

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 29, 2019**

**NEW ISSUE-Book-Entry-Only**

**RATING: S&P: "SP-1+"  
(See "RATING" herein)**

*In the opinion of Gibbons P.C., Bond Counsel to the County, assuming continuing compliance by the County with certain tax covenants described herein, under existing law, interest on the 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 the 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. See "TAX MATTERS" herein.*

**\$40,000,000  
COUNTY OF SOMERSET, NEW JERSEY  
BOND ANTICIPATION NOTES, SERIES 2019  
INTEREST RATE \_\_\_\_%  
YIELD \_\_\_\_%**

**Dated: Date of Delivery**

**Due: September 11, 2020**

The \$40,000,000 Bond Anticipation Notes, Series 2019 (the "Notes") are valid and legally binding general obligations of the County of Somerset, State of New Jersey (the "County") and are secured by a pledge of the full faith and credit of the County for the payment of the principal thereof and interest thereon. Principal of and interest on the Notes shall be paid at maturity. The Notes will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "THE NOTES-Book-Entry Only System" herein. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof. The Notes shall bear interest, calculated on the basis of a 360-day year of twelve 30-day months, payable at the interest rate per annum set forth above.

The Notes are authorized by and are issued pursuant to: (i) the Local Bond Law, N.J.S.A. 40A: 2-1 et seq., as amended and supplemented (the "Local Bond Law"), and where appropriate, Title 18A, Education, of the New Jersey Statutes; and (ii) various bond ordinances as described herein, duly and finally adopted by the Board of Chosen Freeholders and published in accordance with the requirements of the Local Bond Law.

The Notes are not subject to redemption prior to maturity.

The Notes constitute valid and legally binding obligations of the County for the payment of which, if not paid from other sources, the County is obligated to levy *ad valorem* taxes on all taxable property in the County for the payment of the Notes and the interest thereon without limitation as to rate or amount. The Notes are not a debt of the State of New Jersey or any political subdivision thereof other than the County.

*The Notes will be offered when, as and if issued by the County and received by the Underwriter subject to prior sale, withdrawal or modification of the offering without notice, and subject to the final approving opinion of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the County in connection with the issuance of the Notes. It is anticipated that the Notes in definitive form will be available for delivery through the facilities of DTC on or about September 13, 2019.*

**BIDS FOR THE NOTES WILL BE RECEIVED UNTIL 11:00 A.M. ON WEDNESDAY,  
SEPTEMBER 4, 2019 BY THE COUNTY IN ACCORDANCE WITH  
THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.**

**COUNTY OF SOMERSET,  
STATE OF NEW JERSEY**

**BOARD OF CHOSEN FREEHOLDERS**

<u>Freeholder</u>	<u>Title</u>	<u>Term Expires</u>
Brian D. Levine	Director	December 31, 2020
Patricia L. Walsh	Deputy Director	December 31, 2019
Brian G. Gallagher	Freeholder	December 31, 2020
Shanel Y. Robinson	Freeholder	December 31, 2021
Sara Sooy	Freeholder	December 31, 2021

**COUNTY ADMINISTRATOR/CLERK TO THE BOARD OF CHOSEN FREEHOLDERS**

Michael J. Amorosa

**COUNTY CLERK**

Steve Peter

**DEPUTY CLERK TO THE BOARD OF CHOSEN FREEHOLDERS**

Kathryn A. Quick

**DIRECTOR OF FINANCE AND ADMINISTRATION/CHIEF FINANCIAL OFFICER**

Nicola Trasente

**DIRECTOR OF FISCAL OPERATIONS**

Yvonne Childress

**COUNTY COUNSEL**

William T. Cooper III, Esquire

**INDEPENDENT AUDITOR**

Suplee, Clooney & Company  
Westfield, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

Gibbons P.C.  
Newark, New Jersey

No dealer, broker, salesperson or other person has been authorized by the County of Somerset, New Jersey (the “County”) or the Underwriter to give any information, or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 which is set forth herein has been provided by the County and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the County. References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the County during normal business hours. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 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.**

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTORY STATEMENT .....	1
AUTHORIZATION FOR THE NOTES .....	1
PURPOSE OF THE ISSUE .....	1
DESCRIPTION OF THE NOTES.....	2
SECURITY FOR THE NOTES.....	2
MARKET PROTECTION.....	3
BOOK-ENTRY ONLY SYSTEM.....	3
SUMMARIES OF CERTAIN PROVISIONS OF THE LOCAL BUDGET LAW AND THE LOCAL FISCAL AFFAIRS LAW .....	5
FINANCIAL OPERATIONS .....	8
PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT.....	9
SHORT TERM FINANCING .....	10
LEGALITY FOR INVESTMENT .....	10
MUNICIPAL BANKRUPTCY .....	11
LITIGATION.....	11
APPROVAL OF LEGAL PROCEEDINGS.....	11
TAX MATTERS.....	12
RATING .....	13
PREPARATION OF OFFICIAL STATEMENT .....	14
MUNICIPAL ADVISOR.....	14
SECONDARY MARKET DISCLOSURE.....	14
UNDERWRITING .....	15
FINANCIAL STATEMENTS OF THE COUNTY .....	15
ADDITIONAL INFORMATION.....	15
MISCELLANEOUS .....	15
 Appendix A – Information Concerning the County of Somerset, New Jersey.....	 A-1
Appendix B – Financial Statements of the County of Somerset, New Jersey .....	B-1
Appendix C – Form of Continuing Disclosure Certificate .....	C-1
Appendix D – Form of Approving Opinion of Bond Counsel .....	D-1

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**OFFICIAL STATEMENT  
OF  
COUNTY OF SOMERSET, NEW JERSEY  
RELATING TO**

**\$40,000,000  
BOND ANTICIPATION NOTES, SERIES 2019**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the front cover page hereof and the Appendices attached hereto, is furnished by the County of Somerset (the “County”), a public body corporate and politic of the State of New Jersey (the “State”) to provide certain information relating to the County and its \$40,000,000 Bond Anticipation Notes, Series 2019 (the “Notes”), dated the date of delivery, including a general description of the Notes, the purposes of the issue, a summary of borrowing procedures, certain matters affecting the financing, certain legal matters, historical financial and economic information relating to the County and other information pertinent to the Notes.

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

**AUTHORIZATION FOR THE NOTES**

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented (the “Local Bond Law”), and where appropriate, Title 18A, Education, of the New Jersey Statutes; and (ii) the bond ordinances detailed in “PURPOSE OF THE ISSUE” (the “Bond Ordinances”). The Bond Ordinances were published in full or in summary form after its adoption along with the statement that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinance can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale, execution or delivery of the Notes of the County.

**PURPOSE OF THE ISSUE**

The proceeds of the Notes, together with other funds of the County in the amount of \$50,633, will be used to: (i) currently refund a \$19,599,000 portion of the County’s \$28,399,000 Bond Anticipation Notes, Series 2018, dated September 17, 2018 and maturing on September 16, 2019 (the “Prior Notes”); and (ii) finance the acquisition and undertaking of \$20,451,633 of capital improvements.

The remaining \$8,800,000 of the Prior Notes will be currently refunded by the proceeds of the County's General Improvement Bonds, Series 2019A, issued on July 30, 2019. The Notes are authorized by various ordinances of the Board of Chosen Freeholders of the County as set forth in the table below:

<b><u>Ordinance No.</u></b>	<b><u>Purpose</u></b>	<b><u>Amount of Prior Notes To Be Refunded</u></b>	<b><u>Amount of New Money</u></b>
13-304	Various Improvements	\$0	\$1,466,360
14-153	Acquisition of Real Property	3,898,734	0
14-431	Various Improvements	0	1,958,910
16-028	Various Improvements	0	2,407,200
16-556	Various Improvements	1,700,000	1,000,000
17-080	Various Improvements	5,450,000	178,185
17-434	Various Improvements	6,300,000	3,500,000
17-428	Various Improvements to County Vocational School	700,000	2,000,000
18-158	Various Improvements	1,499,633	7,000,000
18-614	Various Improvements	0	940,978
<b>Subtotal:</b>		<b><u>\$19,548,367</u></b>	<b><u>\$20,451,633</u></b>
<b>Total:</b>			<b><u>\$40,000,000</u></b>

## **DESCRIPTION OF THE NOTES**

### **General Description of the Notes**

The Notes shall be dated and shall bear interest from their dated date, and will mature on the date and in the amount, as shown on the front cover page hereof. The Notes shall bear interest, calculated on the basis of a 360-day year of twelve 30-day months, which is payable at maturity, at the interest rate set forth on the front cover page hereof. Interest on the Notes will be credited to the participants of The Depository Trust Company, New York, New York ("DTC") as listed on its records as of the close of business on September 4, 2020 (the "Record Date" for the payment of interest on the Notes). The Notes may be purchased in book-entry-only form in the amount of \$5,000 or any integral multiple thereof, through book-entries made on the books and the records of DTC and its participants. See "Book-Entry-Only System". The County will act as the "Note Registrar/Paying Agent" for the Notes.

### **Redemption**

The Notes are not subject to redemption prior to maturity.

## **SECURITY FOR THE NOTES**

The Notes will be general obligations of the County. All of the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of and interest on the Notes. The enforceability of rights or remedies with respect to the Notes



may be limited by bankruptcy, insolvency or other laws affecting creditor's rights or remedies heretofore or hereafter enacted.

## **MARKET PROTECTION**

The County does not anticipate issuing any bonds within the next ninety (90) days, but may issue additional bond anticipation notes, as necessary, during calendar year 2019.

Additionally, within the next ninety (90) days, the County expects to guaranty bonds or notes of the Somerset County Improvement Authority, including: (i) approximately \$21,625,000 County of Somerset Guaranteed Renewable Energy Program Project Revenue Refunding Bonds, Series 2019A and 2019B; (ii) approximately \$775,000 County of Somerset Guaranteed Renewable Energy Program Project Revenue Refunding Bonds, Series 2019C; and (iii) approximately \$14,725,000 County Guaranteed Lease Project Notes, Series 2019 (Township of Montgomery Project), in each case to refund certain County-guaranteed bonds or notes of the Authority.

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, 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 Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to

time. Payment of redemption proceeds 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.**

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

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

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

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

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 Calendar Year 2019 is 2.50%. 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 July 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 (the “LFB”) are no longer available under the Amendment.

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

## **Real Estate Taxes**

The amount of taxes or rate of taxation which may be levied by the County directly are subject to the aforementioned Property Tax Act and Amendment. The amount of County taxes required to be raised are apportioned among the municipalities within the County by the County’s Board of Taxation. The County’s Board of Taxation fixes and determines the tax rate to be levied by each of the twenty-one municipalities in the County, which rate includes the amount required for County, local and regional school district, and municipal purposes.

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

## **Miscellaneous Revenues**

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

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

## **Deferral of Current Expenses**

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

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

## **Budget Transfers**

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

## **Capital Budget**

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

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

The Local Fiscal Affairs Law regulates the nonbudgetary financial activities of local governmental units. An annual independent audit of the local governmental unit’s accounts for the previous year must be performed by a New Jersey licensed Registered Municipal Accountant. The audit,

conforming to the Division's "Requirements of Audit", includes recommendations for improvement of a local governmental unit's financial procedures and must be filed with the Director within six months after the close of its fiscal year. A synopsis of the Audit Report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The entire annual audit report is on file with the County's Treasurer and is available for review during business hours.

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

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

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

## **FINANCIAL OPERATIONS**

### **Basis of Accounting**

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

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

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

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

## **Current Fund**

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

## **General Expenditures**

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

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

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

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

### **Statutory Debt Limit**

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

### **Exceptions to Statutory Debt Limit**

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. A form of refunding bonds, known as fiscal year adjustment bonds, may be issued for the purpose of assuring against adopting a budget which sets forth a deficit. Unless the requirements set forth in N.J.A.C. 5:30-2.5 have been satisfied, the LFB must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof.

## **SHORT TERM FINANCING**

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

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

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

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

## **LEGALITY FOR INVESTMENT**

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



## **MUNICIPAL BANKRUPTCY**

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

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

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

## **LITIGATION**

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

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

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

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters relating to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County, whose approving opinion, substantially in the form of Appendix D hereto, will be delivered with the Notes. Certain legal matters will be passed upon for the County by its County Counsel, William T. Cooper III, Esquire.

## **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 the date of issuance and 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 Federal income tax purposes 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 will make certain representations in its tax certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. 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 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. Gibbons P.C., Bond Counsel to the County, has relied upon the representations of the County made in its tax certificate and has assumed continuing compliance by the County with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes for the purposes of alternative minimum tax.

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.

### **Tax Treatment of Original Issue Premium**

The initial public offering price of certain of the Notes (the “Premium Notes”) is greater than the principal amount of such Notes payable at maturity. An amount equal to the excess of the purchase price of a Premium Note over its stated redemption price at maturity constitutes premium on such Premium Note. A purchaser of a Premium Note must amortize any premium over such Premium Note’s term using constant yield principles, based on the Premium Note’s yield to maturity. As premium is amortized, the purchaser’s basis of such Premium Note and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of such Premium Note prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Notes, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Premium Notes.

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

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. Prospective purchasers of the Notes should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinions 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 to the County 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.

**ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE NOTES.**

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned its short-term rating of "SP-1+" to the Notes.

Such credit rating reflects only the view of S&P, and an explanation of the significance of the credit rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and documents furnished to it, and on investigations, studies and assumptions of its own. The rating expresses only the view of S&P and there is no assurance that the credit rating will continue for any period of time or that the credit rating will not be lowered or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Notes. Neither the County nor the underwriter has undertaken the responsibility to take any action with regard to possible credit rating changes or to bring any such changes to the attention of the owners of the Notes.

## **PREPARATION OF OFFICIAL STATEMENT**

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

Suplee, Clooney & 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 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.

William T. Cooper III, Esquire, County Counsel, has not participated in the preparation of the financial or statistical information contained in this Official Statement, including the Appendices hereto, nor has he verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

Gibbons P.C., Bond Counsel, has not verified the accuracy, completeness or fairness of the information contained herein, except under "TAX MATTERS" and, accordingly, assumes no responsibility therefor and will express no opinion with respect thereto.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the County with respect to the sale of the Notes (the "Municipal Advisor"). The Municipal Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Notes and provided other advice, but is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

## **SECONDARY MARKET DISCLOSURE**

The Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibits a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the 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 (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 in the Continuing Disclosure Certificate to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the County with the MSRB, through the internet facilities of the Electronic Municipal Market Access system (“EMMA”). The specific nature of the information to be contained in the notices of enumerated events is set forth in Appendix C. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

The County has entered into prior undertakings to provide continuing disclosure for certain outstanding debt issues and has engaged Digital Assurance Certification in connection with its continuing disclosure obligations.

## **UNDERWRITING**

The Notes have been purchased from the County at a public sale by \_\_\_\_\_ (the “Underwriter”). The Underwriter has purchased the Notes in accordance with the Notice of Sale. The Notes are being offered for sale at the yield set forth on the front cover page of this Official Statement.

## **FINANCIAL STATEMENTS OF THE COUNTY**

The audited financial statements of the County for the year ended December 31, 2017 and 2016 and unaudited financial statements of the County for the year ended December 31, 2018 are included in Appendix B to this Official Statement. The financial statements for the year ended December 31, 2017 and 2016 have been audited by Suplee, Clooney & 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. Nicola Trasente, Director of Finance and Administration/Chief Financial Officer, County of Somerset, 20 Grove Street, Somerville, New Jersey 08876, Telephone (908) 231-7047 or the County’s Municipal Advisor, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, Telephone (609) 291-0130.

## **MISCELLANEOUS**

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

the date hereof. The information contained herein therefore is not guaranteed as to accuracy or completeness.

All quotations from and summaries and explanations of provisions of law herein are not purported to be complete and are qualified in their entirety by reference to the official compilation thereof.

The execution and delivery of this Official Statement has been duly authorized by the Chief Financial Officer of the County. Concurrent with the delivery of the Notes, the County will furnish a certificate executed by the Director of Finance and Administration/Chief Financial Officer to the effect that nothing has come to the County's attention that would lead it to believe that the information contained in the Official Statement, as of the date of this Official Statement and as of the date of the delivery of the Notes, contains any untrue statement of a material fact or omits to state any information required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Certain of the information contained in this Official Statement has been obtained from governmental sources other than the County.

**COUNTY OF SOMERSET, NEW JERSEY**

By: \_\_\_\_\_  
Nicola Trasente  
Director of Finance and  
Administration/Chief Financial Officer

Dated: September \_\_, 2019

## **APPENDIX A**

### **INFORMATION CONCERNING THE COUNTY OF SOMERSET, NEW JERSEY**

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## **COUNTY OF SOMERSET**

The following is a brief description of the County of Somerset, in the State of New Jersey (the “County”) and information concerning population, employment, commercial activity, construction data, housing, government, general economic conditions, and financial planning framework.

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

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

### **County Government**

The Legislature of the State of New Jersey has given the Somerset County Board of Chosen Freeholders (the “Board of Freeholders”) power to regulate County property, finances, and affairs. The Board of Freeholders establishes the amount to be raised by property taxes for county purposes. The municipalities levy and collect the taxes and remit the specified amounts to the County. A library tax is also levied upon the fifteen (15) municipalities that use the County library facilities. The Board of Freeholders controls all County property, directly, in the case of the Somerset County Administration Buildings, the County Courthouse, the County Jail, County garages, County roads, and all bridges within the County except those on state and federal highways, and indirectly, through the respective Boards involved, parklands and campuses of the community (County) college and vocational schools.

The Board of Freeholders has five (5) members, one (1) or two (2) of whom are elected each year from the County at-large for a three-year term. In addition to being a policy-making body, the Board of Freeholders is required by statute to assume responsibility for administration within the County. The Board of Freeholders has created the Office of County Administrator to act as the executive officer for the Board. Administration of County government is, therefore, carried out by the Board of Freeholders acting as a body, based on recommendations by standing committees or through the County Administrator acting for the Board. The County’s four umbrella departments are Public Works, Human Services, Finance & Administrative Services and Public Health & Safety.

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

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

### **Education**

Raritan Valley Community College (“RVCC” or “College”) serving Somerset County and Hunterdon County residents since 1968, is committed to offering a quality and affordable education through effective teaching, liaisons with the community’s businesses and state-of-the-art technology. RVCC offers associate degrees and certificates to a student body

of approximately 7,900. Non-credit courses are available for those seeking personal and professional development along with customized training for businesses, professional development courses for workers and career training programs designed in partnership with local industry.

The County's Vocational and Technical High School offers career and technical education programs for full-time or shared-time County students (grades 9-12). Programs are also offered for at-risk youth. The district's academy for medicine and allied health sciences opened in September 2006 in collaboration with RVCC; successful graduates will receive both a high school diploma from Somerset County Vocational High School as well as an associate's degree from RVCC.

There are approximately 53,000 public school students in the County's public schools. The schools in the County offer their students a wide range of academic programs, career and technical courses of studies, special education programs, a diversity of Accelerated Placement (AP) courses, extracurricular activities and interscholastic athletic programs and competitions. The County's public schools demonstrate high levels of achievement on the New Jersey State Department of Education's standardized assessments. Many of the high schools in the County are known for the high percentage of their students who continue their studies in four-year colleges, the acceptance rate of their students to the country's most competitive colleges and universities and success in interscholastic sports.

### **County Library System**

The Somerset County Library System of New Jersey (SCLSNJ) partners with residents to connect, to explore, to share and to discover. SCLSNJ branches can be found in Bridgewater, Bound Brook, Hillsborough, Manville, North Plainfield, Peapack & Gladstone, Rocky Hill at the Mary Jacobs branch, Somerville, Warren Township, and Watchung. Additionally, there are two SCLSNJ reading stations in Branchburg and Washington Valley. Administrative functions for the system are provided through an office located in Bridgewater.

### **Transportation**

Getting into, around and out of the County is convenient, given the County's accessibility to major highways, connecting roads, and two direct-line rail systems. The County's transportation system has five (5) major roads extending north to south and east to west. The main arteries through the County are Interstates 287 and 78, and Federal Highways Routes 22, 202 and 206. The New Jersey Turnpike, the Garden State Parkway and Interstate 80 are all readily accessible via interchanges with I-287 and I-78.

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

Mass transit bus and rail service is located at convenient points throughout the County for commuting within the County and for accessing New York City and other employment hubs. Local bus service is designed to take commuters to intra-county destinations, while the more traditional bus service connects residents to predominantly out-of-county destinations. New Jersey Transit's Raritan Valley line takes commuters to Hoboken and Newark, with limited service to Penn Station, New York. The Morris and Essex, Gladstone Branch takes commuters to Newark, Hoboken and Midtown Manhattan. The County is also actively supporting the activities of the Raritan Valley Rail Coalition and the reactivation of the West Trenton Line.

### **Recreation**

The Somerset County Park Commission is home to almost 15,000 acres of open space. Facilities operated by the Park Commission include a wide range of opportunities for leisure pursuits. Golf is a large component with five regulation golf courses, three driving ranges, a pitch and putt course, and a recreational putting course. Specialized facilities include a riding stable, an environmental education center, two tennis facilities, a swim club, paddle boating, bocce courts, and a roller hockey rink. Horticulture activities include a rock formation and rare plant garden, an award-winning rose garden, arboretum, and a sensory and fragrance garden. Eight parks offer amenities, such as picnic facilities, bike paths, athletic fields, and fishing opportunities. The park system also encompasses several natural areas offering more passive pursuits, such as bird watching and hiking, and has embarked on a greenways program to connect open spaces bordering river corridors.

TD Bank Park, a state-of-the-art minor league baseball facility owned by the County, opened June 7, 1999 and is home to the Somerset Patriots (the “Patriots”), of the independent Atlantic League of Baseball. The \$17.5 million facility was self-financed by the County. The cost will be repaid by revenues received through the lease of the stadium to the Patriots. The current lease continues through 2032 and provides for fixed payments by the Patriots to meet annual debt service requirements, plus a contribution to a dedicated maintenance account to be used for future capital costs.

**Land Preservation**

According to the U.S. Census Bureau, Population Division, 2017, the County’s population, estimated at 335,432, is distributed over 305 square miles, making it one of the most rural counties in the State, with approximately 1,100 people per square mile. Agriculture is still a major industry, with about 48,000 acres (14% of the land in the County) classified under agricultural land uses. The farms include field crops, dairy, beef, sheep, horse breeding, nurseries, vegetables, fruit orchards and exotic shrubs

The Somerset County Agriculture Development Board, which consists of seven (7) members, is an official body of Somerset County Government, created by the Board of Chosen Freeholders in April 1983. Its purpose is to aid in the preservation of Somerset County’s farmland, as well as to promote the opportunity for agriculture to remain a viable industry.

The Open Space, Farmland and Historic Preservation Trust Fund is supported by a dedicated voter approved tax of \$0.03 per \$100 of assessed value. A portion of the tax has been used to cover debt service on \$90 million of debt issued (of which \$34.550 million is outstanding as of December 31, 2018) for the purchase of open space within the County.

**Financial Management**

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

**County Employees**

The County provides services to its citizenry through approximately 1,110 full-time general County employees and 150 part time County employees.

Approximately fifty (50%) percent of County employees are represented by sixteen (16) labor organizations recognized by the County under the Public Employees Relations Commission Act of 1968 (P.E.R.C.). Of the sixteen (16) labor organizations, six (6) are currently negotiating and four (4) are expiring December 31, 2019.

**Pension Benefits for Employees**

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

The amounts of the County’s contributions for the last five (5) years are shown below.

2019.....	\$14,861,015
2018.....	13,795,020
2017.....	13,085,180
2016.....	12,771,955
2015.....	12,348,104

## **Economy and Economic Development**

The County continues to maintain a strong economy and is viewed a dynamic, vibrant location for companies and their employees. February 2018 data released by the NJ Department of Labor and Workforce Development indicates the County has an unemployment rate of 3.3%, the third lowest of 21 counties in New Jersey.

The economic performance of the County is attributable to efforts directed at increasing job growth and private sector economic investment in the region. These efforts are detailed in a federally approved Comprehensive Economic Development Strategy (CEDS) which was developed collaboratively between public and private sector interests and is connected to land use planning and public policy implementation at the county level.

Collaborative economic development efforts have resulted in alignment of local, regional, state and federal job creation, infrastructure investment, and business resources delivery directed at improving the County's overall competitiveness.

As a primary indicator of economic performance, the commercial office and industrial real estate markets in the County remain strong.

The County has a total inventory of 30,300,000 square feet of commercial office space. As of March 2018, the direct vacancy rate for existing commercial office space in the County was 13.4%, equal to that of the 5-year average. Gross rent per square foot for commercial office space stood at \$23.39 per square feet, slight above the 5-year average of \$22.23 per square foot.

As of March 2018, the County had an inventory of 34,900,000 square feet of industrial and flex space. The current vacancy rate for this market segment was at 3.3%, well below the 5-year average of 7.3%. Commensurate with a decline in the vacancy rate for industrial and flex space in the County, asking rent per square feet has increased to \$9.21, up by more than \$2.00 from the 5-year average of \$7.02.

Significant commercial office lease transactions in the previous 12 months from March 2018 include QUALCOMM and iconectiv in Bridgewater Township for 155,700sf and 128,000sf respectively, Mallinckrodt Pharmaceuticals in Bedminster Township for two transactions of 116,500sf each totaling 233,000sf, and SHI International in a 231,300sf transaction in Franklin Township.

Significant industrial and flex transactions in the previous 12 months from March 2018 include TeE Way for 155,000sf in Franklin Township, Allergan for 147,000sf in Branchburg Township, and Bytech for 74,000sf in Franklin Township.

## Major Employers

The major industry sectors of employment in the County are detailed in the table below.

### EMPLOYMENT CALCULATED FROM QUARTERLY CENSUS OF EMPLOYMENT AND WAGES DATA (Major Industry Sectors)

Industry	12 Month Percent	
	Employment September, 2017	of Employment September, 2017
Waste Management and Remediation Services	236	0.14%
Administrative and Support Services	16,479	9.74%
Transportation Warehousing	3,496	2.07%
Retail Trade	19,987	11.82%
Real Estate	2,779	1.64%
Construction	6,730	3.98%
Information	6,473	3.83%
Manufacturing	15,411	9.11%
Professional and Technical Services	21,729	12.84%
Wholesale Trade	11,996	7.09%
Agricultural Forestry Fishing and Hunting	147	0.09%
Finance and Insurance	7,924	4.68%
Education Services	3,084	1.82%
Arts Entertainment and Recreation	2,903	1.72%
Accommodations and Food Service	12,187	7.20%
Unclassified	640	0.38%
Management Companies Enterprises	10,935	6.46%
Administrative and Waste Services	16,715	9.88%
Other Services Excluding Public Administration	5,676	3.36%
Telecommunications	<u>3,639</u>	<u>2.15%</u>
<b>Total</b>	<b><u>169,166</u></b>	<b><u>100.00%</u></b>

Source: New Jersey Employment and Wages Covered by Unemployment Insurance 2017 3<sup>rd</sup> Quarter Bureau of Labor Statistics Quarterly Report Somerset County

The largest employers in the County are shown in the following table.

## MAJOR INDUSTRIES EMPLOYING 250 OR MORE AS OF 2018

<b><u>Municipality and Tenant</u></b>	<b><u>Description of Operation</u></b>
<b>Bernards Township</b>	
Cellco Partnership	Wireless Telecoms Carriers (Except Satellite)
Collabera Inc	Information Technology Services
Daichi Sankyo Inc	Pharmacies
Everest National Insurance Co	Insurance Adjusters
Everest Re Group LTD	Insurance
Everest Reinsurance Co	Insurance Agencies & Brokerages
Memorial Sloan-Kettering	Cancer Treatment Centers
Skilled Nursing At Fellowship	Rehabilitation Services
VA Medical Ctr-Lyons	General Medical & Surgical Hospitals
Verizon Business	Telecommunications
<b>Branchburg Township</b>	
Roche Molecular Systems Inc	Surgical & Medical Instrument Manufacturing
Shop Rite Supermarket	Grocers-Retail
<b>Bridgewater Township</b>	
Aon Hewitt	Insurance
Baker & Taylor	Book Dealers-Wholesale
Bausch & Lomb Inc	Optical Goods- Manufacturers
Brother International Corp	Office Equipment Wholesales
ConvaTec inc	Physicians & Surgeons Equip & Supls-Mfrs
Costco	Wholesale Clubs
Home Depot	Home Centers
Linde North America	Gas-Ind & Medical-Cylinder & Bulk-Mfrs
Met Life	Insurance
Nitta Casings Inc	Sausage Casings-Mfrs
Norris McLaughlin & Marcus PA	Offices of Lawyers
Oracle	Computer Software-Manufacturers
Sanofi US	Pharmacies
Target	Department Store
Valent Pharmaceuticals Intl	Pharmaceutical Products-Wholesale
Wegmans	Supermarket
<b>Far Hills Township</b>	
United States Golf Assn	Golf Courses & Country Clubs
<b>Franklin Township</b>	
ADT Security Service	Security Systems
Doubletree	Hotel & Motels
First Class Staffing	Personnel Consultants
L'Oreal USA Inc	Cosmetics & Perfumes-Retail
McKesson Corp	Pharmaceutical Products-Wholesale
Micro Corp	Physicians & Surgeons Equip & Supls-Mfrs
Nissan North America Inc	Automobile Parts & Supplies-Mfrs
Philips Lighting	Light Bulbs & Tubes (Whls)

## MAJOR INDUSTRIES EMPLOYING 250 OR MORE AS OF 2019 (Continued)

<b><u>Municipality and Tenant</u></b>	<b><u>Description of Operation</u></b>
<b>Franklin Township (cont.)</b>	
Pim Brands LLC	Candy & Confectionary - Manufacturers
Regency Jewish Heritage Nursing	Non-Profit Organization
Robert Wood Johnson	Public Relations Counselors
Rolo Reality Co Inc	Real Estate
Rotor Clip Co Inc	Rings-Retaining (Whls)
SHI International Corp	Computer Software
Software House	Marketing Programs & Services
Syneos Health	Pharmaceutical Consultants
Willow Creek Rehab & Care Center	Rehabilitation Services
<b>Hillsborough Township</b>	
Reckitt Benckiser	Cleaning Compunds (Whls)
Shop Rite Supermarket	Supermarket
<b>Manville Borough</b>	
Walmart	Department Store
<b>Montgomery Township</b>	
Braun Research Inc	Marketing Research & Public Opinion Polling
Carrier Clinic	General Medical & Surgical Hospitals
Johnson & Johnson	Pharmaceutical Preparation Manufacturing
Stone Bridge	Assisted Living Facilities for the Elderly
<b>Peapack-Gladstone Township</b>	
Matheny Medical & Education	General Medical & Surgical Hospital
<b>Raritan Borough</b>	
Lab Corp	Medical Laboratories
North Gaston Avenue Inc	Federal Government Contractors
Ortho McNeil Pharmaceutical	Physicians & Surgeons Equip & Supls-Mfrs
Ortho-Clinical Diagnostics Inc	Analytical Laboratory Instrument Manufacturing
<b>Somerville Borough</b>	
Courier News	Newspaper Publishers
Ethicon Inc	Biological Products (Mfrs)
Life Cell Corp	Physicians & Surgeons Equip & Supls-Mfrs
Robert Wood Johnson Univ Hospital	Office of Physicians (Exc Mental Health Specs)
Shop Rite	Supermarket
<b>Warren Township</b>	
Chubb Group of Insurance Co	Insurance-Property & Casualty
Paulus Sokolowski & Sartor	Federal Government Contractors
<b>Watchung Borough</b>	
Home Depot	Residential Remodelers
Shop Rite	Supermarket
Super Stop & Shop	Supermarket

## Residential Building Permits

Paralleling the growth in population was the significant increase in the number of housing units built in the County from 1980 to 2018. The latest data available regarding residential building permit statistics are summarized below:

<u>Period</u>	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
1980-1984	5,669	1,524	7,193
1985-1989	13,199	2,667	15,866
1990-1994	6,208	991	7,199
1995-1999	9,221	1,840	11,061
2000-2004	4,809	2,670	7,479
2005-2009	2,472	1,063	3,535
2010-2014	1,627	846	2,473
2015-2018	<u>1,247</u>	<u>2,101</u>	<u>3,348</u>
	<u>44,452</u>	<u>13,702</u>	<u>58,154</u>

Source: Annual Summaries of New Jersey Residential Building Permits, New Jersey Department of Labor and Workforce Development, through 2018, NJ Department of Community Affairs Construction Reporter

## Population

The following table summarizes population increases and decreases for the County, the State and the United States.

<u>Year</u>	<u>County</u>		<u>State</u>		<u>United States</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2018 Estimate	331,164	2.4%	8,908,520	1.3%	327,167,434	6.0%
2010	323,444	8.7	8,791,894	4.5	308,745,538	9.7
2000	297,490	23.8	8,414,350	8.9	281,421,906	13.2
1990	240,279	18.3	7,730,188	5.0	248,709,873	9.8
1980	203,129	2.4	7,365,001	2.7	226,504,825	11.5
1970	198,372	37.8	7,168,164	18.2	203,211,926	13.3

Source: United States Department of Commerce, Bureau of the Census

## Income (as of 2017)

	<u>County</u>	<u>State</u>
Median Household Income	\$106,046	\$76,475
Median Family Income	129,444	94,337
Per Capita Income	51,923	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates



## Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the County and the State:

	<b>Total Labor Force</b>	<b>Employed Labor Force</b>	<b>Total Unemployed</b>	<b>Unemployment Rate</b>
<b><u>County</u></b>				
2018	171,425	165,492	5,933	3.5%
2017	171,167	164,742	6,417	3.7%
2016	173,235	166,213	7,022	4.1%
2015	174,100	166,131	7,969	4.6%
2014	173,688	164,646	9,042	5.2%
<b><u>State</u></b>				
2018	4,488,675	4,301,575	187,075	4.2%
2017	4,510,975	4,306,708	204,292	4.5%
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%

Source: New Jersey Department of Labor and Workforce Development Analysis, Labor Market and Demographic Research Bureau of Labor Force Statistics, New Jersey Labor Force Estimates 2018

## Largest Taxpayers

The ten largest taxpayers in the County and their assessed valuations are listed below:

<b><u>Taxpayers</u></b>	<b><u>Location</u></b>	<b>2018 <u>Assessed Valuation</u></b>	<b>% of Total <u>Assessed Valuation</u></b>
Allen LLC	Bernards	\$570,525,003	0.98%
Ortho Pharmaceutical	Raritan	212,496,000	0.37%
Bridgewater Commons Mall	Bridgewater	212,309,204	0.37%
North Maple LLC	Bernards	209,523,304	0.36%
Metropolitan Tower Insurance Co.	Bedminster	124,000,000	0.21%
ARC	Bridgewater	101,969,604	0.18%
Morgan Stanley Management	Franklin	98,000,000	0.17%
Avalon Bay Communities	Franklin	87,500,000	0.15%
Roche	Branchburg	87,000,000	0.15%
Warren Corporate Center	Warren	<u>86,859,500</u>	<u>0.15%</u>
<b>Total</b>		<b><u>\$1,790,182,615</u></b>	<b><u>3.09%</u></b>

## Net Valuations Taxable

The Net Valuations Taxable for the past five (5) years for municipalities located within the County are listed below:

### COUNTY OF SOMERSET NET VALUATIONS TAXABLE\*

	<b><u>Fiscal Year Beginning January 1</u></b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Bedminster Twp	\$2,452,215,475	\$2,456,960,369	\$2,435,315,518	\$2,387,732,259	\$2,344,997,627
Bernards Twp	6,807,978,961	6,791,301,442	6,816,801,735	6,807,464,377	6,597,114,873
Bernardsville Boro	2,243,167,657	2,274,557,257	2,292,050,134	2,308,708,231	2,266,051,368
Bound Brook Boro	752,979,828	730,022,587	729,433,434	712,960,985	681,010,252
Branchburg Twp	3,087,960,447	3,028,971,737	2,962,189,835	2,880,956,935	2,834,601,239
Bridgewater Twp	8,785,824,809	8,561,233,644	8,506,211,198	8,413,284,948	8,119,354,294
Far Hills Boro	438,030,060	450,842,280	449,457,286	445,043,563	434,868,656
Franklin Twp	9,807,191,247	9,510,963,660	9,246,202,748	9,058,493,716	8,951,061,702
Green Brook Twp	1,348,859,347	1,358,396,660	1,343,629,002	1,306,565,092	1,289,191,636
Hillsborough Twp	5,930,841,814	5,735,581,093	5,623,405,105	5,517,265,624	5,460,241,157
Manville Boro	868,999,964	870,894,041	876,257,779	1,092,202,231	1,110,058,314
Millstone Boro	52,325,900	52,665,500	52,990,300	52,543,900	52,741,600
Montgomery Twp	3,848,704,985	3,829,547,388	3,782,581,566	3,737,098,118	3,707,251,067
North Plainfield Boro	1,564,420,627	1,491,157,724	1,523,680,632	1,562,729,348	1,600,850,735
Peapack-Gladstone Boro	730,738,835	729,105,637	717,071,287	704,520,587	685,552,087
Raritan Boro	1,194,733,760	1,194,341,357	1,186,551,270	1,184,865,308	1,159,353,170
Rocky Hill Boro	129,953,624	128,632,724	129,210,889	127,424,724	121,012,024
Somerville Boro	1,161,416,843	1,158,012,282	1,164,199,512	1,165,315,238	1,170,269,047
South Bound Brook Boro	327,531,977	318,752,928	320,525,002	321,274,437	324,142,086
Warren Twp	4,641,640,125	4,589,729,520	4,506,311,076	4,362,478,395	4,239,621,316
Watchung Boro	1,797,883,724	1,756,744,611	1,724,988,537	1,666,087,434	1,629,459,655
Total:	<u>\$57,973,400,009</u>	<u>\$57,018,414,441</u>	<u>\$56,389,063,845</u>	<u>\$55,815,015,450</u>	<u>\$54,778,803,905</u>

\*Revaluation and Equalization adjustments included.

## Comparison of Assessed Valuation and Exempt Property

				<b>Taxable Value</b>		<b>Percent Exempt</b>
	<b>Taxable</b>	<b>Taxable</b>	<b>Total Taxable</b>	<b>of Real</b>	<b>Taxable Value</b>	<b>Land and</b>
<b>Calendar</b>	<b>Value of</b>	<b>Value of</b>	<b>Value of</b>	<b>Property</b>	<b>of Land</b>	<b>Improvements to</b>
<b><u>Year</u></b>	<b><u>Land</u></b>	<b><u>Thereon</u></b>	<b><u>Improvements</u></b>	<b><u>Exempt from</u></b>	<b><u>and</u></b>	<b><u>Total Value</u></b>
				<b><u>Taxation</u></b>	<b><u>Improvements</u></b>	<b><u>of Land and</u></b>
2018	\$23,277,798,337	\$34,620,456,201	\$57,898,254,538	\$4,301,219,303	\$62,199,473,841	6.92%
2017	22,692,504,981	34,251,233,251	56,943,738,232	4,232,799,923	61,176,538,155	6.92
2016	22,411,230,234	33,903,967,777	56,315,198,011	4,191,385,033	60,506,583,044	6.93
2015	22,293,503,909	33,449,173,682	55,742,677,591	4,142,701,712	59,885,379,303	6.92
2014	22,099,098,782	32,608,682,138	54,707,780,920	4,098,435,473	58,806,216,393	6.97

## Summaries—County Tax Data—Equalized Values

<u>Budget Years</u>	<u>COUNTY TAX</u>		<u>EQUALIZED VALUES</u>		<u>County Rate</u>
	<u>(Millions)</u>	<u>% Change Year to Year</u>	<u>(Billions)</u>	<u>% Change Year to Year</u>	<u>Per \$100 Assessed Value</u>
2018	\$191,689	1.15%	\$60.404	2.25%	\$0.3173
2017	189,507	1.97%	59.076	1.60%	0.3208
2016	185,840	1.99%	58.147	1.22%	0.3196
2015	182,214	2.25%	57.447	1.92%	0.3172
2014	178,204	2.25%	56.367	-1.24%	0.3161
2013	174,280	1.97%	57.075	-2.14%	0.3054
2012	170,913	1.30%	58.322	-1.54%	0.2931
2011	168,720	-0.06%	59.232	-6.99%	0.2848
2010	168,829	-0.65%	63.681	-0.61%	0.2651
2009	169,929	-0.53%	64.069	1.38%	0.2652

## Tax Collection Record

The following table is the current real property tax collection record of the County for the years 2014 through 2018.

<u>Fiscal Year Beginning January 1,</u>	<u>Total County Tax</u>	<u>Uncollected At End of Fiscal Year December 31,</u>
2018	\$191,689,404	\$0
2017	189,507,126	0
2016	185,839,652	0
2015	182,213,601	0
2014	178,204,011	0

## Purposes of County Debt

The following table shows the purposes for which all direct general obligation bonded indebtedness for the payment of the principal and interest on which the County has pledged its full faith and credit was contracted as of December 31, 2018.

<u>Purpose</u>	<u>Amount</u>
General County Purposes.....	\$ 119,813,000
Community (County) College .....	19,573,000
Vocational Schools .....	0
County Parks.....	0
Open Space/Farmland Preservation.....	<u>34,550,000</u>
Total.....	<u>\$173,936,000</u>

## Debt History and Bonded Debt Ratios

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

<b>Calendar Year</b>	<b>Average Equalized Valuations</b>	<b>Gross Bonded Debt as of December 31</b>	<b>Percentage Gross Bonded Debt to Full Value</b>	<b>Net Debt December 31</b>	<b>Percentage Net Debt to Full Value</b>
2018	\$60,735,325,260	\$173,936,000	0.29%	\$220,812,515	0.36%
2017	59,447,906,738	166,506,000	0.28	203,791,021	0.34
2016	58,460,910,452	160,516,000	0.27	198,783,604	0.34
2015	57,628,175,103	155,030,000	0.27	185,467,357	0.32
2014	57,456,568,594	152,103,000	0.26	170,821,882	0.30

## Debt History

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

### Debt History

	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Bonds and Notes					
Issued and Outstanding					
Bonds .....	\$173,936,000	\$166,506,000	\$160,516,000	\$155,030,000	\$152,103,000
Green Trust Loan.....	560,298	831,042	1,096,462	1,356,633	1,611,686
Notes .....	<u>28,399,000</u>	<u>27,550,000</u>	<u>24,252,000</u>	<u>20,400,000</u>	<u>0</u>
Total Issued.....	<u>\$202,895,298</u>	<u>\$194,887,042</u>	<u>\$185,864,462</u>	<u>\$176,786,633</u>	<u>\$153,714,686</u>
Bonds and Notes Authorized					
but not Issued .....	44,057,188	38,611,727	48,081,562	48,418,857	80,881,132
Total Issued and Authorized					
but not Issued .....	<u>\$246,952,486</u>	<u>\$233,498,769</u>	<u>\$233,946,024</u>	<u>\$225,205,490</u>	<u>\$234,595,818</u>
Average Equalized					
Valuations of Real					
Property(1).....	\$60,735,325,260	\$59,447,906,738	\$58,460,910,452	\$57,628,175,103	\$57,456,856,954
Ratio of Total Bonds and					
Notes Issued and Authorized					
but not Issued to					
Equalized Evaluation .....	0.41%	0.39%	0.40%	0.39%	0.41%
Population(2) .....	335,432	335,432	333,751	333,654	332,568
Debt Per Capita.....	\$736.22	\$696.11	\$700.96	\$674.97	\$705.41

(1) Annual Debt Statement

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

## Default

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

## Statutory Debt as of December 31, 2018

Gross Debt:		
Issued and Outstanding:		
Bonds	\$173,936,000	
Bond Anticipation Notes	28,399,000	
Green Trust Loans	560,298	
Bonds Guaranteed by County	<u>117,051,144</u>	
		319,946,442
Authorized But Not Issued:		
Bonds and Notes	<u>44,057,188</u>	
Total Gross Debt		364,003,630
Statutory Deductions		<u>143,191,115</u>
Net Debt		<u>\$220,812,515</u>
Equalized Valuation of Real Property:		
Year 2016	\$59,349,236,700	
Year 2017	60,709,725,769	
Year 2018	<u>62,147,013,310</u>	
Average Equalized Valuation Basis		\$60,735,325,260
Net Debt as a Percentage of Average Equalized Valuation Basis		0.364%
Gross Debt per Capita -- 2018 Population (335,432)		\$1,085
Net Debt per Capita -- 2018 Population (335,432)		\$658
Gross Debt as a Percentage of 2018 Equalized Valuation		0.586%
Net Debt as a Percentage of 2018 Equalized Valuation		0.355%
Borrowing Power:		
2% of Average Equalized Valuation Basis		\$1,214,706,505
Net Debt		<u>\$220,812,515</u>
Remaining Borrowing Power		<u>\$993,893,990</u>

Source: Annual Debt Statement

## Bonded Debt Service Requirements

The following table shows the debt service requirements of bonds of the County outstanding, as of December 31, 2018.

Year	Existing Debt <sup>(1)</sup>		
	Principal	Interest	Total
2019 .....	\$ 18,828,000	\$ 4,980,419	\$ 23,808,419
2020 .....	17,765,000	4,561,254	22,326,254
2021 .....	17,740,000	4,037,954	21,777,954
2022 .....	17,710,000	3,568,466	21,278,466
2023 .....	17,625,000	3,092,091	20,717,091
2024 .....	14,915,000	2,519,991	17,434,991
2025 .....	13,380,000	2,039,691	15,419,691
2026 .....	12,630,000	1,641,673	14,271,673
2027 .....	11,260,000	1,293,135	12,553,135
2028 .....	9,861,000	972,880	10,833,880
2029 .....	6,815,000	680,660	7,495,660
2030 .....	5,417,000	462,210	5,879,210
2031 .....	4,105,000	299,700	4,404,700
2032 .....	4,200,000	176,550	4,376,550
2033 .....	1,685,000	50,550	1,735,550
	<u>\$ 173,936,000</u>	<u>\$ 30,377,224</u>	<u>\$ 204,313,224</u>

## Excluding State Share of 2009D, 2012B, 2013C, 2015C, 2016C, 2017C and 2018D College Bonds<sup>(1)</sup>

2019 .....	\$ 17,931,500	\$ 4,778,575	\$ 22,710,075.41
2020 .....	16,965,000	4,374,441	21,339,441.25
2021 .....	16,940,000	3,871,791	20,811,791.25
2022 .....	16,910,000	3,421,791	20,331,791.25
2023 .....	16,825,000	2,965,391	19,790,391.25
2024 .....	14,195,000	2,417,141	16,612,141.25
2025 .....	12,660,000	1,959,091	14,619,091.25
2026 .....	12,070,000	1,581,273	13,651,272.50
2027 .....	10,750,000	1,246,585	11,996,585.00
2028 .....	9,541,000	937,530	10,478,530.00
2029 .....	6,620,000	653,660	7,273,660.00
2030 .....	5,222,000	441,060	5,663,060.00
2031 .....	3,910,000	284,400	4,194,400.00
2032 .....	3,980,000	167,100	4,147,100.00
2033 .....	1,590,000	47,700	1,637,700.00
	<u>\$ 166,109,500</u>	<u>\$ 29,147,530</u>	<u>\$ 195,257,030</u>

(1) The State share constitutes a deduction from the gross debt of the County and is not considered in determining the County's net debt for debt incurring purposes. See N.J. Stat. Ann. Section 18A:6A-22.4.

## Other County Obligations

The following table shows the debt issued of the Somerset County Improvement Authority which has been guaranteed by the County and for which the County has pledged its full faith and credit, as of December 31, 2018.

Description	Amount Outstanding	Final Maturity
County Guaranteed Revenue Bonds, Series 2009 (Natirar Project)	\$4,200,000	07/01/39
County Guaranteed Lease Revenue Bonds, Series 2009A (Bridgewater, Hillsborough, Bernards Prop Acq)	535,000	10/01/19
County Guaranteed Loan Revenue Bonds, Series 2009B (Federally Taxable)	1,515,000	10/01/24
County Guaranteed Loan Revenue Bonds, Series 2009C (Federally Taxable)	1,635,000	10/01/24
County Guaranteed Revenue Bonds, Series 2010 (Bridgewater Project)	1,900,000	09/01/20
County Guaranteed Lease Revenue Bonds, Series 2010A (Renewable Energy Program)	7,310,000	05/15/26
County Guaranteed Lease Revenue Bonds, Series 2010B (Renewable Energy Program)	2,305,000	05/15/26
County Guaranteed Lease Revenue Bonds, Series 2011A (Renewable Energy Program)	14,890,000	02/15/27
County Guaranteed Governmental Loan Revenue Bonds, Series 2012 (Somerville Project)	3,395,000	09/15/26
County Guaranteed Lease Revenue Bonds, Series 2013 (Somerset Educational Services Commission)	6,515,000	08/01/32
County Guaranteed Refunding Lease Revenue Bonds, Series 2014A (Somerset Educational Services Commission)	4,690,000	08/01/26
County Guaranteed Governmental Loan Refunding Revenue Bonds, Series 2014B (Somerville Project)	840,000	08/01/21
County Guaranteed Lease Revenue Bonds, Series 2014 (Somerset County Board of Social Services)	17,315,000	02/15/39
County Guaranteed Lease Revenue Bonds, Series 2016 (Somerville Parking Project) (Federally Taxable)	780,000	04/01/36
County Guaranteed Lease Revenue Refunding Bonds, Series 2017 (Bridgewater, Hillsborough, Bernards Prop Acq)	5,145,000	10/01/29
County Guaranteed Lease Revenue Project Notes Series 2018 (Renewable Energy Program)	8,400,000	04/24/19
County Guaranteed Lease Revenue Project Notes, Series 2018 (Township of Hillsborough Project)	18,620,000	06/06/19
County Guaranteed Lease Revenue Project Notes, Series 2018 (Township of Montgomery Project)	14,385,000	09/13/19
Municipal Bond Banc Program	2,676,144	12/31/24
<b>Total:</b>	<b>\$117,051,144</b>	

## Capital Improvement Program

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

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

Project Title	Estimated Total Cost	2019	2020	2021	2022	2023	2024
Public Works .....	\$124,815,390	\$19,785,449	\$20,234,144	\$25,416,960	\$15,604,956	\$15,251,607	\$28,522,274
Public Safety.....	3,769,900	1,204,900	716,000	369,500	353,000	566,500	560,000
Vocational Technical School.....	13,525,000	1,550,000	800,000	825,000	5,225,000	2,975,000	2,150,000
Park Commission.....	11,913,000	1,863,000	2,000,000	2,000,000	2,000,000	2,000,000	2,050,000
Finance & Administration.....	2,785,000	637,000	466,000	501,000	376,000	366,000	439,000
Green Brook Flood Control.....	4,200,000	700,000	700,000	700,000	700,000	700,000	700,000
Raritan Valley Comm. College	16,925,000	6,050,000	2,150,000	2,150,000	2,275,000	2,150,000	2,150,000
Human Services.....	772,812	147,812	125,000	125,000	125,000	125,000	125,000
Executive .....	957,500	310,000	137,000	165,500	115,000	115,000	115,000
Public Health & Safety .....	7,412,000	2,059,500	3,442,500	567,500	237,500	417,500	687,500
<b>TOTAL - ALL PROJECTS.....</b>	<b>\$187,075,602</b>	<b>\$34,307,661</b>	<b>\$30,770,644</b>	<b>\$32,820,460</b>	<b>\$27,011,456</b>	<b>\$24,666,607</b>	<b>\$37,498,774</b>

## Underlying Indebtedness of Municipalities within the County

The estimated gross outstanding indebtedness of Municipalities within the County is described below. The figures below are based on annual debt statements and are shown for each of the last five (5) fiscal years and are as of December 31. The tables are included for informational purposes only. No actual or contingent liability for the indebtedness exists on the part of the County.

	2018	2017	2016	2015	2014
<b>Township of Bedminster</b>					
Municipal Government..... \$	3,186,614	\$ 3,905,777	\$ 4,652,744	\$ 3,496,069	\$ 4,212,724
School Districts.....		870,000	1,705,000	2,510,000	3,275,000
Total Gross Debt Township of Bedminster..... \$	<u>3,186,614</u>	<u>4,775,777</u>	<u>6,357,744</u>	<u>6,006,069</u>	<u>7,487,724</u>
<b>Township of Bernards</b>					
Municipal Government..... \$		\$	2,785,000	\$ 5,535,000	\$ 8,295,000
School Districts.....	59,920,000	62,880,000	65,725,000	69,910,000	73,010,000
Total Gross Debt Township of Bernards..... \$	<u>59,920,000</u>	<u>62,880,000</u>	<u>68,510,000</u>	<u>75,445,000</u>	<u>81,305,000</u>
<b>Borough of Bernardsville</b>					
Municipal Government..... \$	14,009,200	\$ 13,705,200	\$ 14,581,200	\$ 15,433,200	\$ 10,012,300
Sewer Utility.....	1,357,000	1,465,000	1,564,000	1,658,000	1,455,000
School Districts.....	18,054,010	19,196,044	20,536,151	27,260,000	29,355,000
Total Gross Debt Borough of Bernardsville..... \$	<u>33,420,210</u>	<u>34,366,244</u>	<u>36,681,351</u>	<u>44,351,200</u>	<u>40,822,300</u>
<b>Borough of Bound Brook</b>					
Municipal Government..... \$	22,063,816	\$ 21,213,005	\$ 20,998,131	\$ 24,768,568	\$ 25,215,920
School Districts.....	24,950,000	26,015,000	27,025,000	28,010,000	1,140,000
Total Gross Debt Borough of Bound Brook..... \$	<u>47,013,816</u>	<u>47,228,005</u>	<u>48,023,131</u>	<u>52,778,568</u>	<u>26,355,920</u>
<b>Township of Branchburg</b>					
Municipal Government..... \$	14,455,375	\$ 16,546,009	\$ 17,462,759	\$ 18,129,356	\$ 19,054,608
Sewer Utility.....			260,000	530,000	800,000
School Districts.....	19,410,000	20,740,000	22,165,000	25,355,000	26,570,000
Total Gross Debt Township of Branchburg..... \$	<u>33,865,375</u>	<u>37,286,009</u>	<u>39,887,759</u>	<u>44,014,356</u>	<u>46,424,608</u>
<b>Township of Bridgewater</b>					
Municipal Government..... \$	71,541,125	\$ 70,031,863	\$ 68,555,111	\$ 66,490,396	\$ 63,395,358
Utilities.....	9,912,904	10,070,302	8,807,001	7,439,399	6,036,797
School Districts.....	20,762,598	24,774,991	28,674,151	32,103,505	35,572,787
Total Gross Debt Township of Bridgewater..... \$	<u>102,216,627</u>	<u>104,877,156</u>	<u>106,036,263</u>	<u>106,033,299</u>	<u>105,004,943</u>
<b>Borough of Far Hills</b>					
Municipal Government..... \$	131,207	\$ 202,328	\$ 273,449	\$ 344,570	\$ 415,691
School Districts.....	3,470,968	3,769,313	3,194,592	3,440,538	3,670,850
Total Gross Debt Borough of Far Hills..... \$	<u>3,602,175</u>	<u>3,971,641</u>	<u>3,468,041</u>	<u>3,785,108</u>	<u>4,086,541</u>
<b>Township of Franklin</b>					
Municipal Government..... \$	43,917,401	\$ 49,769,743	\$ 42,463,050	\$ 42,700,700	\$ 46,244,919
Water Utility.....	16,288,120	13,873,383	15,186,173	15,777,949	15,973,736
School Districts.....	93,495,000	99,315,257	104,010,257	108,140,257	32,216,274
Total Gross Debt Township of Franklin..... \$	<u>153,700,521</u>	<u>162,958,383</u>	<u>161,659,480</u>	<u>166,618,907</u>	<u>94,434,929</u>



	2018	2017	2016	2015	2014
<b>Township of Greenbrook</b>					
Municipal Government.....	\$ 2,375,000	\$ 560,000	\$ 685,000	\$ 695,000	
Sewer Utility.....	275,000	275,000	275,000		
School Districts.....	12,205,000	13,165,000	14,085,000	14,975,000	15,835,000
Total Gross Debt Township of Greenbrook.....	<u>\$ 14,855,000</u>	<u>\$ 13,440,000</u>	<u>\$ 14,920,000</u>	<u>\$ 15,660,000</u>	<u>\$ 16,530,000</u>
<b>Township of Hillsborough</b>					
Municipal Government.....	\$ 23,070,849	\$ 16,588,309	\$ 19,451,971	\$ 19,431,134	\$ 20,811,897
School Districts.....	7,495,000	10,005,000	12,520,000	15,040,000	17,555,000
Total Gross Debt Township of Hillsborough.....	<u>\$ 30,565,849</u>	<u>\$ 26,593,309</u>	<u>\$ 31,971,971</u>	<u>\$ 34,471,134</u>	<u>\$ 38,366,897</u>
<b>Borough of Manville</b>					
Municipal Government.....	\$ 6,240,799	\$ 6,198,279	\$ 7,180,079	\$ 8,153,079	\$ 8,345,199
Sewer Utility.....	135,000				
School Districts.....		121,000	236,000	346,000	456,000
Total Gross Debt Borough of Manville.....	<u>\$ 6,375,799</u>	<u>\$ 6,319,279</u>	<u>\$ 7,416,079</u>	<u>\$ 8,499,079</u>	<u>\$ 8,801,199</u>
<b>Borough of Millstone</b>					
Municipal Government.....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,663
Total Gross Debt Borough of Millstone.....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,663</u>
<b>Township of Montgomery</b>					
Municipal Government.....	\$ 41,080,288	\$ 40,542,900	\$ 28,636,545	\$ 28,637,135	\$ 27,893,473
Sewer Utility.....	39,559,199	40,801,309	41,511,629	41,259,995	36,294,743
School Districts.....	64,117,000	68,239,236	75,253,366	61,130,090	64,863,424
Total Gross Debt Township of Montgomery.....	<u>\$ 144,756,487</u>	<u>\$ 149,583,445</u>	<u>\$ 145,401,540</u>	<u>\$ 131,027,220</u>	<u>\$ 129,051,640</u>
<b>Borough of North Plainfield</b>					
Municipal Government.....	\$ 16,420,875	\$ 16,020,875	\$ 15,480,945	\$ 14,429,945	\$ 13,543,005
Utilities.....	3,089,516	2,678,319	2,789,527	2,118,938	1,776,118
School Districts.....	7,179,250	8,190,000	8,995,000	11,425,000	12,225,000
Total Gross Debt Borough of North Plainfield.....	<u>\$ 26,689,641</u>	<u>\$ 26,889,194</u>	<u>\$ 27,265,472</u>	<u>\$ 27,973,883</u>	<u>\$ 27,544,123</u>
<b>Borough of Peapack-Gladstone</b>					
Municipal Government.....	\$ 4,840,659	\$ 5,074,295	\$ 5,021,551	\$ 5,285,239	\$ 5,402,969
School Districts.....	5,664,383	6,066,048	6,451,226	5,606,496	5,968,468
Total Gross Debt Borough of Peapack-Gladstone.....	<u>\$ 10,505,043</u>	<u>\$ 11,140,343</u>	<u>\$ 11,472,777</u>	<u>\$ 10,891,735</u>	<u>\$ 11,371,437</u>
<b>Borough of Raritan</b>					
Municipal Government.....	\$ 7,548,831	\$ 6,678,985	\$ 5,097,721	\$ 4,819,547	\$ 4,487,152
School Districts.....	2,817,402	3,365,009	3,790,849	4,151,495	4,537,213
Total Gross Debt Borough of Raritan.....	<u>\$ 10,366,233</u>	<u>\$ 10,043,995</u>	<u>\$ 8,888,570</u>	<u>\$ 8,971,043</u>	<u>\$ 9,024,365</u>
<b>Borough of Rocky Hill</b>					
Municipal Government.....	\$ 47,250	\$ 147,250	\$ 270,338	\$ 420,458	\$ 528,143
Water and Sewer Utilities.....	252,168	24,168	24,168	24,168	24,168
School Districts.....	1,746,962	1,954,376	2,179,000	1,837,826	1,784,242
Total Gross Debt Borough of Rocky Hill.....	<u>\$ 2,046,380</u>	<u>\$ 2,125,794</u>	<u>\$ 2,473,506</u>	<u>\$ 2,282,452</u>	<u>\$ 2,336,552</u>
<b>Borough of Somerville</b>					
Municipal Government.....	\$ 23,505,312	\$ 23,557,515	\$ 25,747,996	\$ 25,700,225	\$ 22,018,595
Sewer Utilities.....	624,212	782,528	342,000	408,528	483,528
School Districts.....	14,755,000	16,150,000	17,735,000	20,130,000	21,630,000
Total Gross Debt Borough of Somerville.....	<u>\$ 38,884,524</u>	<u>\$ 40,490,043</u>	<u>\$ 43,824,996</u>	<u>\$ 46,238,753</u>	<u>\$ 44,132,122</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Borough of South Bound Brook					
Municipal Government..... \$	4,944,596	\$ 5,063,290	\$ 4,827,940	\$ 4,406,769	\$ 1,773,734
School Districts.....	900,000	1,210,000	1,510,000	1,815,000	2,115,000
Total Gross Debt Borough of South Bound Brook..... \$	<u>5,844,596</u>	<u>6,273,290</u>	<u>6,337,940</u>	<u>6,221,769</u>	<u>3,888,734</u>
Township of Warren					
Municipal Government..... \$	14,424,610	\$ 14,776,587	\$ 16,689,842	\$ 17,346,000	\$ 15,023,691
School Districts.....	17,762,886	19,144,553	21,083,524	22,498,138	24,355,739
Total Gross Debt Township of Warren..... \$	<u>32,187,497</u>	<u>33,921,140</u>	<u>37,773,366</u>	<u>39,844,138</u>	<u>39,379,430</u>
Borough of Watchung					
Municipal Government..... \$	21,202,491	\$ 20,469,878	\$ 21,695,401	\$ 22,252,137	\$ 22,219,385
School Districts.....	6,822,339	7,217,277	38,479,355	40,048,355	12,559,950
Total Gross Debt Borough of Watchung..... \$	<u>28,024,831</u>	<u>27,687,155</u>	<u>60,174,756</u>	<u>62,300,492</u>	<u>34,779,334</u>

### Independent Authority Debt\*

The estimated outstanding indebtedness of local authorities within the County is described below. No actual or contingent liability for the indebtedness exists on the part of the County.

	<b>Total Outstanding Debt as of December 31, 2018</b>
Middlesex County Sewerage Authority .....	\$115,703,741
Participants (Costs Distributed on Basis of Usage)	
Borough of Bound Brook	
Borough of South Bound Brook	
Township of Franklin Sewerage Authority	
The Somerset Raritan Valley Sewerage Authority.....	\$11,671,145
Participants and Customers (Costs Distributed on Basis of Usage)	
Borough of Somerville	
Borough of Raritan	
Township of Bridgewater	
Township of Branchburg	
Township of Warren	
Hillsborough Municipal Utilities Authority .....	\$410,661
Township of Warren Sewerage Authority.....	\$3,173,616
Township of Franklin Sewerage Authority.....	\$7,963,082

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

## **APPENDIX B**

### **FINANCIAL STATEMENTS OF THE COUNTY OF SOMERSET, NEW JERSEY**

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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Fax 908-789-8535

E-mail info@senco.com

## **ACCOUNTANT'S COMPILATION REPORT**

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

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2018 Annual Financial Statement (AFS) of the County of Somerset, New Jersey as of December 31, 2018 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to representing in the form of financial statements information that is the representation of management of the County of Somerset. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the County of Somerset has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the County of Somerset's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Robert W. Swisher  
Robert W. Swisher, C.P.A., R.M.A.

March 14, 2019



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the County of Somerset, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's regulatory financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles***

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the County of Somerset on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the County of Somerset as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2017.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2017 and 2016, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

# SUPLEE, CLOONEY & COMPANY

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2018 on our consideration of the County of Somerset's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Somerset's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Robert W. Swisher  
Robert W. Swisher, C.P.A., R.M.A.

July 12, 2018



COUNTY OF SOMERSET

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	UNAUDITED BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Current Fund:			
Cash - Regular	\$ 55,179,119.18	\$ 51,257,537.68	\$ 50,981,008.54
Investments	9,520,000.00	9,970,000.00	10,395,000.00
	<u>\$ 64,699,119.18</u>	<u>\$ 61,227,537.68</u>	<u>\$ 61,376,008.54</u>
Change Fund	640.00	640.00	440.00
	<u>\$ 64,699,759.18</u>	<u>\$ 61,228,177.68</u>	<u>\$ 61,376,448.54</u>
Receivables and Other Assets with Full Reserves:			
Due Trust Other Fund	\$	\$	\$ 147,140.99
Revenue Accounts Receivable	629,863.00	629,863.00	711,665.61
Guidance Center Charges Receivable	2,768,196.96	2,894,268.39	2,768,196.96
	<u>\$ 3,398,059.96</u>	<u>\$ 3,524,131.39</u>	<u>\$ 3,627,003.56</u>
Deferred Charges	\$	\$ 350,000.00	\$
	<u>\$ 68,097,819.14</u>	<u>\$ 65,102,309.07</u>	<u>\$ 65,003,452.10</u>
Grant Fund:			
Cash	\$ 3,220,552.21	\$ 3,546,260.92	\$ 21,807.92
Grants Receivable	35,524,710.70	35,396,308.64	40,008,039.86
	<u>\$ 38,745,262.91</u>	<u>\$ 38,942,569.56</u>	<u>40,029,847.78</u>
	<u>\$ 106,843,082.05</u>	<u>\$ 104,044,878.63</u>	<u>105,033,299.88</u>

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

COUNTY OF SOMERSET

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	UNAUDITED BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	\$ 9,813,189.49	\$ 10,756,565.74	\$ 15,283,981.44
Accounts Payable	649,322.38	338,459.57	162,805.31
Encumbrances Payable	6,738,918.27	4,974,124.93	4,704,756.57
Due General Capital Fund	50,633.00		
Reserve for Tax Appeal Fees	452,433.90	453,917.52	449,393.20
	<u>\$ 17,704,497.04</u>	<u>\$ 16,523,067.76</u>	<u>\$ 20,600,936.52</u>
Reserve for Receivables and Other Assets	3,398,059.96	3,524,131.39	3,627,003.56
Fund Balance	<u>46,995,262.14</u>	<u>45,055,109.92</u>	<u>40,775,512.02</u>
	<u>\$ 68,097,819.14</u>	<u>\$ 65,102,309.07</u>	<u>\$ 65,003,452.10</u>
Grant Fund:			
Encumbrances Payable	\$ 5,591,864.69	\$ 8,565,652.40	\$ 13,889,562.12
Interfund Payable			4,410,000.00
Reserve for Grants Appropriated	32,208,368.88	29,894,910.18	21,343,360.53
Reserve for Grants Unappropriated	945,029.34	482,006.98	386,925.13
	<u>\$ 38,745,262.91</u>	<u>\$ 38,942,569.56</u>	<u>\$ 40,029,847.78</u>
	<u>\$ 106,843,082.05</u>	<u>\$ 104,044,878.63</u>	<u>\$ 105,033,299.88</u>

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

COUNTY OF SOMERSET

CURRENT FUND

STATEMENTS OF OPERATIONS  
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	UNAUDITED YEAR 2018	YEAR 2017	YEAR 2016
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 19,000,000.00	\$ 19,000,000.00	\$ 19,000,000.00
Miscellaneous Revenue Anticipated	48,446,484.23	43,494,766.38	59,375,069.20
Receipts From Current Taxes	191,689,404.00	189,507,126.00	185,839,652.00
Non-Budget Revenue	3,797,459.44	8,085,963.84	10,370,909.26
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	10,657,594.65	11,089,484.31	8,404,023.99
Canceled Grant Reserves	2,938,088.36	27,936.00	977,110.01
Canceled Reserves			0.28
Canceled Unappropriated Grant Reserves		150,000.00	
Canceled Accounts Payable	12,567.31	32,997.88	35,085.42
Canceled Encumbrances Payable		78,014.14	
Interfunds Returned		147,140.99	90,510.95
<u>Total Income</u>	<u>\$ 276,541,597.99</u>	<u>\$ 271,613,429.54</u>	<u>\$ 284,092,361.11</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations	\$ 206,176,396.84	\$ 206,321,073.87	\$ 212,657,967.10
Capital Improvements	8,606,000.00	6,050,000.00	12,022,864.00
Debt Service	18,207,914.96	17,455,658.77	18,121,266.50
Deferred Charges and Statutory Expenditures	19,952,706.00	18,829,163.00	18,825,276.68
Canceled Grant Receivables	2,658,427.97	27,936.00	647,085.10
Accounts Receivable			6,261.51
<u>Total Expenditures</u>	<u>\$ 255,601,445.77</u>	<u>\$ 248,683,831.64</u>	<u>\$ 262,280,720.89</u>
Excess in Revenue	\$ 20,940,152.22	\$ 22,929,597.90	\$ 21,811,640.22
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		350,000.00	
Statutory Excess to Fund Balance	\$ 20,940,152.22	\$ 23,279,597.90	\$ 21,811,640.22
<u>FUND BALANCE</u>			
Balance, January 1	45,055,109.92	40,775,512.02	37,963,871.80
	<u>\$ 65,995,262.14</u>	<u>\$ 64,055,109.92</u>	<u>\$ 59,775,512.02</u>
Decreased by:			
Utilization as Anticipated Revenue	19,000,000.00	19,000,000.00	19,000,000.00
Balance, December 31	<u>\$ 46,995,262.14</u>	<u>\$ 45,055,109.92</u>	<u>\$ 40,775,512.02</u>

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

"B"

COUNTY OF SOMERSET

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	UNAUDITED BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Trust-Other Fund:			
Cash	\$ 29,769,892.26	\$ 31,148,102.64	\$ 27,935,686.04
Housing and Community Development Act Grant Receivable	3,575,376.11	3,345,920.59	3,385,990.33
	<u>\$ 33,345,268.37</u>	<u>\$ 34,494,023.23</u>	<u>\$ 31,321,676.37</u>
Library Fund:			
Cash	\$ 2,642,833.53	\$ 1,871,699.74	\$ 1,615,771.09
Petty Cash		1,000.00	1,000.00
Accounts Receivable		53,985.92	52,836.27
	<u>\$ 2,642,833.53</u>	<u>\$ 1,926,685.66</u>	<u>\$ 1,669,607.36</u>
Open Space, Recreation, Farmland and Preservation Trust Fund:			
Cash	\$ 19,304,666.56	\$ 5,891,406.80	\$ 2,718,798.22
Investments	12,600,000.00	29,800,000.00	30,000,000.00
	<u>\$ 31,904,666.56</u>	<u>\$ 35,691,406.80</u>	<u>\$ 32,718,798.22</u>
Due Grant Fund			4,410,000.00
	<u>\$ 31,904,666.56</u>	<u>\$ 35,691,406.80</u>	<u>\$ 37,128,798.22</u>
	<u>\$ 67,892,768.46</u>	<u>\$ 72,112,115.69</u>	<u>\$ 70,120,081.95</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Trust-Other Fund:			
Reserve for:			
Housing and Community Development Act	\$ 1,300,847.38	\$ 1,297,172.87	\$ 2,594,641.79
Prosecutors Funds	1,255,054.79	1,417,983.20	1,419,199.10
Miscellaneous Reserve Accounts	26,178,286.59	26,797,985.02	24,594,686.08
Encumbrances Payable	4,611,079.61	4,980,882.14	2,713,149.40
	<u>\$ 33,345,268.37</u>	<u>\$ 34,494,023.23</u>	<u>\$ 31,321,676.37</u>
Library Fund:			
Reserve for County Library Expenditures	\$ 2,642,833.53	\$ 1,926,685.66	\$ 1,669,607.36
	<u>\$ 2,642,833.53</u>	<u>\$ 1,926,685.66</u>	<u>\$ 1,669,607.36</u>
Open Space, Recreation, Farmland and Preservation Trust Fund:			
Reserve for Open Space, Recreation, Farmland and Preservation Expenditures	\$ 31,904,666.56	\$ 21,809,957.06	\$ 23,488,830.43
Due Current Fund			147,140.99
Encumbrances Payable		13,881,449.74	13,492,826.80
	<u>\$ 31,904,666.56</u>	<u>\$ 35,691,406.80</u>	<u>\$ 37,128,798.22</u>
	<u>\$ 67,892,768.46</u>	<u>\$ 72,112,115.69</u>	<u>\$ 70,120,081.95</u>

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

"C"

COUNTY OF SOMERSET

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	UNAUDITED BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Cash	\$ 14,154,042.30	\$ 11,740,353.89	\$ 8,522,634.16
Investments	5,650,959.68	8,038,100.27	8,574,322.52
	<u>\$ 19,805,001.98</u>	<u>\$ 19,778,454.16</u>	<u>\$ 17,096,956.68</u>
Deferred Charges to Future Taxation:			
Funded	174,496,297.99	167,337,042.53	161,612,452.33
Unfunded	72,456,187.80	68,961,727.16	72,333,561.44
Due Current Fund	<u>50,633.00</u>		
	<u>\$ 266,808,120.77</u>	<u>\$ 256,077,223.85</u>	<u>\$ 251,042,970.45</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Serial Bonds Payable	\$ 173,936,000.00	\$ 166,506,000.00	\$ 160,516,000.00
Bond Anticipation Notes Payable	28,399,000.00	27,550,000.00	24,252,000.00
Green Acres Loan Payable	560,297.99	831,042.53	1,096,452.33
Improvement Authorizations:			
Funded	13,005,990.98	13,330,524.25	16,410,221.83
Unfunded	27,348,976.63	31,251,821.50	32,725,178.64
Encumbrances Payable	23,202,620.51	14,472,542.81	15,229,936.80
Capital Improvement Fund	1,737.03	134,227.03	14,582.03
Reserve for Payment of Debt Service	295,349.60	344,375.00	276,957.84
Fund Balance	<u>58,148.03</u>	<u>1,656,690.73</u>	<u>521,640.98</u>
	<u>\$ 266,808,120.77</u>	<u>\$ 256,077,223.85</u>	<u>\$ 251,042,970.45</u>

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

COUNTY OF SOMERSET

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	UNAUDITED DECEMBER 31, 2018	DECEMBER 31, 2017	DECEMBER 31, 2016
Balance, December 31,	\$ 1,656,690.73	\$ 521,640.98	\$ 6,221,817.73
Increased by:			
Premium on Serial Bonds	3,660.05	493,903.24	452,974.50
Funded Improvement Authorizations Canceled	50,382.25	669,282.97	
	<u>\$ 1,710,733.03</u>	<u>\$ 1,684,827.19</u>	<u>\$ 6,674,792.23</u>
Decreased by:			
Premium - State of New Jersey Portion		28,136.46	29,151.25
Appropriated to Budget Revenue			6,124,000.00
Improvement Authorizations	<u>1,652,585.00</u>		
Balance, December 31,	<u>\$ 58,148.03</u>	<u>\$ 1,656,690.73</u>	<u>\$ 521,640.98</u>

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

"D"

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

	UNAUDITED BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>FIXED ASSETS:</u>			
Land and Land Improvements	\$ 327,801,221.54	\$ 327,801,221.54	\$ 318,054,564.04
Buildings	203,949,912.16	203,949,912.16	195,290,815.71
Machinery and Equipment	53,411,000.56	53,411,000.56	47,715,598.54
Construction in Progress	<u>35,162,559.48</u>	<u>35,162,559.48</u>	<u>35,106,859.99</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 620,324,693.74</u>	<u>\$ 620,324,693.74</u>	<u>\$ 596,167,838.28</u>
 <u>RESERVE:</u>			
Investment in Fixed Assets	<u>\$ 620,324,693.74</u>	<u>\$ 620,324,693.74</u>	<u>\$ 596,167,838.28</u>

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

## COUNTY OF SOMERSET

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017 AND 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

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

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

##### B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

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



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

B. Description of Funds (Continued)

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

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

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

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

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

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

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

C. Basis of Accounting

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the County's statutory Appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Assets area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C.5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

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

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

The County of Somerset had the following cash and cash equivalents at December 31, 2017:

	<u>Change Fund/ Petty Cash</u>	<u>Cash in Bank</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reconciled Balance</u>
Current Fund	\$640.00	\$64,537,383.07	\$682,155.73	\$3,992,001.12	\$61,227,537.68
Grant Fund		3,546,260.92			3,546,260.92
Trust Other Fund		29,150,918.96	2,005,650.51	8,466.83	31,148,102.64
Library Trust Fund	1,000.00	2,554,003.04	109,052.37	791,355.67	1,871,699.74
Open Space Trust Fund		35,697,419.77	452,380.74	458,393.71	35,691,406.80
General Capital Fund		19,795,073.16		16,619.00	19,778,454.16
	<u>\$1,640.00</u>	<u>\$155,281,058.92</u>	<u>\$3,249,239.35</u>	<u>\$5,266,836.33</u>	<u>\$153,263,461.94</u>

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The County does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$107,210,923.53 was covered by NJ GUDPA. The New Jersey Cash Management Fund is an investment pool and is not insured by either FDIC or GUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the County are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2017, the County has \$12,035.12 on deposit with the New Jersey Cash Management Fund. Based upon limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the County is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks of its investments nor is it exposed to foreign currency risk for its deposits and investments.

In addition, the County has \$47,808,100.27 in investments that are in accordance with the above statute.



NOTE 3: LONG-TERM DEBT

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

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2017</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Issued:			
General:			
Bonds, Notes and Loans- County	\$ 194,887,042.53	\$ 185,864,462.33	\$ 176,786,632.51
Bonds - Guaranteed by County	<u>145,124,287.00</u>	<u>152,355,454.00</u>	<u>141,182,084.00</u>
	<u>340,011,329.53</u>	<u>338,219,916.33</u>	<u>317,968,716.51</u>
Less: Due from State of			
New Jersey	7,226,500.00	6,601,500.00	6,121,500.00
Bonds/Notes Issued by			
Another Public Body			
Guaranteed by			
the County	126,947,618.00	134,165,454.00	122,992,084.00
Bonds to be Paid by Open			
Space Trust Funds	39,482,500.00	45,377,500.00	50,450,000.00
Green Acres Loans to			
be Paid by Open			
Space Funds	831,042.53	1,096,462.33	1,356,632.51
Reserve for Debt Service	<u>344,375.00</u>	<u>276,957.00</u>	<u>278,256.00</u>
	<u>174,832,035.53</u>	<u>187,517,873.33</u>	<u>181,198,472.51</u>
<u>Net Debt Issued</u>	<u>\$ 165,179,294.00</u>	<u>\$ 150,702,043.00</u>	<u>\$ 136,770,244.00</u>
Authorized But Not			
Issued:			
General:			
Bonds and Notes	<u>\$ 68,961,727.16</u>	<u>\$ 72,333,561.52</u>	<u>\$ 68,818,857.44</u>
<u>NET BONDS AND NOTES</u>			
<u>ISSUED AND AUTHORIZED</u>			
<u>BUT NOT ISSUED</u>	<u>\$ 234,141,021.16</u>	<u>\$ 223,035,604.52</u>	<u>\$ 205,589,101.44</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .348%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
General Debt	<u>\$381,423,056.69</u>	<u>\$174,832,035.53</u>	<u>\$206,591,021.16</u>

NET DEBT \$206,591,021.16 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$59,447,906,738.00 EQUALS .348%.

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

Equalized Valuation Basis, December 31, 2017	<u>\$ 59,447,906,738.00</u>
2% of Equalized Valuation Basis (County)	\$ 1,169,218,209.04
Net Debt	<u>206,591,021.16</u>
Remaining Borrowing Power	<u>\$ 962,627,187.88</u>

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

NOTE 3: LONG-TERM DEBT (CONTINUED)

	Principal Balance <u>12/31/17</u>
General Serial Bonds:	
\$24,995,000.00 Bonds of 2017 due in annual installments of \$95,000.00 to \$1,515,000.00 at a variable interest rate.	\$ 24,995,000.00
\$21,810,000.00 Refunding Bonds of 2016 due in annual installments of \$1,400,000.00 to \$1,700,000.00 at a variable interest rate.	21,810,000.00
\$23,316,000.00 Bonds of 2016 due in annual installments of \$125,000.00 to \$1,505,000.00 at a variable interest rate.	21,366,000.00
\$8,420,000.00 Refunding Bonds of 2016 due in annual installments of \$1,615,000.00 to \$1,685,000.00 at a variable interest rate.	8,320,000.00
\$22,777,000.00 Bonds of 2015 due in annual installments of \$160,000.00 to \$1,307,000.00 at a variable interest rate.	19,527,000.00
\$7,400,000.00 Refunding Bonds of 2015 due in annual installments of \$70,000.00 to \$1,172,500.00 at a variable interest rate.	4,950,000.00
\$18,000,000.00 Bonds of 2013 due in annual installments of \$150,000.00 to \$1,100,000.00 at a variable interest rate.	13,000,000.00
\$38,100,000.00 Bonds of 2012 due in annual installments of \$190,000.00 to \$1,070,000.00 at a variable interest rate.	26,600,000.00
\$18,085,000.00 Bonds of 2011 due in annual installments of \$1,205,000.00 to \$1,215,000.00 at a variable interest rate.	10,855,000.00
\$16,275,000 Refunding Bonds of 2011 due in annual installments of \$20,000.00 to \$1,360,000.00 at a variable interest rate.	5,710,000.00
\$55,000,000.00 Bonds of 2009 due in annual installments of \$96,500.00 to \$1,700,000.00 at a variable interest rate.	6,833,000.00
\$9,665,000 Refunding Bonds of 2009 due in annual installments of \$630,000.00 to \$1,540,000.00 at a variable interest rate.	630,000.00
\$27,600,000.00 Bonds of 2008 due in annual installments of \$105,000.00 to \$1,700,000.00 at a variable interest rate.	<u>1,910,000.00</u>
Total Bonds	\$ <u><u>166,506,000.00</u></u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

Loans:

\$2,250,000.00 Green Acres Loans of 2000 due in semi-annual installments of \$69,956.08 at an interest rate of 2.00%. \$ 339,527.03

\$2,250,000.00 Green Acres Loans of 2002 due in semi-annual installments of \$73,053.12 at an interest rate of 2.00%. 491,515.50

Total Loans \$ 831,042.53

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2017

<u>DATE DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$18,100,000.00	\$4,587,807.51	\$22,687,807.51
2019	17,113,000.00	4,117,793.76	21,230,793.76
2020	16,055,000.00	3,642,003.76	19,697,003.76
2021	16,030,000.00	3,204,203.76	19,234,203.76
2022	16,000,000.00	2,820,216.26	18,820,216.26
2023	15,915,000.00	2,429,341.26	18,344,341.26
2024	13,215,000.00	1,942,741.26	15,157,741.26
2025	11,680,000.00	1,547,441.26	13,227,441.26
2026	10,930,000.00	1,234,422.50	12,164,422.50
2027	9,560,000.00	936,885.00	10,496,885.00
2028	8,161,000.00	667,630.00	8,828,630.00
2029	5,115,000.00	426,410.00	5,541,410.00
2030	3,717,000.00	258,960.00	3,975,960.00
2031	2,410,000.00	147,450.00	2,557,450.00
2032	2,505,000.00	75,150.00	2,580,150.00
	<u>\$166,506,000.00</u>	<u>\$28,038,456.33</u>	<u>\$194,544,456.33</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF OUTSTANDING ANNUAL DEBT SERVICE FOR GREEN ACRES PROGRAM

<u>DATE DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
03/29/18	\$66,560.82	\$3,395.27	\$69,956.09
05/22/18	68,137.96	4,915.16	73,053.12
09/29/18	67,226.43	2,729.66	69,956.09
11/22/18	68,819.33	4,233.78	73,053.11
03/29/19	67,898.69	2,057.40	69,956.09
05/22/19	69,507.53	3,545.58	73,053.11
09/29/19	68,577.68	1,378.41	69,956.09
11/22/19	70,202.60	2,850.51	73,053.11
03/29/20	69,263.41	692.63	69,956.04
05/22/20	70,904.63	2,148.48	73,053.11
11/22/20	71,613.68	1,439.43	73,053.11
03/29/21	<u>72,329.77</u>	<u>723.30</u>	<u>73,053.07</u>
	<u><u>\$831,042.53</u></u>	<u><u>\$30,109.61</u></u>	<u><u>\$861,152.14</u></u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

OTHER INVESTMENTS

The County had purchased the following investments as of December 31, 2017:

Somerset County Improvement Authority Project Notes Series 2015 with a maturity date of March 18, 2018 at an interest rate of 1.00%	\$17,000,000.00
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Somerset County Improvement Authority Lease Revenue Bonds Series 2016 due in in various installments through 2036 at variable interest rates	805,000.00
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Somerset County Improvement Authority Revenue Bonds Series 2009 with principal payments at \$200,000.00 through 2039 at variable interest rates	4,400,000.00
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Somerset County Improvement Authority Revenue Bonds Series 2007 due in installments \$314,000.00 to \$940,000.00 through 2032 at variable interest rates	9,970,000.00
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Somerset County Improvement Authority Renewable Energy Bonds Series 2010 due in various installments through 2026 at variable interest rates	2,705,000.00
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Somerset County Improvement Authority Project Notes Series 2015 with a maturity date of April 24, 2018 at an interest rate of 0.50%	8,400,000.00
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Somerset County Improvement Authority Revenue Bonds Series 2011 due in installments of \$16,450.22 to \$27,290.89 from 2016 through 2050 at variable interest rate of 1.50%	716,492.80
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Somerset County Improvement Authority Project Notes Series 2015 with a maturity date of December 7, 2018 at an interest rate of 0.25%	1,900,000.00
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Somerset County Improvement Authority Construction Loan Series 2010 with principal payments due in installments of \$43,867.26 to \$72,775.62 through 2051 at an interest rate of 1.50%	<u>1,911,607.47</u>
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\$47,808,100.27

NOTE 4: SHORT-TERM DEBT

The County had the following short-term debt:

Bond Anticipation Notes:

Outstanding Bond Anticipation Notes are summarized as follows:

	Interest Rate	Maturity Date	Amount
General Capital Fund	2.25%	09/18/18	<u>\$27,550,000.00</u>

NOTE 5: FUND BALANCE APPROPRIATED

Fund Balance at December 31, 2017, which was appropriated and included as anticipated revenue in the County budget for the year ending December 31, 2018, was as follows:

Current Fund	<u>\$ 19,000,000.00</u>
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NOTE 6: PENSIONS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at [www.nj.gov/treasury/pensions/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

NOTE 6: PENSIONS (CONTINUED)

Plan Descriptions

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest alter four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.



NOTE 6: PENSIONS (CONTINUED)

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2017 PERS provides for employee contributions of 7.34% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2017, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The County's share of PERS and PFRS pension costs, which is based upon the annual billings received from the State, amounted to \$12,855,762.00 for 2017, \$11,397,385.00 for 2016 and \$8,823,089.00 for 2015.

The County's share for DCRP amounted to \$229,418.00 for 2017, \$67,644.98 for 2016 and \$72,358.02 for 2015.

All contributions were equal to the required contributions for each of the three years, respectively.

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2017.

Public Employees Retirement System (PERS)

At June 30, 2017, the State reported a net pension liability of \$164,544,728.00 for the County of Somerset’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the County’s proportion was 0.7068557836 percent, which was a decrease of 0.0213478039 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$11,122,066.00 for the County of Somerset’s proportionate share of the total pension expense. The pension expense recognized in the County’s financial statement based on the April 1, 2017 billing was \$6,548,264.00.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$3,874,460.00
Changes of assumptions	\$33,028,558.00	33,150,092.00
Net difference between projected and actual earnings on pension plan investments		1,120,438.00
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>6,181,897.00</u>	<u>3,039,148.00</u>
	<u>\$39,210,455.00</u>	<u>\$41,184,138.00</u>

Other local amounts reported by the State as the County's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$3,023,828.00
2019	5,031,622.00
2020	3,065,702.00
2021	(5,186,601.00)
2022	<u>(3,960,868.00)</u>
	<u>\$1,973,683.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.65 percent

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
County's proportionate share of the pension liability	\$204,128,902.00	\$164,544,728.00	\$131,566,205.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2017, the State reported a net pension liability of \$84,024,836.00 for the County of Somerset's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the County's proportion was 0.5442704564 percent, which was a decrease of 0.0034829576 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$7,122,422.00. The pension expense recognized in the County's financial statement based on the April 1, 2017 billing was \$4,816,894.00

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$493,156.00	\$545,104.00
Changes of assumptions	13,760,811.00	10,361,198.00
Net difference between projected and actual earnings on pension plan investments		1,603,391.00
Changes in proportion and differences between the County's contributions and proportionate share of contributions	<u>2,876,200.00</u>	<u>1,444,932.00</u>
	<u>\$17,130,167.00</u>	<u>\$13,954,625.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$512,491.00
2019	2,313,199.00
2020	(390,291.00)
2021	(3,979,402.00)
2022	<u>(1,631,539.00)</u>
	<u>(\$3,175,542.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2017</u>
Inflation	3.08 Percent	2.25 Percent
Salary Increases (based on age) Through 2026	2.10-8.98 Percent Based on Age	2.10-8.98 Percent Based on Age
Thereafter	3.10-9.98 Percent Based on Age	3.10-9.98 Percent Based on Age
Investment Rate of Return	7.65 Percent	7.00 Percent



NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS s target asset allocation as of June 30, 2016 are summarized in the following table:

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and June 30, 2016 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 and 7.65% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and June 30, 2016 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease <u>5.14%</u>	At Current Discount Rate <u>6.14%</u>	1% Increase <u>7.14%</u>
County's proportionate share of the PFRS pension liability	\$110,709,641.00	\$84,024,836.00	\$62,100,234.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the County under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the County does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the County related to this legislation.

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the County for the PFRS special funding situation is \$9,411,490.00 and \$8,674,995.00 respectively.

At December 31, 2017, the County's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

County's Proportionate Share of Net Pension Liability	\$84,024,836.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the County	<u>9,411,490.00</u>
	<u><u>\$93,436,326.00</u></u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 7: LEASES

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

NOTE 8: COMPENSATED ABSENCES

The County has permitted employees to accumulate unused vacation and sick pay, which may be taken as time off or paid under certain circumstances. Management has estimated, at December 31, 2017 that the accumulated cost of such unpaid compensation would approximate \$7,964,000.00 for unused sick and vacation days. Under existing accounting principles and practices prescribed by the Division of Local Government Services, the amounts required to be paid in any fiscal year for the above mentioned compensation are raised in that year's budget and no liability is required to be accrued or reported in the financial statements at December 31, 2017. The County has reserved \$4,501,845.67 at December 31, 2017.

NOTE 9: LITIGATION

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

NOTE 10: RELATED PARTIES

During 2017, the County of Somerset provided operating or capital funding to the following Somerset County Governmental Units:

Raritan Valley Community College  
Park Commission  
Vocational and Technical Schools

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

NOTE 11: RISK MANAGEMENT

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

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

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

<u>Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 657.72	\$ 137,434.16	\$ 155,140.27	\$ 40,804.55
2016	605.14	134,620.29	199,458.95	57,852.94
2015	461.31	149,897.67	28,388.41	122,086.46

NOTE 12: DEFERRED COMPENSATION PLAN

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

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

The Plan is administered by the Nationwide Insurance Company.

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

NOTE 13: CONTINGENT LIABILITIES

The County participates in many financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. The state and federal grants received and expended in 2017 were subject to the Single Audit Act Amendment of 1996 and State of New Jersey OMB Circular 15-08 which mandates that grants revenues and expenditures be audited in conjunction with the County's annual audit. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II Single Audit Section of the 2017 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017 the County does not believe that any material liabilities will result from such audit.

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or required to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the county is not required to recognize any long-term obligations resulting from OPEB on their balance sheets.

**Results of Valuation**

*Actuarial Accrued Liability*

The Actuarial Accrued Liability ("AAL") as of December 31, 2016 is \$458,728,036 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2016.

*Annual Required Contribution*

The Annual Required Contribution ("ARC") is the measure of annual cost on an accrual basis. It is comprised of the "Normal Cost" which is the portion of future liabilities attributable to the measurement year, plus 30 year amortization of the Unfunded Actuarial Accrued Liability ("UAAL"). As of the measurement date, the plan had no assets to offset any portion of the AAL, so the UAAL and AAL are equal.

The ARC as of December 31, 2016 is \$40,542,000 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2016. The breakdown of the ARC is as follows:

(1) Normal Cost	\$ 12,379,978
(2) Actuarial Accrued Liability	\$458,728,03
(3) Assets	\$0
(4) UAAL = (2)-(3)	\$458,728,03
(5) 30 Year Amortization of UAAL at Discount Rate	\$ 28,162,022
(6) ARC = (1)+(5)	\$ 40,542,000



NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Basis of Valuation**

This valuation has been conducted as of December 31, 2016 based upon census, plan design and claims information provided by The Fund. Census includes 359 participants currently receiving retiree benefits, and 922 active participants of whom 118 are eligible to retire as of the valuation date. The average age of the active population is 47 and the average age of the retiree population is 65.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 45.

Demographic assumptions were selected based on those used in by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2016 report from Conduent. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2015 report from Aon Consultants.

**Key Actuarial Assumptions**

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward Three</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates- prior to benefits</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after completing 25 years of service</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.50%</i>
<i>Trend</i>	<i>Medical: 6.0% in 2016, reducing by 0.1% per annum, leveling at 5% per annum in 2026</i> <i>Drug: 11.0% in 2016, reducing by 0.5% per annum to 2021 and 1.0% per annum thereafter, leveling at 5% per annum in 2026</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

- Attribution period – The attribution period begins with the date of hire and ends with full benefits eligibility date.
- Per capita cost methods – The valuation reflects per capita net premium costs based on actual 2016 medical premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (47) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of medical costs. At age 65, \$50 per month is added for Medicare Part B reimbursement.

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Retiree Contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of this valuation and for conservatism, we have assumed that future retiree contributions percentage rates will not increase. Thus, we assumed that a future retiree will contribute his/her current employee contribution as reported by the County increased annually by the rate of medical trend. 2016 employer contributions for retiree benefits as reported by the County are \$6.34 million.
- “Cadillac Tax” – In prior valuations, the County included in the liabilities a recognition of the 40% non deductible excise tax and a 35% tax obligation gross up to account for the “High Cost Plan” provision of the Affordable Care Act. Including this additional liability commencing in 2020 would signify that the County (i) intends to pay the excise tax rather than pass it along to the retirees, and/or (ii) does not intend to segregate the retirees into a different, separate plan from the actives. For consistency, this valuation is based on application of the excise tax in the same manner.
- Actuarial valuation method – Projected Unit Credit Funding Method.

NOTE 15: SUBSEQUENT EVENTS

The County of Somerset has evaluated subsequent events occurring after the financial statement date through July 12, 2018 which is the date the financial statements were available to be issued. No items were noted for disclosure or adjustment.

**SELECTED  
FINANCIAL  
INFORMATION**

**COUNTY OF SOMERSET**

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

	<u>Unaudited</u>	<u>Actual</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
County Tax Levy	\$ 191,689,404	\$ 189,507,126	\$ 185,839,652	\$ 182,213,601	\$ 178,204,011	\$ 174,280,456
Departmental and Other Revenue	46,610,897	42,379,909	58,766,313	53,843,562	50,125,483	52,917,678
Interest on Investments	1,835,587	1,114,857	608,756	677,745	927,102	488,936
Current--Fund Balance	19,000,000	19,000,000	19,000,000	19,725,000	15,900,000	16,056,199
Total Operating Revenues	<u>\$ 259,135,888</u>	<u>\$ 252,001,892</u>	<u>\$ 264,214,721</u>	<u>\$ 256,459,908</u>	<u>\$ 245,156,596</u>	<u>\$ 243,743,269</u>

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

	<u>Unaudited</u>	<u>Actual</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Government	\$ 67,145,862	\$ 65,226,697	\$ 62,843,116	\$ 60,109,784	\$ 59,830,086	\$ 57,589,922
Judiciary	527,916	497,943	505,824	497,479	461,241	428,758
Regulation	18,837,176	18,415,895	17,490,878	16,449,109	15,635,784	15,597,240
Roads and Bridges	14,102,549	14,724,488	14,210,771	13,645,941	12,954,990	11,825,203
Health and Welfare, Correction and Penal	46,140,375	46,010,287	60,725,058	61,339,697	55,270,864	51,783,641
Education	23,462,948	23,418,325	23,346,573	22,712,600	22,037,304	21,529,414
Recreation	10,751,382	10,026,598	9,466,598	9,350,598	8,600,598	8,000,000
State and Federal Programs Offset by Revenues	25,168,189	27,900,841	23,969,149	25,489,124	24,746,648	29,462,647
Contingent	<u>40,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Operating, Including Contingent	206,176,397	206,321,074	212,657,967	209,694,332	199,637,515	196,316,825
Capital Improvements	8,606,000	6,050,000	12,022,864	6,140,000	7,256,000	6,865,000
Debt Service	18,207,915	17,455,659	18,121,267	19,740,040	18,747,839	19,538,843
Deferred Charges and Statutory Expenditures	19,952,706	18,829,163	18,825,277	19,401,729	18,893,520	19,367,702
Total Expenditures	<u>\$ 252,943,018</u>	<u>\$ 248,655,896</u>	<u>\$ 261,627,374</u>	<u>\$ 254,976,102</u>	<u>\$ 244,534,873</u>	<u>\$ 242,088,370</u>

**COUNTY OF SOMERSET  
BALANCE SHEETS**

**As of December 31,**

	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Unaudited</u></b>				
<b>Current Fund:</b>					
Assets:					
Cash and Investments	\$ 64,699,759	\$ 61,228,178	\$ 61,376,449	\$ 53,438,493	\$ 54,345,922
Accounts Receivable	3,398,060	3,524,131	3,627,004	4,463,433	3,646,093
Deferred Charges		350,000		380,915	2,157,781
Total Assets	<u>\$ 68,097,819</u>	<u>\$ 65,102,309</u>	<u>\$ 65,003,452</u>	<u>\$ 58,282,840</u>	<u>\$ 60,149,796</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 17,704,497	\$ 16,523,068	\$ 20,600,937	\$ 15,855,536	\$ 18,154,564
Reserve for Certain Assets Receivable	3,398,060	3,524,131	3,627,004	4,463,433	3,646,093
Fund Balance	46,995,262	45,055,110	40,775,512	37,963,872	38,349,138
Total Liabilities, Reserves and Fund Balance	<u>\$ 68,097,819</u>	<u>\$ 65,102,309</u>	<u>\$ 65,003,452</u>	<u>\$ 58,282,840</u>	<u>\$ 60,149,796</u>
<b>Federal and State Grant Funds</b>					
Assets:					
Cash	\$ 3,220,552	\$ 3,546,261	\$ 21,808	\$ 1	\$ 81,440
Grants Receivable	35,524,711	35,396,309	40,008,040	45,481,403	55,226,662
Total Assets	<u>\$ 38,745,263</u>	<u>\$ 38,942,570</u>	<u>\$ 40,029,848</u>	<u>\$ 45,481,404</u>	<u>\$ 55,308,103</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 5,591,865	\$ 8,565,652	\$ 18,299,562	\$ 21,568,988	\$ 24,295,883
Reserves for Grants Appropriated	32,208,369	29,894,910	21,343,361	23,503,331	30,739,571
Reserves for Grants Unappropriated	945,029	482,007	386,925	409,085	272,649
Total Liabilities, Reserves and Fund Balance	<u>\$ 38,745,263</u>	<u>\$ 38,942,570</u>	<u>\$ 40,029,848</u>	<u>\$ 45,481,404</u>	<u>\$ 55,308,103</u>
<b>Trust Fund:</b>					
Assets:					
Cash and Investments	\$ 29,769,892	\$ 31,148,103	\$ 27,935,686	\$ 24,154,011	\$ 22,215,624
Accounts Receivable	3,575,376	3,345,921	3,385,990	3,506,399	3,553,675
Total Assets	<u>\$ 33,345,268</u>	<u>\$ 34,494,023</u>	<u>\$ 31,321,676</u>	<u>\$ 27,660,410</u>	<u>\$ 25,769,298</u>
Liabilities, Reserves and Fund Balance:					
Other Liabilities and Special Funds	\$ 33,345,268	\$ 34,494,023	\$ 31,321,676	\$ 27,660,410	\$ 25,769,298
Total Liabilities, Reserves and Fund Balance	<u>\$ 33,345,268</u>	<u>\$ 34,494,023</u>	<u>\$ 31,321,676</u>	<u>\$ 27,660,410</u>	<u>\$ 25,769,298</u>
<b>Library Fund</b>					
Assets:					
Cash	\$ 2,642,834	\$ 1,872,700	\$ 1,616,771	\$ 1,916,034	\$ 1,823,204
Accounts Receivable		53,986	52,836	375	
	<u>\$ 2,642,834</u>	<u>\$ 1,926,686</u>	<u>\$ 1,669,607</u>	<u>\$ 1,916,409</u>	<u>\$ 1,823,204</u>
Liabilities and Reserves:					
Reserves	<u>\$ 2,642,834</u>	<u>\$ 1,926,686</u>	<u>\$ 1,669,607</u>	<u>\$ 1,916,409</u>	<u>\$ 1,823,204</u>
<b>County Open Space, Recreation, Farmland and Preservation Trust Fund:</b>					
Assets:					
Cash and Investments	\$ 31,904,667	\$ 35,491,407	\$ 32,718,798	\$ 31,294,750	\$ 37,207,077
Interfunds			4,410,000	\$ 9,083,723	\$ 6,000,000
Total Assets	<u>\$ 31,904,667</u>	<u>\$ 35,491,407</u>	<u>\$ 37,128,798</u>	<u>\$ 40,378,473</u>	<u>\$ 43,207,077</u>
Liabilities and Reserves:					
Encumbrances Payable		\$ 13,881,450	\$ 13,492,827	\$ 20,405,946	\$ 10,051,709
Interfund Payable			\$ 147,141	\$ 147,141	
Reserves	31,904,667	21,809,957	23,488,830	19,825,385	33,155,368
Total Liabilities and Reserves	<u>\$ 31,904,667</u>	<u>\$ 35,691,407</u>	<u>\$ 37,128,798</u>	<u>\$ 40,378,473</u>	<u>\$ 43,207,077</u>

As of December 31,					
	<b>2018</b>				
	<b><u>Unaudited</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Capital Fund:					
Assets:					
Cash and Investments	\$ 19,805,002	\$ 19,778,454	\$ 17,096,957	\$ 17,686,106	\$ 13,693,361
Deferred Charges to Future Taxation					
Funded and Unfunded	246,952,486	236,298,770	233,946,014	225,205,490	234,595,819
Due Current Fund	50,633				
Due from State of New Jersey					230,360
Total Assets	<u>\$ 266,808,121</u>	<u>\$ 256,077,224</u>	<u>\$ 251,042,970</u>	<u>\$ 242,891,596</u>	<u>\$ 248,519,539</u>
Liabilities, Reserves and Fund Balance:					
Bonds, Notes and Loans Payable	\$ 202,895,298	\$ 194,887,043	\$ 185,864,452	\$ 176,786,633	\$ 153,714,686
Improvement Authorizations	40,354,968	44,582,346	49,135,400	41,220,536	62,119,119
Other Liabilities and Special Funds	23,499,707	14,951,145	15,521,477	18,662,609	32,301,908
Fund Balance	<u>58,148</u>	<u>1,656,691</u>	<u>521,641</u>	<u>6,221,818</u>	<u>383,826</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 266,808,121</u>	<u>\$ 256,077,224</u>	<u>\$ 251,042,970</u>	<u>\$ 242,891,596</u>	<u>\$ 248,519,539</u>
General Fixed Assets Account Group:					
Fixed Assets:					
Land and Land Improvements	\$ 327,801,222	\$ 327,801,222	\$ 318,054,564	\$ 281,429,900	\$ 267,228,985
Buildings	203,949,912	203,949,912	195,290,816	186,839,277	183,541,966
Machinery and Equipment	53,411,001	53,411,001	47,715,599	47,322,132	45,998,126
Construction in Progress	<u>35,162,559</u>	<u>35,162,559</u>	<u>35,106,860</u>	<u>34,436,823</u>	<u>32,436,635</u>
Total Fixed Assets	<u>\$ 620,324,694</u>	<u>\$ 620,324,694</u>	<u>\$ 596,167,838</u>	<u>\$ 550,028,132</u>	<u>\$ 529,205,712</u>
Reserves:					
Investments in Fixed Assets	<u>\$ 620,324,694</u>	<u>\$ 620,324,694</u>	<u>\$ 596,167,838</u>	<u>\$ 550,028,132</u>	<u>\$ 529,205,712</u>

**SOMERSET COUNTY PARK COMMISSION  
BALANCE SHEETS**

	As of December 31,				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Unaudited</u></b>				
Current and Grant Funds:					
Assets:					
Cash and Investments	\$ 4,964,005	\$ 7,188,979	\$ 9,145,102	\$ 9,584,527	\$ 8,929,196
Receivables and Inventories with Full Reserves	66,389	66,389	37,495	39,014	112,473
Total Assets	<u>\$ 5,030,394</u>	<u>\$ 7,255,368</u>	<u>\$ 9,182,597</u>	<u>\$ 9,623,541</u>	<u>\$ 9,041,669</u>
Liabilities, Reserves and Fund Balance:					
Encumbrances Payable and Reserves	\$ 4,954,448	\$ 7,188,979	\$ 8,671,753	\$ 9,075,529	\$ 8,654,171
Reserve for Receivables & Inventories	66,389	66,389	37,495	39,014	112,473
Fund Balance	9,557		473,349	508,998	275,024
Total Liabilities Reserves and Fund Balance	<u>\$ 5,030,394</u>	<u>\$ 7,255,368</u>	<u>\$ 9,182,597</u>	<u>\$ 9,623,541</u>	<u>\$ 9,041,669</u>
Trust Fund					
Assets:					
Cash	<u>\$ 701,367</u>	<u>\$ 812,030</u>	<u>\$ 676,348</u>	<u>\$ 590,042</u>	<u>\$ 680,072</u>
Liabilities, Reserves and Fund Balance:					
Accounts Payable and Reserves	<u>\$ 701,367</u>	<u>\$ 812,030</u>	<u>\$ 676,348</u>	<u>\$ 590,042</u>	<u>\$ 680,072</u>
Capital Fund:					
Assets:					
Cash and Investments	<u>\$ 3,553,280</u>	<u>\$ 3,551,347</u>	<u>\$ 3,685,108</u>	<u>\$ 2,787,995</u>	<u>\$ 3,245,743</u>
Liabilities, Reserves and Fund Balance:					
Encumbrances Payable	\$ 905,086	\$ 1,267,973	\$ 835,411	\$ 509,210	\$ 1,025,755
Improvement Authorizations	2,510,247	2,145,428	2,711,750	2,140,839	2,082,041
Capital Equity	137,946	137,946	137,946	137,946	137,946
Total Liabilities, Reserves and Fund Balance	<u>\$ 3,553,280</u>	<u>\$ 3,551,347</u>	<u>\$ 3,685,108</u>	<u>\$ 2,787,995</u>	<u>\$ 3,245,743</u>
Fixed Assets Account Group					
Fixed Assets	<u>\$ 59,068,817</u>	<u>\$ 59,068,817</u>	<u>\$ 49,658,294</u>	<u>\$ 51,809,744</u>	<u>\$ 49,443,568</u>
Reserve for Fixed Assets	<u>\$ 59,068,817</u>	<u>\$ 59,068,817</u>	<u>\$ 49,658,294</u>	<u>\$ 51,809,744</u>	<u>\$ 49,443,568</u>

		As of June 30,									
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>					
General Fund:											
Assets:											
Cash and Investments	\$	3,276,299	\$	2,966,655	\$	1,326,531	\$	828,902			
Accounts Receivable		484,909		347,541		217,344		139,479	651,685		
Total Assets		<u>\$</u>	<u>3,761,208</u>	<u>\$</u>	<u>3,314,196</u>	<u>\$</u>	<u>2,958,375</u>	<u>\$</u>	<u>1,466,010</u>	<u>\$</u>	<u>1,480,587</u>
Liabilities, Reserves and Fund Balance:											
Accounts Payable	\$	72,913	\$	127,557	\$	277,241	\$	39,527	\$	89,805	
Fund Balance		3,688,295		3,186,639		2,681,134		1,426,484		1,390,781	
Total Liabilities, Reserves and Fund Balance		<u>\$</u>	<u>3,761,208</u>	<u>\$</u>	<u>3,314,196</u>	<u>\$</u>	<u>2,958,375</u>	<u>\$</u>	<u>1,466,010</u>	<u>\$</u>	<u>1,480,587</u>

**RARITAN VALLEY COMMUNITY COLLEGE  
NET POSITION**

		As of June 30,						
		<u>Unaudited</u>						
		<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>		
Assets:								
Current Unrestricted								
Cash and Investments	\$	5,105,907	\$	5,859,766	\$	8,968,878	\$	10,332,750
Accounts Receivable		5,560,835		4,724,793		4,283,918		3,708,006
Inventories at Cost		22,807		24,967		27,070		21,416
Prepaid Expenses		395,960		546,920		428,008		413,379
Total Unrestricted	\$	<u>11,085,509</u>	\$	<u>11,156,446</u>	\$	<u>13,707,874</u>	\$	<u>14,475,551</u>
Current Restricted								
Accounts Receivable	\$	3,329,642	\$	3,667,005	\$	19,236,388	\$	9,135,722
Capital Net Assets		<u>73,409,337</u>		<u>75,138,680</u>		<u>59,321,526</u>		<u>60,614,500</u>
Total Restricted	\$	<u>76,738,979</u>	\$	<u>78,805,685</u>	\$	<u>79,612,002</u>	\$	<u>69,750,222</u>
Deferred Outflows - Pension Related	\$	<u>8,941,219</u>	\$	<u>11,527,973</u>	\$	<u>3,906,151</u>	\$	<u>1,448,746</u>
Total Assets Current Fund	\$	<u>96,765,707</u>	\$	<u>101,490,104</u>	\$	<u>95,089,881</u>	\$	<u>84,225,773</u>
Liabilities and Fund Balance:								
Current Liabilities								
Accounts Payable	\$	7,243,355	\$	7,757,747	\$	6,855,210	\$	7,933,883
Deposits		547,627		452,195		444,843		440,687
Capital Lease Liability		100,912		100,912		110,912		
Deferred Revenue		<u>2,143,183</u>		<u>2,033,153</u>		<u>2,040,648</u>		<u>1,968,766</u>
Total Current Liabilities	\$	<u>10,035,077</u>	\$	<u>10,344,007</u>	\$	<u>9,451,613</u>	\$	<u>10,343,336</u>
Non-Current Liabilities:								
Deposits,Net Pension and Capital Lease Liabilities	\$	<u>26,560,079</u>	\$	<u>33,274,328</u>	\$	<u>22,934,256</u>	\$	<u>19,256,789</u>
Total Non-Current Liabilities	\$	<u>26,560,079</u>	\$	<u>33,274,328</u>	\$	<u>22,934,256</u>	\$	<u>21,521,498</u>
Deferred Inflows - Pension Related	\$	<u>6,128,901</u>	\$	<u>1,238,111</u>	\$	<u>1,950,949</u>	\$	<u>2,707,011</u>
Total Liabilities	\$	<u>42,724,057</u>	\$	<u>44,856,446</u>	\$	<u>34,336,818</u>	\$	<u>32,307,136</u>
Net Position:								
Invested in Capital Assets	\$	73,409,337	\$	75,138,680	\$	68,970,042	\$	59,321,526
Restricted Net Assets		2,813,314		2,391,305		9,776,728		19,544,014
Unrestricted Net Assets		<u>(22,181,001)</u>		<u>(20,896,327)</u>		<u>(17,993,707)</u>		<u>(17,458,142)</u>
Total Net Position	\$	<u>54,041,650</u>	\$	<u>56,633,658</u>	\$	<u>60,753,063</u>	\$	<u>61,407,398</u>
Total Lianbilities and Net Position	\$	<u>96,765,707</u>	\$	<u>101,490,104</u>	\$	<u>95,089,881</u>	\$	<u>85,059,725</u>



## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## **CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “Undertaking”) dated as of September 1, 2019 by the County of Somerset, 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 \$40,000,000 principal amount of Bond Anticipation Notes, Series 2019 (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 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, a Disclosure Event Notice to the MSRB.

Section 1.3. Additional Disclosure Obligations. 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.

### **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 Note, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties. The Issuer intends the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(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 Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

(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 COUNTY OF SOMERSET, NEW JERSEY** has caused this Undertaking to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

**[SEAL]**

**THE COUNTY OF SOMERSET, NEW JERSEY**

**By:** \_\_\_\_\_  
**Nicola Trasente, Director of Finance and  
Administration and Chief Financial Officer**

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## **APPENDIX D**

### **FORM OF APPROVING OPINION OF BOND COUNSEL**

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September \_\_, 2019

Board of Chosen Freeholders  
County of Somerset  
County Administration Building  
20 Grove Street  
Somerville, New Jersey 08876

Dear Board Members:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Somerset, 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 \$40,000,000 aggregate principal amount of the County's Bond Anticipation Notes, Series 2019 (the "Notes"). The Notes are issued in registered form without coupons, are dated the date of delivery, bear interest at the rate of \_\_\_\_\_ and \_\_\_\_\_ Hundredths Percent (\_\_\_\_\_% ) per annum and are payable at maturity on September 11, 2020. The Notes are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), and where appropriate, Title 18A, Education, of the New Jersey Statutes (the "Education Law"), and the various bond ordinances referred to therein each in all respects duly approved and published as required by law. The Notes are not subject to redemption prior to maturity.

The Notes are temporary obligations issued in anticipation of the issuance of bonds.

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

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

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, the Education 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 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 the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Notes.

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

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and 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 made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Notes, as to various tax requirements. In addition, 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 to be taken 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. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the County with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Notes from gross income for Federal income tax purposes and with respect to interest on the Notes not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter 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 referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said 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 expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the County with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

Gibbons P.C.

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