\$67,200,000, 2004 Bonds due in annual installments of \$4,670,000 to \$5,860,000 through October 2019, interest at 4.00%.	36,665,000.00
\$83,510,000, 2005 Bonds due in annual installments of \$1,970,000 to \$2,800,000 through May 2022, interest at 4.00% to 5.00%.	21,280,000.00
\$4,275,000, 2010 Bonds due in annual installments of \$285,000 through July 2025, interest variable.	3,990,000.00
\$60,250,000, 2010 Bonds due in annual installments of \$275,000 to \$15,200,000 through August 2025, interest at 5.00%.	60,075,000.00
\$37,550,000, 2010 Bonds due in annual installments of \$3,380,000 to \$18,100,000 through August 2025, interest at 5.90% to 6.15%.	<u>37,550,000.00</u>
	<u>\$ 160,297,500.00</u>

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

**County College and Vocational School Bonds**

\$4,500,000, 1999 County College Bonds due in annual installments of \$380,000 to \$405,000 through August 2014, interest at 5.25% to 5.45%.	\$ 1,180,000.00
\$7,000,000, 2001 Vocational School Bonds due in annual installments of \$520,000 through July 2012, interest at 4.375%.	520,000.00
\$14,500,000, 2004 Bonds due in annual installments of \$1,180,000 to \$1,420,000 through October 2017, interest at 4.00%	7,785,000.00
\$4,000,000, 2004 Bonds due in annual installments of \$265,000 to \$350,000 through October 2019, interest at 3.50% to 4.00%.	2,445,000.00
\$2,600,000, 2004 Vocational School Bonds due in annual installments of \$160,000 to \$215,000 through October 2020, interest at 3.50% to 4.00%.	1,665,000.00
\$10,732,320, 2007 Vocational School Bonds due in annual installments of \$100,000 to \$1,165,000 through December 2022, interest at 4.00% to 5.00%.	10,732,320.00

**8. COUNTY DEBT (Continued)**

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

\$9,000,000, 2008A County College Bonds due in annual installments of \$515,000 to \$780,000 through March 2023, interest at 3.50% to 4.10%.	\$ 7,625,000.00
\$9,000,000, 2008B County College Bonds due in annual installments of \$515,000 to \$780,000 through March 2023, interest at 3.50% to 4.10%.	7,625,000.00
\$3,200,000, 2010 Vocational School Bonds due in annual installments of \$185,000 to \$265,000 through August 2025, interest at 4.00% to 5.00%.	3,025,000.00
\$15,576,500, 2010 County College Bonds due in annual installments of \$95,000 to \$2,550,000 through August 2025, interest at 4.00% to 5.00%.	15,515,000.00
\$1,176,500, 2010 County College Bonds due in annual installments of \$65,000 to \$100,000 through August 2025, interest at 4.00% to 5.00%.	1,115,000.00
\$8,600,000, 2010 County College Bonds due in annual installments of \$510,000 to \$5,135,000 through August 2025, interest at 5.90% to 6.15%.	<u>8,600,000.00</u>
	<u>\$ 67,832,320.00</u>

**Refunding Bonds**

\$42,540,000, 1989A Bonds due in an annual installment of \$3,500,000 in August 2019, interest at 15.25% (noncallable).	\$ 3,500,000.00
\$54,665,000, 2003 Bonds due in annual installments of \$220,000 to \$6,625,000 through April 2033, interest at 4.75% to 4.95%. The bonds are not subject to optional redemption.	54,665,000.00
\$80,100,000, 2005 Bonds due in annual installments of \$4,110,000 to \$6,115,000 through June 2016, interest at 5.00%.	26,815,000.00
\$2,980,000, 2008B Bonds due in annual installments of \$570,000 to \$585,000 through November 2014, interest at 3.50% to 4.00%.	1,730,000.00
\$32,635,000, 2008C Bonds due in annual installments of \$3,590,000 to \$3,880,000 through December 2017, interest at 5.26% to 6.00%	22,495,000.00

**8. COUNTY DEBT (Continued)**

**Refunding Bonds (Continued)**

\$2,360,000, 2011 Bonds due in annual installments of \$485,000 to \$710,000 through June 2015, interest at 2.00% to 4.00% \$ 2,360,000.00

\$10,495,000, 2011 Bonds due in annual installments of \$45,000 to \$2,235,000 through June 2017, interest at 2.00% to 4.00% 10,495,000.00

\$980,000, 2011 Bonds due in annual installments of \$160,000 to \$165,000 through June 2017, interest at 2.00% to 4.00% 980,000.00

\$ 123,040,000.00

**8. COUNTY DEBT (Continued)**

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

Year	General Serial Bonds		Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 6,669,820.00	\$ 10,789,390.26	\$ 12,260,000.00	\$ 6,201,008.00	\$ 35,920,218.26
2013	11,712,500.00	10,539,802.52	12,885,000.00	5,620,891.50	40,758,194.02
2014	17,622,500.00	9,997,202.52	13,415,000.00	5,017,594.75	46,052,297.27
2015	17,857,500.00	9,208,137.52	13,255,000.00	4,365,078.75	44,685,716.27
2016	18,172,500.00	8,421,638.76	11,055,000.00	3,747,497.50	41,396,636.26
2017	18,410,000.00	7,622,058.76	5,180,000.00	3,324,191.25	34,536,250.01
2018	17,615,000.00	6,819,758.76	1,370,000.00	3,028,747.50	28,833,506.26
2019	17,750,000.00	6,052,465.00	5,175,000.00	2,956,428.75	31,933,893.75
2020	11,460,000.00	5,285,090.00	2,005,000.00	2,335,278.75	21,085,368.75
2021	11,165,000.00	4,771,502.50	2,370,000.00	2,231,372.50	20,537,875.00
2022	11,595,000.00	4,268,665.00	1,450,000.00	2,140,647.50	19,454,312.50
2023	23,820,000.00	3,805,422.50	1,740,000.00	2,064,885.00	31,430,307.50
2024	22,200,000.00	2,639,682.50	2,060,000.00	1,972,575.00	28,872,257.50
2025	22,080,000.00	1,331,882.50	2,410,000.00	1,861,942.50	27,683,825.00
2026			2,795,000.00	1,733,118.75	4,528,118.75
2027			3,215,000.00	1,584,371.25	4,799,371.25
2028			3,670,000.00	1,413,967.50	5,083,967.50
2029			4,165,000.00	1,220,051.25	5,385,051.25
2030			4,710,000.00	1,000,395.00	5,710,395.00
2031			5,295,000.00	752,771.25	6,047,771.25
2032			5,935,000.00	474,828.75	6,409,828.75
2033			6,625,000.00	163,968.75	6,788,968.75
	<u>\$228,129,820.00</u>	<u>\$ 91,552,699.10</u>	<u>\$123,040,000.00</u>	<u>\$ 55,211,611.75</u>	<u>\$ 497,934,130.85</u>

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8. **COUNTY DEBT (Continued)**

**Verona Lake Dam Restoration Loan**

A loan agreement was entered into by the County of Essex with the New Jersey Department of Environmental Protection for the purpose of restoration of the Verona Lake Dam at an interest rate of 2.0%.

The following is a schedule of annual principal and interest payments for the restoration of the Verona Lake Dam as of December 31, 2011:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 33,289.54	\$ 24,091.76	\$ 9,197.78
2013	33,289.52	24,575.99	8,713.53
2014	33,289.52	25,069.97	8,219.55
2015	33,289.53	25,573.88	7,715.65
2016	33,289.52	26,087.91	7,201.61
2017	33,289.52	26,612.28	6,677.24
2018	33,289.52	27,147.18	6,142.34
2019	33,289.53	27,692.85	5,596.68
2020	33,289.53	28,249.47	5,040.06
2021	33,289.54	28,817.29	4,472.25
2022	33,289.52	29,396.51	3,893.01
2023	33,289.54	29,987.39	3,302.15
2024	33,289.52	30,590.13	2,699.39
2025	33,289.52	31,204.99	2,084.53
2026	33,289.52	31,832.21	1,457.31
2027	33,289.53	32,472.04	817.49
2028	16,644.80	16,480.00	164.80
	<u>\$ 549,277.22</u>	<u>\$ 465,881.85</u>	<u>\$ 83,395.37</u>

**8. COUNTY DEBT (Continued)**

**Lease Revenue Bonds**

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding Dec. 31, 2011</u>
General Obligation Lease Revenue Bonds, Series 1997A-H (Sportsplex Project) First Optional Call Date (Other than Series C and Series G Bonds) 10-01-07	7-01-97	10-01-23	\$ 11,000,000.00	\$ 1,500,000.00
Parking Facility Revenue Refunding Bonds, Series 1998	8-01-98	10-01-22	9,225,000.00	5,965,000.00
General Obligation Lease Revenue Bonds, (Social Services Facilities Project) (Noncallable)	9-01-98	9-01-27	5,000,000.00	3,780,000.00
General Obligation Guaranteed Revenue Bonds, Series 1998A (New Jersey Performing Arts Center)	12-01-98	10-01-18	5,000,000.00	2,345,000.00
General Obligation Lease Revenue Bonds, Series 1998B (Riverbank Park Project) First Optional Call Date 9-01-08	12-01-98	9-01-13	4,500,000.00	2,535,000.00
General Obligation Lease Revenue Bonds, Series 1998C (Noncallable) (Charm Acres Project)	12-01-98	9-01-18	1,500,000.00	290,000.00
General Obligation Lease Revenue Bonds, Series 2002, (Cogen Facility Project) First Optional Call Date 1-01-12	7-01-02	1-01-23	21,150,000.00	2,090,000.00
General Obligation Lease Revenue Bonds, Series 2002A, \$37,720,000 and Series 2002B, \$10,790,000 (County Correctional Facility Project) First Optional Call Date 10-01-12	8-15-02	10-01-23	48,510,000.00	2,025,000.00

**8. COUNTY DEBT (Continued)**

**Lease Revenue Bonds (Continued)**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding Dec. 31, 2011</u>
Guaranteed Lease Revenue Bonds, Series 2003 (County Correctional Facility Project)	4-01-03	10-01-28	\$ 94,300,000.00	\$ 13,225,000.00
Project Consolidation Revenue Bonds, Series 2003		12-15-20	120,045,000.00	88,575,000.00
Project Consolidation Revenue Bonds, Series 2004	10-01-04	10-01-14	188,565,000.00	175,945,000.00
Project Consolidation Revenue Bonds, Series 2006	8-16-05	12-15-24	41,865,000.00	33,070,000.00
Project Consolidation Revenue Bonds, 2005	8-24-05	12-15-27	11,515,000.00	9,730,000.00
General Obligation Lease Revenue Refunding Bonds	10-01-05	10-01-08	14,420,000.00	12,530,000.00
Project Consolidation Revenue Bonds, Series 2007	3-15-07	12-15-23	<u>235,845,000.00</u>	<u>235,845,000.00</u>
			<u>\$ 812,440,000.00</u>	<u>\$ 589,450,000.00</u>



8. **COUNTY DEBT (Continued)**

**Lease Revenue Bonds (Continued)**

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

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 61,630,021.02	\$ 31,510,000.00	\$ 30,120,021.02
2013	56,974,245.02	28,350,000.00	28,624,245.02
2014	51,461,109.52	24,215,000.00	27,246,109.52
2015	52,419,390.78	26,390,000.00	26,029,390.78
2016	55,306,365.02	30,505,000.00	24,801,365.02
2017	61,743,994.78	38,365,000.00	23,378,994.78
2018	63,272,115.52	41,830,000.00	21,442,115.52
2019	63,644,043.26	44,350,000.00	19,294,043.26
2020	73,520,166.00	56,520,000.00	17,000,166.00
2021	73,476,666.02	59,410,000.00	14,066,666.02
2022	74,473,266.00	63,495,000.00	10,978,266.00
2023	58,454,500.26	50,780,000.00	7,674,500.26
2024	23,196,325.26	18,120,000.00	5,076,325.26
2025	17,837,089.00	13,730,000.00	4,107,089.00
2026	16,753,941.26	13,385,000.00	3,368,941.26
2027	16,334,272.26	13,685,000.00	2,649,272.26
2028	13,070,630.00	11,160,000.00	1,910,630.00
2029	13,063,750.00	11,765,000.00	1,298,750.00
2030	12,538,675.00	11,885,000.00	653,675.00
	<u>\$ 859,170,565.98</u>	<u>\$ 589,450,000.00</u>	<u>\$ 269,720,565.98</u>

**Bonds and Notes Authorized but Not Issued**

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

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
General Capital Fund	<u>\$ 22,968,534.40</u>	<u>\$ 23,641,034.40</u>

8. COUNTY DEBT (Continued)

Debt Guaranteed by the County

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Expiration Date</u>	<u>Principal Amount</u>	<u>Annual Installment Amounts</u>	<u>Interest Rates</u>	<u>Amount Outstanding Dec. 31, 2011</u>
Airport Revenue, Series 1998	8-01-98	11-01-18	<u>\$ 1,000,000.00</u>	\$ 35,000.00 to \$ 410,000.00	4.00 - 5.10	\$ 465,000.00
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1992A - First Optional Call Date 12-01-02	9-15-92	12-01-12	<u>10,485,000.00</u>	485,000.00 to 715,000.00	5.50 - 6.50	715,000.00
Property and Equipment Leasing Program Pooled Revenue Bonds, Series 1993A - First Optional Call Date 7-01-02	2-01-93	8-01-13	<u>5,700,000.00</u>	340,000.00 to 1,760,000.00	5.25 - 5.80	660,000.00
Revenue Bond, Series 1995 (Garden State Cancer Center Project) - First Optional Call Date 12-01-05	6-15-95	12-01-20	<u>3,600,000.00</u>	90,000.00 to 270,000.00	5.50 - 6.00	1,940,000.00
Revenue Refunding Bonds, Series 1996 (County College Project) - First Optional Call Date 12-01-06	2-15-96	12-01-24	<u>5,485,000.00</u>	35,000.00 to 425,000.00	4.20 - 5.35	4,155,000.00
Airport Refunding Revenue Bonds, Series 2004	10-01-04	11-01-21	<u>3,285,000.00</u>	Term Bonds Due 11-01-21		2,560,000.00
Airport Revenue and Refunding Bonds, Series 2007	9-26-07	11-01-19	<u>8,590,000.00</u>	95,000.00 to 365,000.00	3.625 - 4.50	<u>7,485,000.00</u>
			<u>\$ 38,145,000.00</u>			<u>\$ 17,980,000.00</u>

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

**8. COUNTY DEBT (Continued)**

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

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

**Bonds**

\$14,890,000, 2006 Series A Refunding Revenue Bonds due in annual installments of \$900,000 to \$1,350,000 through October 2022, interest at 3.25% to 4.25%. \$ 12,205,000.00

\$12,030,000, 2006 Series B Refunding Revenue Bonds due in annual installments of \$685,000 to \$1,175,000,000 through October 2022, interest at 5.27% to 5.58%. 9,990,000.00

\$52,240,000, 2009 Refunding Revenue Bonds due in annual installments of \$500,000 to \$5,855,000 through April 2032, interest at 2.50% to 5.00%. 52,140,000.00

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74,335,000.00

**Notes**

\$6,250,000 Water System Project Notes (Series 2001) due November 9, 2012, interest at 2.00%. 6,250,000.00

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\$ 80,585,000.00

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

**9. INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2011, Interfund Receivables and Payables that resulted from various Interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 7,094,799.57	\$
Federal and State Grant Fund		7,094,638.14
Pension Trust Fund		161.43
	<hr style="width: 100%; margin-left: 0;"/>	<hr style="width: 100%; margin-left: 0;"/>
	<u>\$ 7,094,799.57</u>	<u>\$ 7,094,799.57</u>

**10. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

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

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

**Plan Description (Continued)**

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

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

**Actuarial Valuations**

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

<i>Unfunded Accrued Liability</i>	<u>\$ 450,156,696.00</u>
<i>Employer Contribution</i>	<u>\$ 14,377,447.00</u>
<i>Annual OPEB Cost:</i>	
Annual Required Contribution	\$ 44,479,915.00
Interest on Net OPEB Obligation	7,000,331.00
Adjustment to Annual Required Contribution	<u>(8,888,138.00)</u>
Total Annual OPEB Cost	<u>\$ 42,592,108.00</u>
<i>Net OPEB Obligation:</i>	
Net OPEB Obligations as of January 1, 2011	\$ 140,006,622.00
Annual OPEB Cost	42,592,108.00
Annual Employer Contribution	<u>(14,377,447.00)</u>
Net OPEB Obligations December 31, 2011 (Estimated)	<u>\$ 168,221,283.00</u>

**Other Information**

<i>Active Participants</i>	3,433
<i>Inactive Participants</i>	1,480
<i>Market Value of Assets</i>	\$ - 0 -

It should be noted the above information is required in accordance with the regulations of the Local Financial Board to be amended every two years.

**11. DEFERRED COMPENSATION PLAN**

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

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

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

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

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

**12. RISK MANAGEMENT**

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

Workers' Compensation:

Claims for workers' compensation are funded on a cash basis through budget appropriations. There was no reserve established at December 31, 2011 for possible catastrophic claims. Claims expenses originating in 1994 and prior were charged to the Bond Ordinance Fund established in 1991 until the Fund was depleted in 1998.

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

Processing and payment of workers' compensation claims for 2011 were administered by the PMA Group servicing as third-party administrator.

There has been no provision included in the financial statements for claims incurred but not reported as of December 31, 2011.

## 12. RISK MANAGEMENT (Continued)

Activity for the Workers' Compensation Trust Fund for the year 2011 is detailed as follows:

Balance December 31, 2010		\$ 111,843.48
Increases:		
Budget	\$ 1,668,617.29	
Other	<u>343,078.75</u>	
		<u>2,011,696.04</u>
		<u>2,123,539.52</u>
Decreases:		
Claims	1,795,521.18	
Management Fees	<u>161,200.00</u>	
		<u>1,956,721.18</u>
Balance December 31, 2011		<u><u>\$ 166,818.34</u></u>

### Automobile:

The County is liable for the first \$400,000.00. Any claims in excess of \$400,000.00 per occurrence are covered to the sum of \$5,000,000.00. Claims are funded on a cash basis through budget appropriations. A separate fund is not maintained and there was no reserve established at December 31, 2011 for possible catastrophic claims.

### General Liability:

The County is liable for the first \$400,000.00. Any claims in excess of \$400,000.00 per occurrence are covered to the sum of \$5,000,000.00. Claims are funded on a cash basis through budget appropriations. A separate fund is not maintained and there was no reserve established at December 31, 2011 for possible catastrophic claims.

### Health Care Professionals (Malpractice):

The County is responsible for the first \$400,000.00 of each medical incident. Claims in excess of \$400,000.00 are covered for an additional \$400,000.00. The annual aggregate limit is \$3,000,000.00 with an aggregate deductible in the sum of \$1,000,000.00. A separate fund is not maintained and there was no reserve established at December 31, 2011 for possible catastrophic claims.

### Health Benefits:

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

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

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

Claims and premiums for health benefits are funded on a cash basis through budget appropriations. There was no reserve established at December 31, 2011 for possible catastrophic claims.

There has been no provision included in the financial statements for claims incurred but not reported as of December 31, 2011.

### 13. **CONTINGENT LIABILITIES**

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

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

##### Vacation:

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

##### Sick Time:

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

##### Compensatory Time:

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

##### Personal Days:

Unused personal days are also granted on a prorated basis.

It is estimated that the sum of \$12,137,820.01 computed internally at 2011 salary rates would be payable to officials and employees of the County of Essex as of December 31, 2011 for accumulated vacation, sick and compensatory time and personal days. This amount was not verified by audit.

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

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

Benefits paid in any future year will be charged to that year's budget. The 2011 County Budget does not include an appropriation for accrued benefits; however, benefits to be paid in 2011 are not expected to be material.

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

The County participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2011 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

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

13. **CONTINGENT LIABILITIES (Continued)**

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

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

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

d. **Miscellaneous Welfare Revenue**

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

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

e. **Solid Waste Disposal**

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

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

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

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



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

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

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

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

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

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

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

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

**13. CONTINGENT LIABILITIES (Continued)**

**f. Service Charge Escrow Deposit Agreement**

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

**g. Upsala College - Bankruptcy Filing**

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

**h. Litigation**

The County of Essex is a party to several matters of litigation which include general liability, employment, civil rights and other matters. The County is self-insured with respect to any claims equal to or less than \$400,000.00 and insurance coverage is generally in effect for claims exceeding this amount.

The County of Essex, as determined by the Office of the County Counsel, has a potential financial exposure estimated at \$20,312,000.00 involving 218 matters in various courts.

**14. LEASE OBLIGATIONS**

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

<u>Year</u>	<u>Amount</u>
2012	\$ 4,695,580.00
2013	2,097,845.00

A number of the leases have expired and are on a month to month basis, therefore rental payments in 2011 and thereafter are subject to change. Several of the leases examined contain escalation charges based on real estate and other "operating costs" that are undeterminable until occurrence.

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

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

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

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

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

The County continues to administer payroll and certain fringe benefit costs as of December 31, 2011.

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

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

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

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

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

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

**18. SUBSEQUENT EVENTS**

The County of Essex has evaluated subsequent events that occurred after the balance sheet date but before July 24, 2012. No items were determined to require disclosure.

## **APPENDIX C**

### **Actual 2012 Fiscal Year and Projected 2013 Fiscal Year Cash Flows**

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**2012 FISCAL YEAR CASH FLOW**

	JANUARY ACTUAL	FEBRUARY ACTUAL	MARCH ACTUAL	APRIL ACTUAL	MAY ACTUAL	JUNE ACTUAL	JULY ACTUAL	AUGUST ACTUAL	SEPTEMBER ACTUAL	OCTOBER ACTUAL	NOVEMBER ACTUAL	DECEMBER ACTUAL	ACTUAL TOTAL
2012 BEGINNING BALANCE	\$52,308,313.27	\$10,986,059.81	\$74,599,091.88	\$26,347,157.68	\$7,063,853.26	\$54,518,273.27	\$5,449,598.20	\$23,007,278.87	\$54,094,451.47	\$31,636,344.93	\$18,216,772.29	\$29,784,343.52	\$52,308,313.27
<b>REVENUES:</b>													
PROPERTY TAX/add & omitted	0.00	101,230,513.49			99,431,583.80			103,053,235.75			103,053,235.75		406,768,568.79
LOCAL REVENUE	862,937.01	1,942,855.80	2,217,129.83	2,887,750.03	3,569,971.47	2,633,983.90	3,238,419.33	3,495,304.57	2,565,803.62	2,744,802.32	3,089,603.88	6,733,484.88	35,982,046.64
INVESTMENT INCOME	71.93	5,812.57	4,029.77	4,751.32	2,691.46	3,818.56	4,202.48	1,231.83	3,277.94	3,714.95	2,516.15	18,821.80	54,940.76
STATE ASSISTANCE	6,000.00	12,947.68	4,685.00	60,620.72	51,840.00	139,147.72	101,600.16	38,199.00	4,026,470.91	47,519.08	1,807,453.80	2,809,699.28	9,106,183.35
HOSPITALS	0.00	534,444.64	300,885.62	434,565.32	6,047,691.75	1,356,056.15	4,706,571.50	630,982.07	5,271,499.39	4,187,594.31	73,184,128.13	20,868,234.36	117,522,653.24
WELFARE	200,820.87	457,864.44	169,990.32	1,275,305.48	0.00	706,039.66	384,111.20	1,869,740.78	17,845,533.43	3,142,475.47	5,618,688.49	31,266,690.52	62,937,260.66
GRANTS	1,624,987.64	846,419.72	1,512,696.51	5,338,720.34	1,333,710.33	3,681,626.87	1,131,803.10	6,566,354.80	4,321,800.05	1,681,305.02	5,937,323.22	6,256,100.74	40,232,848.34
INDIRECT COSTS	0.00	0.00	0.00	34,486.74	520,870.00	924,063.35	25,643.76	542,516.21	52,915.15	943,714.60	732,031.93	3,026,910.64	6,807,074.47
OTHER REVENUE	6,676,284.75	20,290,775.90	7,379,834.83	7,602,291.54	23,262,704.73	14,861,011.89	21,813,591.22	16,202,348.68	4,209,170.48	14,989,260.53	8,037,923.78	40,051,851.64	185,377,049.97
SURPLUS ANTICIPATED													
PROCEEDS LONG-TERM DEBT													
PROCEEDS SHORT-TERM DEBT				34,466,250.00			0.00	0.00					34,466,250.00
<b>TOTAL REVENUE</b>	<b>9,371,102.20</b>	<b>125,321,634.24</b>	<b>12,110,121.88</b>	<b>52,104,741.49</b>	<b>134,624,256.89</b>	<b>23,385,606.84</b>	<b>31,405,942.75</b>	<b>132,399,913.69</b>	<b>38,296,470.97</b>	<b>27,740,386.28</b>	<b>201,462,905.13</b>	<b>115,031,793.86</b>	<b>903,254,876.22</b>
<b>EXPENSES:</b>	<b>ACTUAL</b>												
SALARIES AND WAGES	19,780,720.68	19,963,771.63	30,670,094.16	20,474,825.20	20,121,776.64	20,368,844.79	20,356,204.05	31,179,743.51	20,213,767.47	20,104,945.12	20,704,111.35	21,128,700.53	265,067,505.13
FRINGE BENEFITS	6,054,140.32	7,630,012.70	7,634,690.24	5,858,952.06	6,907,223.42	6,604,737.97	5,900,287.51	8,588,121.92	4,741,763.86	6,032,455.42	3,244,140.45	3,520,676.20	72,717,202.07
PENSIONS	1,020,692.66	20,060.06	30,090.09	31,395,125.64	20,060.06	20,060.06	20,060.06	30,090.09	20,060.06	19,565.02	18,495.09	18,495.10	32,632,853.99
OPERATION EXPENSES	15,418,981.98	23,346,501.62	8,473,166.71	15,534,531.29	27,976,015.81	22,822,664.40	5,960,728.27	19,562,419.14	13,412,487.10	13,437,538.45	10,293,519.45	24,565,297.04	200,803,851.26
LITIGATION EXPENSES	415,802.29	54,743.73	115,672.68	38,679.74	223,697.72	464,388.60	208,390.00	135,350.00	53,398.54	3,153.70	731.26	347,225.84	2,061,234.10
PUBLIC ASSISTANCE	139,342.22	0.00	1,072,000.00	984,778.29	212,787.19	533,077.43	296,384.56	950,396.06	150,295.59	336,891.83	2,632,104.27	206,925.88	7,514,983.32
EDUCATION CONTRIB.	1,383,450.10	2,295,536.00	1,208,853.72	2,331,201.55	1,933,512.08	1,809,975.73	573,732.00	527,720.00	1,135,000.00	1,092,559.16	590,183.06	1,094,669.01	15,976,393.11
STATE INSTITUTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72,275,833.00	0.00	72,275,833.00
DEFERRED CHARGES	0.00	58,524.90	166,603.95	0.00	0.00	1,005.37	0.00	4,000.00	0.00	0.00	0.00	1,162.50	231,296.72
GRANTS	6,422,025.41	4,650,897.78	4,160,463.90	4,309,205.49	7,882,416.20	9,386,934.81	7,786,275.63	8,806,345.92	5,375,409.26	5,368,809.98	4,302,149.52	2,516,369.66	70,967,303.56
LONG TERM DEBT	58,200.00	3,688,553.75	6,830,420.63	2,460,746.65	9,892,347.76	10,442,592.75	746,200.00	6,528,553.75	15,652,395.63	4,500,746.65	30,352,347.75	6,938,730.26	98,091,835.58
SHORT TERM DEBT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	263,293.59	35,532,031.23	35,795,324.82
<b>TOTAL EXPENSES</b>	<b>50,693,355.66</b>	<b>61,708,602.17</b>	<b>60,362,056.08</b>	<b>83,388,045.91</b>	<b>75,169,836.88</b>	<b>72,454,281.91</b>	<b>41,848,262.08</b>	<b>76,312,741.09</b>	<b>60,754,577.51</b>	<b>51,159,958.92</b>	<b>179,945,646.43</b>	<b>60,338,252.02</b>	<b>874,135,616.66</b>
INTERFUND ACTIVITY:													
INTERFUND ADVANCES	0.00	12,000,000.00		12,000,000.00	12,000,000.00	0.00	28,000,000.00		0.00	10,000,000.00	10,000,000.00	12,515,000.00	96,515,000.00
INTERFUND REPAY/PAYMT	0.00	12,000,000.00			24,000,000.00			25,000,000.00		0.00	19,949,687.47	0.00	80,949,687.47
<b>ENDING BALANCE</b>	<b>\$10,986,059.81</b>	<b>\$74,599,091.88</b>	<b>\$26,347,157.68</b>	<b>\$7,063,853.26</b>	<b>\$54,518,273.27</b>	<b>\$5,449,598.20</b>	<b>\$23,007,278.87</b>	<b>\$54,094,451.47</b>	<b>\$31,636,344.93</b>	<b>\$18,216,772.29</b>	<b>\$29,784,343.52</b>	<b>\$96,992,885.36</b>	<b>\$96,992,885.36</b>

CFMONTHLY 2012 (unaudited)

@ Excludes from budget: Cash deficit, Emergency Approp., and Overexpended reserves

**2013 FISCAL YEAR CASH FLOW**

	JANUARY PROJECTED	FEBRUARY PROJECTED	MARCH PROJECTED	APRIL PROJECTED	MAY PROJECTED	JUNE PROJECTED	JULY PROJECTED	AUGUST PROJECTED	SEPTEMBER PROJECTED	OCTOBER PROJECTED	NOVEMBER PROJECTED	DECEMBER PROJECTED	PROJECTED TOTAL
BEGINNING BALANCE	\$96,992,885.35	\$47,280,441.35	\$109,164,910.26	\$59,696,986.77	\$8,229,871.53	\$71,187,994.23	\$31,363,369.81	(\$208,473.72)	\$64,839,350.28	\$37,517,294.33	\$7,171,683.78	\$33,068,156.00	\$96,992,885.35
REVENUES:													
PROPERTY TAX/add & omitted		100,551,324.76			99,642,324.76			99,642,324.74			99,642,324.75		399,478,299.00
LOCAL REVENUE	741,794.79	1,778,622.97	1,869,654.65	2,909,396.72	2,751,422.34	2,648,973.18	2,847,952.19	2,651,325.00	1,913,096.90	2,033,412.12	2,717,295.46	6,916,791.68	31,779,738.00
INVESTMENT INCOME	71.93	5,812.57	4,029.77	4,751.32	2,691.46	3,818.56	3,759.45	1,231.83	3,277.94	3,714.95	2,516.15	4,324.07	40,000.00
STATE ASSISTANCE	6,000.00	12,947.68	60,294.04	60,620.72	51,840.32	127,318.05	101,600.16	3,990,311.13	62,529.12	47,519.08	1,811,649.88	2,642,619.82	8,975,250.00
HOSPITALS	0.00	534,444.64	300,885.62	434,565.32	6,007,026.80	1,098,985.93	392,066.00	4,688,911.85	5,270,000.00	4,175,641.86	76,382,291.60	20,459,935.38	119,744,755.00
WELFARE	150,000.00	450,000.00	645,000.00	890,000.00	420,652.59	861,752.22	385,000.00	2,152,844.00	15,032,595.19	3,425,000.00	3,400,000.00	35,210,665.00	63,023,509.00
GRANTS	303,480.50	249,300.22	703,576.50	2,402,880.50	736,590.83	2,503,506.50	534,683.60	1,902,880.50	2,402,880.50	584,185.50	1,840,202.96	794,606.89	14,958,775.00
INDIRECT COSTS	0.00	0.00	520,870.00	34,486.74	924,063.35	3,922.09	25,643.76	542,516.21	52,915.15	943,714.60	732,031.93	1,749,586.17	5,529,750.00
OTHER REVENUE	2,965,979.24	3,585,298.49	5,152,824.35	2,918,884.69	4,639,767.00	4,218,586.64	6,123,679.50	6,573,068.21	2,131,968.00	8,722,230.15	1,923,938.33	26,222,298.40	75,178,523.00
SURPLUS ANTICIPATED													4,000,000.00
PROCEEDS-LONG-TERM DEBT													0.00
PROCEEDS-SHORT TERM DEBT				20,050,000.00			0.00	0.00					20,050,000.00
<b>TOTAL REVENUE</b>	<b>4,167,326.46</b>	<b>107,167,751.33</b>	<b>9,257,134.93</b>	<b>29,705,586.01</b>	<b>115,176,379.45</b>	<b>11,466,863.17</b>	<b>10,414,384.66</b>	<b>122,145,413.47</b>	<b>26,869,262.80</b>	<b>19,935,418.26</b>	<b>188,452,251.06</b>	<b>98,000,827.41</b>	<b>742,758,599.00</b>
EXPENSES:													
SALARIES AND WAGES	18,144,378.24	18,144,378.24	27,216,567.30	18,144,378.24	18,144,378.24	18,144,378.24	18,144,378.24	27,216,567.30	18,144,378.24	18,144,378.24	18,144,378.24	18,144,378.24	235,876,917.00
FRINGE BENEFITS	6,691,692.48	6,320,506.43	7,072,724.53	7,003,999.53	7,977,657.03	6,378,659.87	7,392,786.26	6,527,546.93	7,037,504.35	6,494,824.39	6,898,951.13	7,109,230.07	82,906,083.00
PENSIONS	25,416.72	25,416.72	25,416.72	37,000,331.00	25,416.72	25,416.72	25,416.72	25,416.72	25,416.73	25,416.74	25,416.74	25,416.75	37,279,915.00
OPERATION EXPENSES	13,646,239.69	13,646,239.69	13,646,239.69	12,646,239.69	12,646,239.69	12,646,239.69	12,646,239.69	12,646,239.69	12,646,239.69	11,646,239.69	11,646,239.69	11,646,239.69	151,754,876.28
LITIGATION EXPENSES	336,745.79	4,329.63	491,339.79	313,072.93	164,990.54	252,715.60	251,080.63	846.86	106,256.97	731.26	27,890.00	0.00	1,950,000.00
PUBLIC ASSISTANCE	879,012.37	408,227.79	539,818.52	336,117.81	754,104.36	614,194.34	669,864.15	749,110.72	256,334.79	588,818.11	236,726.53	1,021,138.51	7,053,468.00
EDUCATION CONTRIB.	1,828,333.34	1,828,333.34	1,828,333.34	1,828,333.34	1,828,333.34	2,086,666.67	846,666.67	846,666.66	846,666.66	846,666.66	846,666.66	588,333.33	16,050,000.00
STATE INSTITUTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	75,637,067.00	0.00	75,637,067.00
DEFERRED CHARGES	0.00	0.00	19,344.00	19,344.00	19,344.00	19,344.00	19,344.00	19,344.00	19,344.00	0.00	0.00	19,344.00	135,408.00
GRANTS	1,274,851.83	1,274,851.83	1,274,851.83	1,274,851.83	1,274,851.83	1,274,851.83	1,274,851.83	1,274,851.84	1,274,851.84	1,274,851.84	1,274,851.84	1,274,851.84	15,298,222.00
LONG TERM DEBT	53,100.00	3,630,998.75	6,610,422.70	2,625,376.88	9,382,941.01	9,849,020.63	715,600.00	7,790,998.75	13,183,388.48	11,259,101.88	26,982,941.01	6,340,915.63	98,424,805.72
SHORT TERM DEBT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650,937.00	0.00	20,834,650.00	0.00	21,485,587.00
<b>TOTAL EXPENSES</b>	<b>42,879,770.46</b>	<b>45,283,282.42</b>	<b>58,725,058.42</b>	<b>81,172,701.25</b>	<b>52,218,256.75</b>	<b>51,291,487.59</b>	<b>41,986,228.19</b>	<b>57,097,589.46</b>	<b>54,191,318.75</b>	<b>50,281,028.81</b>	<b>162,555,778.84</b>	<b>46,169,848.06</b>	<b>743,852,349.00</b>
INTERFUND ACTIVITY:													
INTERFUND ADVANCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTERFUND REPAY/PAYMT	11,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,000,000.00
<b>ENDING BALANCE</b>	<b>\$47,280,441.35</b>	<b>\$109,164,910.26</b>	<b>\$59,696,986.77</b>	<b>\$8,229,871.53</b>	<b>\$71,187,994.23</b>	<b>\$31,363,369.81</b>	<b>(\$208,473.72)</b>	<b>\$64,839,350.28</b>	<b>\$37,517,294.33</b>	<b>\$7,171,683.78</b>	<b>\$33,068,156.00</b>	<b>\$84,899,135.35</b>	<b>\$84,899,135.35</b>

CFMONTHLY 2012 (unaudited)

@ Excludes from budget: Cash deficit, Emergency Approp., and Overexpended reserves



**APPENDIX D**

**Form of Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) dated as of April 1, 2013 by the County of Essex, New Jersey, a public body corporate and politic of the State of New Jersey (the “Issuer”) is executed and delivered in connection with the issuance of the Issuer’s \$20,000,000 principal amount of Tax Anticipation Notes of 2013, Series A (the “Notes”). Capitalized terms used in this Undertaking shall have the respective meanings specified above or in Article IV hereof.

### ARTICLE I

#### THE UNDERTAKING

Section 1.1. Purpose. This Undertaking shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered solely to assist the successful bidder in complying with subsection (b)(5) of the Rule.

Section 1.2. Disclosure Event Notices. If a Disclosure Event (hereinafter defined) occurs, the Issuer shall provide, in a timely manner, not in excess of ten business days following the occurrence of any of the Disclosure Events, to the MSRB, notice of any of the events with respect to the Notes.

Section 1.3. Additional Disclosure Notes. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.4. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Disclosure Event Notice, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Disclosure Event Notice in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Disclosure Event Notice.

Section 1.5. No Previous Non-Compliance. The Issuer represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

### ARTICLE II

#### OPERATING RULES

Section 2.1. Disclosure Event Notices. Each Disclosure Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

Section 2.2. Transmission of Notices. Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's notices.

### **ARTICLE III**

#### **TERMINATION, AMENDMENT AND ENFORCEMENT**

Section 3.1. Termination. (a) The Issuer's obligations under this Undertaking shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Undertaking, or any of the provisions hereof, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Undertaking may be amended, in writing, without the consent of the holders of the Notes (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Undertaking and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) In addition to subsection (a) above, this Undertaking may be amended and any provision of this Undertaking may be waived, in writing, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Undertaking which is applicable to this Undertaking, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Undertaking shall inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Undertaking.

(b) Except as provided in this subsection (b), the provisions of this Undertaking shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide notices, by any holder of outstanding Notes, or (ii) in the case of challenges to the adequacy of the notices so provided, by the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. The holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Undertaking shall not constitute a default with respect to the Notes.

(d) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

## **ARTICLE IV**

### **DEFINITIONS**

Section 4.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Counsel" means Gibbons P.C. or other nationally recognized bond counsel or counsel expert in federal securities laws.

(2) "Disclosure Event" means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

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

(3) “Disclosure Event Notice” means notice of a Disclosure Event.

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

(5) “Official Statement” means the “final official statement”, as defined in paragraph (f)(3) of the Rule.

(6) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(7) “SEC” means the United States Securities and Exchange Commission.

(8) "State" means the State of New Jersey.

**IN WITNESS WHEREOF**, the Issuer has caused this Undertaking to be executed by its County Treasurer as of the date first above written.

**THE COUNTY OF ESSEX, NEW JERSEY**

By: \_\_\_\_\_

Name: Mark E. Acker

Title: County Treasurer

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**APPENDIX E**

**Form of Approving Opinion of Gibbons P.C., as Bond Counsel**

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April \_\_, 2013

Board of Chosen Freeholders of  
County of Essex, New Jersey  
Newark, New Jersey 07012

Dear Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Essex, in the State of New Jersey (the "County"), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale of \$20,000,000 aggregate principal amount of the County's Tax Anticipation Notes of 2013, Series A (the "Notes"). The Notes are issued in registered form without coupons, are dated April 30, 2013, bear interest at the rate of \_\_ and \_\_\_\_ Hundredths Percent (\_\_\_\_%) per annum and are payable at maturity on November 20, 2013. The Notes are issued pursuant to the Local Budget Law, constituting Chapter 4 of Title 40A of the New Jersey Statutes (the "Local Budget Law"), a resolution of the Board of Chosen Freeholders adopted on March 27, 2013 and an award certificate of the County Treasurer executed on April \_\_, 2013.

We have examined the Local Budget Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Budget Law, and other applicable provisions of law, and that the Notes have been duly authorized, executed and delivered and are valid and legally binding obligations of the County.

2. The County has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of and interest on the Notes, without limitation as to rate or amount.

3. Under existing law, interest on the Notes is excluded from gross income of the owners of the Notes for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

4. Under existing law, interest on the Notes and net gains on the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

The Code imposes certain requirements which may have to be met or must be met on a continuing basis subsequent to the issuance of the Notes in order for interest on the Notes to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The County has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action which would cause the interest on the Notes to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference under Section 57 of the Code. We have assumed continuing compliance by the County with the above covenants in rendering our opinion with respect to treatment of interest on the Notes for Federal income tax purposes.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Notes.

Our opinion concerning the enforceability of the Notes is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Notes.

Very truly yours,

GIBBONS P. C.