

NEW ISSUE (BOOK-ENTRY ONLY)

RATINGS: See "RATINGS" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the County ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) and the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**COUNTY OF SUSSEX
STATE OF NEW JERSEY**

\$25,835,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of:

\$19,625,000 General Improvement Bonds, Series 2019,

\$3,350,000 Vocational-Technical School Bonds, Series 2019

(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended)

\$2,860,000 County College Bonds, Series 2019

(County College Bond Act, 1971 N.J. Laws C. 12, As Amended)

(Callable)

\$14,133,000

BOND ANTICIPATION NOTES

Dated: June 20, 2019

Due: June 19, 2020

(Non-Callable)

The \$25,835,000 General Obligation Bonds, Series 2019, consisting of \$19,625,000 General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,350,000 Vocational-Technical School Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended) (the "Vocational-Technical School Bonds") and \$2,860,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C. 12, As Amended) (the "Chapter 12 Bonds") and together with the General Improvement Bonds and the Vocational-Technical School Bonds, the "Bonds"), are general obligations of the County of Sussex, State of New Jersey (the "County") and pledge the full faith and credit of the County to levy *ad valorem* taxes on all taxable property in the County without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$14,133,000 aggregate principal amount of Bond Anticipation Notes, dated June 20, 2019 (the "Notes") are general obligations of the County, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the County for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Bonds and the Notes will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds and the Notes. Individual purchases of the Bonds may be made in the principal amount of \$5,000, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Individual purchases of the Notes may be made in the principal amount of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000) through book entries made on the books and records of DTC and its participants.

The Bonds shall bear interest from their date of delivery, payable semiannually on the first day of June and December of each year until maturity or prior redemption, as applicable, commencing June 1, 2020, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the County or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the County to the registered owner thereof as of the Record Dates (as defined herein). The Notes shall be dated and bear interest from their date of delivery. Principal of and interest on the Notes will be payable at maturity by the County or a duly designated paying agent on the date of maturity. As long as DTC is acting as securities depository for the Bonds and the Notes, principal and interest will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds or the Notes. See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

The Bonds are authorized by and issued pursuant to, as applicable, N.J.S.A. 18A:64A-1 *et seq.*, as amended and supplemented, N.J.S.A. 18A:54-1 *et seq.*, as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and various bond ordinances of the County duly adopted on the date set forth herein and published as required by law and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 15, 2019 (the "Resolution").

The Notes are authorized by and are issued pursuant to the Local Bond Law, various bond ordinances of the County duly adopted on the dates set forth herein and published as required by law and by the Resolution.

Proceeds of the Bonds will be used to provide for (i) the current refunding of a \$24,083,000 portion of Bond Anticipation Notes of the County issued in the aggregate principal amount of \$30,000,000 on June 25, 2018 and maturing June 24, 2019 (the "Prior Notes") and (ii) the permanent financing of \$3,000,000 of various capital improvements and acquisition of related capital equipment at and for certain facilities of Sussex County Community College. Proceeds of the Notes will be used to provide for (i) the current refunding of a \$5,917,000 portion of the Prior Notes and (ii) the temporary financing of \$8,216,000 of various capital improvements in and for the County.

The Bonds are subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS – Redemption" herein. The Notes are not subject to redemption prior to maturity.

The Bonds and the Notes are not a debt or obligation, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the County.

The Bonds and the Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the County in connection with the issuance of the Bonds and the Notes. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about June 20, 2019.

**COUNTY OF SUSSEX
STATE OF NEW JERSEY**

\$25,835,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of:

**\$19,625,000 General Improvement Bonds, Series 2019,
\$3,350,000 Vocational-Technical School Bonds, Series 2019
(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended)
\$2,860,000 County College Bonds, Series 2019
(County College Bond Act, 1971 N.J. Laws C. 12, As Amended)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

Maturity	General	Vo-Tech	Chapter 12	Combined	Interest	Yields	CUSIP**
June 1	Improvement	Bonds	Bonds	Bonds	Rates		
2020	\$920,000	\$160,000	\$190,000	\$1,270,000	2.000%	1.22%	869265ZK7
2021	985,000	160,000	190,000	1,335,000	4.000	1.24	869265ZL5
2022	985,000	165,000	190,000	1,340,000	4.000	1.25	869265ZM3
2023	985,000	165,000	190,000	1,340,000	4.000	1.30	869265ZN1
2024	1,750,000	300,000	300,000	2,350,000	3.000	1.43	869265ZP6
2025	1,750,000	300,000	300,000	2,350,000	2.000	1.50	869265ZQ4
2026	1,750,000	300,000	300,000	2,350,000	3.000	1.60	869265ZR2
2027	1,750,000	300,000	300,000	2,350,000	3.000	1.70*	869265ZS0
2028	1,750,000	300,000	300,000	2,350,000	3.000	1.85*	869265ZT8
2029	1,750,000	300,000	300,000	2,350,000	3.000	1.95*	869265ZU5
2030	1,750,000	300,000	300,000	2,350,000	2.000	2.207	869265ZV3
2031	1,750,000	300,000		2,050,000	3.000	2.35*	869265ZW1
2032	1,750,000	300,000		2,050,000	3.000	2.45*	869265ZX9

\$14,133,000

BOND ANTICIPATION NOTES

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, YIELD AND CUSIP**

Maturity	Par Amount	Interest Rate	Yield	CUSIP**
June 19, 2020	\$14,133,000	2.50%	1.40%	869265ZY7

* Priced at the stated yield to the first optional redemption date of June 1, 2026 at a redemption price of 100%.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the County does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**COUNTY OF SUSSEX
STATE OF NEW JERSEY**

THE BOARD OF CHOSEN FREEHOLDERS

Herbert Yardley, Freeholder Director
Sylvia Petillo, Deputy Freeholder Director
Dawn Fantasia, Freeholder
George F. Graham, Freeholder
Joshua L. Hertzberg, Freeholder

COUNTY OFFICIALS

Gregory V. Poff II, County Administrator

Elke Yetter,
County Treasurer/Chief Financial Officer

Teresa Lyons,
Clerk of the Board of Chosen Freeholders

COUNTY COUNSEL

Kevin D. Kelly, Esq.

AUDITOR

Nisivoccia, LLP
Mount Arlington, New Jersey

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds or the Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the County.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds or the Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The presentation of information in this Official Statement is intended to show recent historic information and except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial conditions or other affairs of the County. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

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

All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or an agreement between the County and the purchasers or holders of any of the Bonds or 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, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Bonds or the Notes made hereunder shall not, under any circumstances, create any indication that there has been no change in the affairs of the County with the sale of the Bonds or the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT

OF THE

COUNTY OF SUSSEX STATE OF NEW JERSEY

RELATING TO

\$25,835,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of:

\$19,625,000 General Improvement Bonds, Series 2019,

\$3,350,000 Vocational-Technical School Bonds, Series 2019

(New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended), and

\$2,860,000 County College Bonds, Series 2019

(County College Bond Act, 1971 N.J. Laws C. 12, As Amended)

-and-

\$14,133,000 BOND ANTICIPATION NOTES

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the County of Sussex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of (i) \$25,835,000 General Obligation Bonds, Series 2019, consisting of \$19,625,000 General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,350,000 Vocational-Technical School Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended) (the "Vocational-Technical School Bonds") and \$2,860,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C. 12, As Amended) (the "Chapter 12 Bonds") and together with the General Improvement Bonds and the Vocational-Technical School Bonds, the "Bonds") and (ii) \$14,133,000 aggregate principal amount of Bond Anticipation Notes of the County (the "Notes" and together with the Bonds, the "Obligations"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared on behalf of the County by Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the County ("Bond Counsel") and the County Treasurer/Chief Financial Officer of the County and has been authorized by the County to be distributed in connection with the sale and issuance of the Bonds and the Notes.

This Official Statement contains specific information relating to the Bonds and the Notes, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to these issues. This Official Statement should be read in its entirety.

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, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the County.

DESCRIPTION OF THE BONDS

The Bonds are dated the date of delivery and shall mature in the principal amounts on June 1 in each of the years set forth in the table appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the first day of June and December (each an "Interest Payment Date"),

commencing June 1, 2020, in each year until maturity or prior redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective May 15 and November 15 preceding an Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the County Treasurer/Chief Financial Officer, as Registrar and Paying Agent.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the County as Paying Agent, or some other paying agent as may be designated by the County, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

Optional Redemption

The Bonds maturing prior to June 1, 2027 are not subject to optional redemption. The Bonds maturing on or after June 1, 2027 shall be subject to redemption at the option of the County, in whole or in part, on any date on or after June 1, 2026, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the County; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The Bonds are authorized by and are issued pursuant to the provisions of, as applicable, N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), the various bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the date set forth in the chart on the following page and published as required by law, and by a resolution duly adopted by the Board of Chosen Freeholders of the County on May 15, 2019 (the "Resolution").

The bond ordinances authorizing the Bonds were published in full or in summary, as applicable, after its final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinance could be commenced began to run from the date of the first publication of such 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 all persons shall be estopped from questioning their sale, execution or delivery by the County.

PURPOSE OF BOND ISSUE AND USE OF BOND PROCEEDS

Proceeds of the Bonds will be used to provide for (i) the current refunding of a \$24,083,000 portion of Bond Anticipation Notes of the County issued in the aggregate principal amount of \$30,000,000 on June 25, 2018 and maturing June 24, 2019 (the "Prior Notes") and (ii) the permanent financing of \$3,000,000 of various capital improvements and acquisition of related capital equipment at and for certain facilities of Sussex County Community College. The Bonds and the improvements or purposes for which the Bonds are to be issued have been authorized by various bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded with the Bonds	New Money
<u>General Improvement Bonds</u>			
262-2015 (15-03)	Various 2015 Capital Improvements, Finally Adopted June 10, 2015	\$7,073,000	
104-2016 (16-01)	Various 2016 Capital Improvements, Finally Adopted February 24, 2016	\$1,578,000	
218-2016 (16-02)	Various 2016 Capital Improvements, Finally Adopted May 11, 2016	\$5,721,000	
210-2017 (17-01)	Various 2017 Capital Improvements, Finally Adopted April 26, 2017	\$6,200,000	
<u>Vocational-Technical School Bonds</u>			
219-2016 (16-04)	Various 2016 General Capital Improvements For The Sussex County Technical School, Finally Adopted May 11, 2016	\$1,390,000	
211-2017 (17-02)	Various Improvements to the McNeice Auditorium At The Sussex County Technical School, Finally Adopted April 26, 2017	\$1,331,000	
18-04	Capital Improvements To The Science Laboratories, Finally Adopted April 11, 2018	\$790,000	
<u>Chapter 12 Bonds</u>			
2019-04	2019 Capital Improvements At And For Certain Facilities Of Sussex County Community College, Finally Adopted April 24, 2019		\$3,000,000
	Subtotals	\$24,083,000	\$3,000,000
	TOTAL BOND PROCEEDS	<u>\$27,083,000</u>	

Security and Payment for the Bonds

The Bonds are valid and legally binding general obligations of the County for which the full faith and credit of the County are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the County has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The County is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State or any political subdivision thereof, other than the County, except as set forth immediately below.

The Vocational School Bonds are additionally secured and are entitled to the benefits of the New Jersey School Bond Reserve Act, chapter 72 of the Laws of New Jersey of 1980, as amended. The Chapter 12 Bonds are additionally secured by the County College Bond Act, 1971 N.J. Laws C. 12, as amended.

School Bond Reserve Act, 1980 N.J. Laws c. 72

All school bonds, including the Vocational School Bonds, are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of the Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The recent amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Vocational School Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such

account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

County College Bond Act, 1971 N.J. Laws C. 12

The County shall receive a certification from the State Treasurer that the State will provide support for the Chapter 12 Bonds in the principal sum of \$1,500,000, together with interest on that amount, under the provisions of the County College Bond Act, 1971 N.J. Laws c. 12, as amended. Payments from the New Jersey Department of Treasury for its proportionate share of the principal and interest when due are made to the County, upon the County's certification of amounts due, on or before the dates when such amounts are payable by the County. The support the County receives from the State for the Chapter 12 Bonds is dependent upon appropriations by the State Legislature for time to time. The Chapter 12 Bonds which are issued under the provisions of the County College Bond Act, 1971 N.J. Laws c. 12, as amended, shall not be deemed to constitute a debt or liability of the State, or a pledge of the full faith and credit of the State. The Chapter 12 Bonds are otherwise general obligations of the County in the same fashion as the General Improvement Bonds and the Vocational-Technical School Bonds.

DESCRIPTION OF THE NOTES

The Notes comprise an issue of general obligation bond anticipation notes in the aggregate principal amount of \$14,133,000 of the County, which Notes are being issued in anticipation of the issuance of bonds. The Notes shall be dated and shall bear interest and shall mature as shown on the front cover page hereof. The Notes shall bear interest at the rate shown on the inside front cover page hereof, which interest is payable at maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes are not subject to redemption prior to maturity.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the County or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000) through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

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

which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “THE DEPOSITORY TRUST COMPANY (“DTC”) INFORMATION” herein.

AUTHORIZATION FOR THE ISSUANCE OF THE NOTES

The Notes have been authorized and are issued pursuant to: (i) the Local Bond Law and (ii) the various bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the chart below. The bond ordinances authorizing the Notes were published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such 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 all persons shall be estopped from questioning their sale, execution or delivery by the County.

PURPOSE OF NOTE ISSUE AND USE OF NOTE PROCEEDS

Proceeds of the Notes will be used to provide for (i) the current refunding of a \$5,917,000 portion of the Prior Notes and (ii) the temporary financing of \$8,216,000 of various capital improvements in and for the County. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Board of Chosen Freeholders of the County on the dates set forth in the following table and published as required by law:

Ordinance Number	General Purpose and Date of Final Adoption	Amount of Prior Notes Being Refunded	Amount of New Money
210-2017 (17-01)	Various 2017 Capital Improvements, Finally Adopted April 26, 2017		\$1,800,000
258-017 (17-03)	Local Share of Constructions Costs and Improvements to Academic Building “F” at Sussex County Community College, Finally Adopted May 24, 2017	\$1,040,000	
18-01	Various 2018 Capital Improvements, Finally Adopted February 24, 2016	\$4,877,000	\$1,500,000
19-05	Various 2019 Capital Improvements, Finally Adopted May 15, 2019		\$4,670,000
19-07	Capital Improvements to the Sussex County Technical School, Finally Adopted May 15, 2019		\$246,000
Subtotals		<u>\$5,917,000</u>	<u>\$8,216,000</u>
		<u>TOTAL: \$14,133,000</u>	

Security for the Notes

The Notes are valid and legally binding general obligations of the County for which the full faith and credit of the County are irrevocably pledged for the punctual payment of principal of and interest on the Notes. The Notes are payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes were issued, but if not so paid or if not paid from other sources, the County has the power, and is obligated by law to levy *ad valorem* taxes upon all taxable property in the County for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The County is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget, unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Notes are not a debt or obligation, legal, moral or otherwise, of the State or any political subdivision thereof, other than the County.

THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION

The Depository Trust Company ("DTC"), New York, New York will act as Securities Depository for the Bonds and the Notes. The Bonds and 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 Bond certificate will be issued for each maturity of the Bonds, as set forth on the inside front cover hereof, and will be deposited with DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of the issue of Notes, and will be deposited with DTC.

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

Purchases of the Bonds or the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect

Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds or 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 Bonds or the Notes, except in the event that use of the book-entry system for the Bonds or the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The County has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of County debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The County is not required to submit the proposed incurrence of indebtedness to a public referendum.

The County, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the Board of Chosen Freeholders of the County. The Local Bond Law requires publication and posting of the bond ordinance or a summary thereof. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the County.

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

The Bonds and Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bond and notes authorized must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the County are general "full faith and credit" obligations.

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from

funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the County, may be renewed from time to time, but all such notes and renewals thereof must mature not later than June 30 of the succeeding fiscal year.

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

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation

There are statutory requirements which limit the amount of debt which the County is permitted to authorize. The authorized bonded indebtedness of a county is limited by the Local Bond Law and other laws to an amount equal to two percent (2.00%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the County for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below.

Exceptions to Debt Limitation - Extensions of Credit (N.J.S.A. 40A:2-7)

The debt limit of the County may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the County must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the County and that the proposed debt authorization would not materially impair the credit of the County or substantially reduce the ability of the County to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, 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 or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The County has not exceeded its debt limit.

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

The Local Fiscal Affairs Law regulates the non-budgetary financial activities of local governments, including counties. An annual, independent audit of the local unit's accounts for the previous year must be

performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months after the close of the County's fiscal year (June 30), includes recommendations for improvement of the local unit's financial procedures. The audit report must also be filed with the Clerk of the Board of Chosen Freeholders and is available for review during regular business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the County's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. Such Statement reflects the results of operations for the year of the current and utility funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the County conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. 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 other governmental units and which are accrued. Receivables for property 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 to the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the County does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including counties, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director prior to final adoption of the budget by a County Board of Chosen Freeholders. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and, in the case of a County, the Director is required to review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and nondisbursement items. The Director is empowered to permit a higher level of anticipation, however, should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year the County's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of more than 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population of less than 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Limitation on Expenditures ("CAP Law")

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 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 levy 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 the 3.5% over the previous year's county tax levy. See N.J.S.A. 40A:4-45.14. 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. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP". Major exceptions to the "CAP" limit include:

- (a) The amount of revenue generated by the increase in valuations within the county, based solely on applying the preceding year's county tax rate to the apportionment valuation of new construction or improvements within the county and such increase shall be levied in direct proportion to such valuation;
- (b) Capital expenditures, including appropriations for current capital expenditures whether in the capital improvement fund, or as a component of a line item elsewhere in the budget, provided that any such current capital expenditure would otherwise be bondable under the Local Bond Law;
- (c) An increase based upon emergency temporary appropriations made pursuant to N.J.S.A. 40A:4-20 to meet an urgent situation or event which immediately endangers the health, safety or property of the residents of the county, and over which the governing body had no control and for which it could not plan any emergency appropriations pursuant to N.J.S.A. 40A:4-46. Emergency temporary appropriations and emergency appropriations shall be approved by the Director and by at least two-thirds of the members of the governing body and shall not exceed in the aggregate three percent (3%) of the previous year's final current operating appropriations;
- (d) All debt service;
- (e) Amounts required to be paid pursuant to (i) any contract with respect to use, service or provision of any project, facility or public improvement for water, sewerage, parking, senior citizen

housing or similar purpose, or payments on account of debt service therefor, between a county and any other county, municipality, school or other district, agency, authority, commission, instrumentality, public corporation, body corporate and politic or political subdivision of the State; and (ii) any lease of a facility owned by a county improvement authority when such lease payment represents the proportionate amount necessary to amortize debt incurred by the authority in providing the facility which is leased, in whole or in part;

(f) That portion of the county tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures. If a county provides matching funds in order to receive the Federal or State or other funds, only the amount of the match which is required by law or agreement to be provided by the county shall be excepted;

(g) Extraordinary expenses, approved by the Local Finance Board, required for the implementation of an interlocal services agreement;

(h) Any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor of the State;

(i) Expenditures for the cost of services mandated by any order of court, by any Federal or State statute or administrative rule, directive, order or other legally binding device issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency;

(j) That portion of the county tax levy which represents funding to a county college in excess of the county tax levy required to fund the county college in local budget year 1992;

(k) Expenditures for the administration of general public assistance pursuant to 1995 N.J. Laws c. 259;

(l) Amounts in a separate line item of a county budget that are expended on tick-borne disease vector management activities;

(m) Amounts expended by a county under an interlocal services agreement entered into pursuant to 1973 N.J. Laws c. 208 and entered into after the effective date of 2000 N.J. Laws c. 126 or amounts expended under a joint contract pursuant to 1952 N.J. Laws c. 72 and entered into after the effective date of 2000 N.J. Laws c. 126;

(n) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for liability insurance, workers compensation insurance and employee group insurance;

(o) Amounts appropriated in the first three years after the effective date of 2003 N.J. Laws c. 92 for costs of domestic security preparedness and responses to incidents and threats to domestic security; and

(p) Appropriations that represent expenditures made by a county for the purpose of funding normal and accrued liability contributions to the Public Employees' Retirement System of New Jersey due in the State fiscal years 2004-2005, 2005-2006, 2006-2007, 2007-2008 and 2008-2009, or to the Police and Firemen's Retirement System due in the State fiscal years 2003-2004, 2004-2005, 2005-2006, 2006-2007 and 2007-2008, shall be exempt from the limits on increases to the county tax levy in county budgets for the local budget year in which those contributions are due.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital

expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both the budget “cap” and the tax levy limitation. Neither the tax levy limitation nor the “Cap Law”, however, limits the obligation of the County to levy *ad valorem* taxes upon all taxable property within the boundaries of the County to pay debt service on bonds and notes, including the Bonds and the Notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the County, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year’s budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-48, -49, and approved by at least two-thirds of full membership of the governing body. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism for local units, including counties. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding year’s budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Both types of transfers require a two-thirds vote of the full membership of the governing body. 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. Generally, transfers cannot be made from the down payment account, contingent expenses, capital improvement fund or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

N.J.S.A. 40A:4-29 provides limits for the anticipation of delinquent tax collections: “[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that: “[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision requires that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least equal the tax levy required to balance the budget. The County receives 100% of its tax levy.

Collection of County Taxes

County taxes are collected by the municipalities located within a particular county, and paid to its County Treasurer. The municipal levy includes all county, school and municipal taxes.

Each municipality is required to pay to its County Treasurer its share of the purpose taxes by no later than the 15th day of February, May, September and November of each year. Every county is required by law to receive its share of the taxes collected from the first taxes collected by each municipality. Consequently, counties in the State experience a 100% tax collection rate.

Anticipation of Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: “[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality’s calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The County must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before January 31 of each fiscal year, the County must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year with the Division. This report is made under oath and states the authorized, issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the County’s authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

CAPITAL IMPROVEMENT PROGRAM

N.J.A.C. 5:30-4 provides that the Capital Budget and Capital Improvement Program of a local unit must be adopted as part of the annual budget. It does not by itself confer any authorization to raise or expend funds. Rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX MATTERS

Exclusion of Interest on the Bonds and Notes From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Obligations in order to assure that interest on the Obligations 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 Obligations to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Obligations. The County will make certain representations in its tax certificate, which will be executed on the date of issuance of the Obligations, as to various tax requirements. The County has covenanted to comply with the provisions of the Code applicable to the Obligations and has covenanted not to take any action or fail to take any action that would cause interest on the Obligations to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume 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 Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Obligations for the purposes of alternative minimum tax.

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

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Obligations from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the owners of the Obligations regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Obligations, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the Obligations will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Obligations for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Obligations.

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If a Obligation owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Additional Federal Income Tax Consequences of Holding the Bonds and the Notes

Prospective purchasers of the Obligations should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Obligations, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for

the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

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

Changes in Federal Tax Law Regarding the Bonds or the Notes

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Obligations or the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds or Notes will not have an adverse effect on the tax status of interest on the Bonds or the Notes or the market value or marketability of the Bonds or the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest, if applicable, on the Bonds or Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation for the Bonds and the Notes

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

ADDITIONALLY, EACH PURCHASER OF THE BONDS OR THE NOTES SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.

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

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds or the Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds or Notes and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds or the Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See [Appendix C](#) for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

See [Appendix D](#) for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

ALL POTENTIAL PURCHASERS OF THE BONDS OR 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 BONDS OR THE NOTES.

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

THE COUNTY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE COUNTY EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS OR THE NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the County should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the County, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds and the Notes are subject to the approval of Bond Counsel, whose approving legal opinion with respect to

the Bonds and the Notes will be delivered with the Bonds and the Notes substantially in the forms set forth as Appendix C hereto and Appendix D hereto, respectively. Certain legal matters with respect to the Bonds and the Notes will be passed on for the County by its Counsel, Kevin D. Kelly, Esq. ("County Counsel").

BONDHOLDERS' AND NOTEHOLDERS' RISK

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

CERTIFICATES OF THE COUNTY

Upon the delivery of the Bonds and the Notes, the respective original purchaser shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the County, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the County from that set forth in or contemplated by this Official Statement. In addition, the respective original purchaser of the Bonds or the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and the Notes and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds and the Notes, and signed by the officers who signed the Bonds and the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the Notes, as applicable, or the levy or collection of taxes to pay the Bonds or Notes or the interest thereon, as applicable, or questioning the validity of the statutes or the proceedings under which the Bonds or Notes are issued, as applicable, and that neither the corporate existence or boundaries of the County, nor the title of any of the said officers to the respective offices, is being contested.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the County of Sussex, Sussex County Administrative Center, One Spring Street, Newton, New Jersey 07860, Elke Yetter, County Treasurer/Chief Financial Officer, (973) 579-0300 or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the County as of the date hereof.

LITIGATION

To the knowledge of County Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds or the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds or the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Further, to the knowledge of the County Counsel and except as set forth below in the next paragraph, no litigation is presently pending or threatened that, in the opinion of the

County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The County has covenanted for the benefit of bondholders to provide certain financial information and operating data on the County annually and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Certificate") to be executed on behalf of the County by its County Treasurer/Chief Financial Officer, in the form appearing in Appendix E hereto, such Bond Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the County to assist the purchaser of the Bonds in complying with the Rule.

Within the five years immediately preceding the date of this Official Statement, the County previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements event notices and late filing notices in connection with its untimely filings of rating changes in connection with certain bond insurer rating changes in 2014. Such notices of events and late filings have since been filed with EMMA. The County appointed Phoenix Advisors, LLC in July of 2014 to serve as continuing disclosure agent.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The County has covenanted for the benefit of noteholders to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the County with the Municipal Securities Rulemaking Board and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate (the "Note Certificate") to be executed on behalf of the County by its County Treasurer/Chief Financial Officer, in the form appearing in Appendix F hereto, such Note Certificate to be delivered concurrently with the delivery of the Notes. This covenant is being made by the County to assist the purchaser of the Notes in complying with the Rule.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of statistical and financial information contained in Appendices A and B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Municipal Advisor (as defined herein) has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

County Counsel has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

Nisivoccia, LLP, Auditor to the County, has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy,

completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has prepared Appendix B to this Official Statement and takes responsibility for the audited financial statements to the extent specified in its Independent Auditors' Report and it will confirm same to the respective original purchaser of the Bonds and the Notes, by a certificate signed by an authorized officer.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the County with respect to the issuance of the Bonds and the Notes (the "Municipal Advisor"). The Municipal Advisor 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 an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned the Bonds a rating of "AA+" and assigned the Notes a rating of "SP-1+". Explanations of the significance of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of such S&P, and an explanation of the significance of the ratings may be obtained from such S&P. There is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by such S&P, if in the judgment of such S&P, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds or the Notes. Except as set forth in the Bond Certificate and the Note Certificate, respectively, the County has not agreed to take any action with respect to any proposed rating change or to bring such rating change, if any, to the attention of the owners of the Bonds or the Notes.

FINANCIAL STATEMENTS

The balance sheets – statutory basis of the various funds of the County as of and for the years ended December 31, 2018, 2017 and 2016 and the related statements of operations and changes in fund balance – statutory basis for the years then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis for the years ended December 31, 2018, 2017 and 2016, together with the Notes to the Financial Statements for the years then ended, are presented in Appendix B to the Official Statement. The financial statements referred to above have been audited by Nisivoccia, LLP, Mount Arlington, New Jersey, independent auditor, as stated in its report appearing in Appendix B.

UNDERWRITING

Underwriting – the Bonds

The Bonds have been purchased from the County at a public sale by Morgan Stanley & Co. LLC at a purchase price of \$27,094,214.82. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Bond purchaser without notice.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Underwriting – the Notes

The Notes have been purchased from the County at a public sale by TD Securities (USA) LLC at a purchase price of \$14,281,537.83. The Note Purchaser is obligated to purchase all of the Notes if any Notes are purchased.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds or 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 contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds or 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.

COUNTY OF SUSSEX

/s/ Elke Yetter

ELKE YETTER

County Treasurer/Chief Financial Officer

DATED: June 6, 2019

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APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE COUNTY OF SUSSEX**

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COUNTY OF SUSSEX

GENERAL GOVERNMENT

The County of Sussex (the “County”), in the State of New Jersey (the “State”) includes 519 square miles and is situated in the northwestern corner of the State. The County has 9 square miles of water in more than 100 lakes and streams. Newton, the County Seat, is centrally located in the County approximately 60 miles from New York City and 100 miles from downtown Philadelphia. The County is easily accessible from metropolitan areas via Interstate Route 80 and major state roadways.

GOVERNMENTAL STRUCTURE

The County operates under the Freeholder form of County government, in which a five-member Board of Chosen Freeholders (the “Board”) is elected for staggered three-year terms. The Board expanded from three members to five members effective January 1, 1990, pursuant to voter approval. The Board enacted the Sussex County Administrative Code on November 17, 1989, so as to maintain the separation of legislative and administrative powers and organize the administration of County government as provided in the Code. The legislative, policy making and investigative powers of County government are vested in the Board. In addition to said powers, the Board operates through an undefined liaison system and is required to perform legislative responsibilities for: (i) adopting whatever ordinances and resolutions it deems necessary and proper for the good governance of the County, (ii) approving the operating and capital budget and appropriating the funds of the County to maintain all County services. A County Administrator is appointed by the Board to be the chief administrative officer responsible for the proper and efficient administration of the County. The County Administrator: (i) supervises, directs and controls all County administrative departments, (ii) organizes the work of the County administrative departments subject to the Code, (iii) reviews the administration and operation of the administrative department and makes recommendations to the Board.

The County has 665 employees of whom approximately 544 are represented by six collective bargaining units. The largest unit is the Communications Workers of America (CWA), AFL-CIO. The County is currently negotiating with the following units whose agreements expired December 31, 2017: CWA Local 1032, Supervisory Unit; CWA Local 1032, Non-Supervisory Unit; CWA Local 1032, Social Services Unit. The PBA agreement for Local 378, Corrections Unit expired on December 31, 2016 and is presently under negotiations as well. The PBA Local 138, Prosecutor’s Association agreement expires on December 31, 2019, and PBA Local 138, Sheriff’s agreement expires on December 31, 2020.

All eligible County employees are enrolled in one of three State of New Jersey retirement systems: the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS) or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers PERS and PFRS which cover substantially all County employees, specifically full-time employees. However, if an employee is ineligible to enroll in PERS or PFRS, they may be eligible to enroll in DCRP, which is jointly administered by the NJ Division of Pensions and Benefits and Prudential Financial.

Both the employer and employees make contributions to the systems. In 2018, the County appropriated \$2,667,617 to pay its share of costs associated with PERS and \$2,430,019 for PFRS. DCRP employer contributions for 2018 were \$90,000; which includes the County share of group term life and long-term disability. In 2019, the County has appropriated \$2,770,659 or 100% contribution for the PERS invoice and \$2,684,243 or 100% contribution for the PFRS invoice. Employer’s full share of the DCRP contribution for 2018 is appropriated at \$91,300.

County employees are also enrolled in the Social Security System and are covered by a fully-insured Medical Plan administered by Horizon Blue Cross Blue Shield of NJ and a fully-insured Prescription Drug Plan administered by Benecard Services, LLC. Other employee insurance coverage includes Workers' Compensation, Unemployment and Temporary Disability, and a fully-insured Dental Plan administered by Delta Dental of NJ.

RESPONSIBILITIES OF GOVERNMENT

The County is responsible for providing diverse government services including the construction and maintenance of the County road and bridge system, the provision of health and human care services, library system, law enforcement, corrections, education and a variety of other programs.

Pursuant to the requirements of Section 326 of the State of New Jersey's Solid Waste Management Act, the Board has adopted a Solid Waste Management Plan and Update. This Plan includes recycling to meet State goals and solid waste flow control for County generated solid waste.

LAND AREA

The land area of the County is approximately 519 square miles, or approximately 337,000 acres. Of that amount, the federal or state government for recreational use holds 64,200 acres. Approximately 12,000 acres of the County are still virgin woodland of the approximately 100,000 acres of total woodland. Agricultural uses account for 61,033 acres. In order to preserve this agricultural base, the County operates a farmland preservation program, which is partially State funded and with a dedicated property tax that began in 2001. There are 100 lakes and streams in the County.

ECONOMY

The County encourages economic growth that is consistent with its zoning and subdivision laws. There has been a shift from a principally agricultural, mining, and recreational based economy to one which is more diversified. Over the past three years (2017-2019) there have been new commercial and multifamily development projects approved. The CC Holding at North Village project includes 135,000 square feet of commercial retail space which includes a grocery store and other smaller store fronts. In addition to the commercial space the CC Holding and North Village project includes 92 single family residential units, 58 townhomes units, 60 apartment units, and a 78-bed assisted living facility. Another recent project is the Pace Glass project which includes 187,500 square feet of a Class A recycling facility.

One of the County's major employers is Thorlabs, an optical equipment company which has its headquarters in Newton, the County seat. Thorlabs was recently approved to construct a new 158,000 square foot manufacturing building. Within the next decade, Thorlabs projects to double their current 840 Newton employment count. To help secure the future workforce, Thorlabs has been working with the County's education establishments from Sussex County Community College (SCCC) all the way down to the elementary schools to help ensure there are STEM and degree programs available. Employees are also encouraged to become adjunct professors at the SCCC to help bolster the program and maintain community involvement.

Approximately 52,000 County residents are employed outside the County. Adjacent to the County are Picatinny Arsenal, a U.S. military installation, and the New Jersey Foreign Trade Zone, an authorized Foreign Trade Zone developed by the Rockefeller Group. In addition, these commuters are employed at various businesses throughout Morris, Bergen, and Essex Counties in New Jersey as well as in New York City. The development of commercial complexes in Morris County has supported the residential growth in the County.

Agriculture contributes approximately \$19 million to County business each year, spread across a varied mix of animal, forage and grain, and direct consumer product sales. The County growers consistently rank near the top in the State in hay production and sales, milk production and sales, cattle, calves, sheep and lamb production and

sales, equine production and value, and sweet corn production. Growth continues in pick-your-own fruit and vegetable farms and in nursery and greenhouse/floriculture industry that is accommodating the increasing urban population and tourism interests in northern New Jersey.

TRANSPORTATION

The transportation network in the County links federal Interstate 80 in the south eastern part of the County and Interstate 84 in the northwestern portion of the County to a variety of U.S. and state routes; U.S. Route 206 connects Interstate 80 with Newton, the County seat, and continues into Pennsylvania. State Routes 15, 23, 94, and 284 provide access to all parts of the County. In addition, the County route system is comprised of 47 separate routes totaling 320 two-lane miles. The towns within the County also maintain a system of local roads and streets. Of the 480 bridges that are located within the County, 440 bridges are part of the County system, 37 are State owned, and 3 are privately owned.

Two commuter bus lines offer transportation to the Port Authority Terminal in New York City and the Sussex County Transit system offers daily trips throughout the County. The Sussex County Transit system also provides Dial-A-Ride services to senior and handicapped citizens. NJ Transit offers rail service in neighboring counties with close proximity to the County.

The New York, Susquehanna, and Western Railway provide freight service to the County.

There are three licensed airfields that serve private pilots. The Newark International Airport is approximately one hour from the County.

EDUCATIONAL FACILITIES

There are 27 public school districts in the County. Four districts offer K-6 instruction, twelve offer K-8 instruction, and four offer K-12 instruction. In addition, there are four regional schools that provide 7-12 and 9-12 educational programs for district students. Among the public school districts is a Charter School for Technology, an Educational Services Commission, and the Sussex County Technical School. The latter is a vocational-technical school serving the County. Students are enrolled in trade, vocational, and technical programs including: electronics, computer science, automotive technology, engineering, culinary, cosmetology, graphic arts, and health care fields. There are also several nonpublic schools in the County, as well as private preschools in most communities.

There is one college in the County. The Sussex County Community College opened in 1982 and was fully accredited by the Middle States Association in 1993.

SUSSEX COUNTY RESIDENT SCHOOL ENROLLMENTS

<u>Year</u>	<u>Total</u>
2017-18	19,932
2016-17	20,710
2015-16	21,424
2014-15	22,011
2013-14	22,786

Source: Sussex County Superintendent of Schools, 2017-18 data per New Jersey Department of Education.

HEALTH CARE FACILITIES

There is one hospital that serves the County, Newton Medical Center. Newton Medical Center has been serving the County for more than 50 years. It is home to the Center for Breast Health, addressing all of a woman's breast health needs including state of the art technology, resources, education, support and follow up care. The 148-bed hospital received the Outstanding Achievement Award and Three-Year accreditation from the American College of Surgeons Commission on Cancer. The hospital received The Joint Commission advanced certification for Advanced Primary Stroke and is the recipient of the American Heart Association/American Stroke Association's Get With The Guidelines®—Stroke Gold Plus Quality Achievement Award with Target: StrokeSM Honor Roll Elite. Newton Medical is one of a select few health care facilities in New Jersey to be accredited by the Intersocietal Accreditation Commission (IAC) in all three of the following echocardiography procedures: adult transthoracic, adult transesophageal and adult stress. Newton Medical Center is part of Atlantic Health System, one of the largest non-profit health care systems in New Jersey. Newton Medical Center also has a strong affiliation with and often refers patients to Morristown Hospital or Saint Joseph's Hospital in Philadelphia.

St. Clare's Hospital in the Township of Dover, in the County of Morris, is a short drive for many County residents.

An interconnecting network of volunteer and private ambulance and rescue squads also serves the County.

RECREATIONAL FACILITIES

Located in the northernmost point of New Jersey, the County is bordered by the 72,000 acre Delaware Water Gap National Recreation Area, developed by the United States Department of Interior. In addition, the County is home to a portion of the Appalachian Trail, 16,447 acre Stokes State Forest and to six additional state parks totaling approximately 53,160 acres, and twelve wildlife management areas; almost one third of the County land mass is parkland and wildlife management areas. Some of the state parks recreational facilities include swimming, fishing, hiking, mountain biking, horseback riding, hunting, boating, picnicking, camping, snow shoeing, cross country skiing, and snowmobiling. Also, there are over 18,000 acres of farmland preserved in perpetuity in the County.

Other recreational offerings consist of two ski resorts, twenty public and private golf courses, a large water park, and a minor league baseball team. The best known of these are Mountain Creek for its winter and summer recreation parks.

COUNTY MUNICIPAL POPULATION AND POPULATION DENSITIES

		Municipality Size:	2010 Population	Persons Per Square Mile
	<u>Form of Government</u>	<u>Square Mile</u>	<u>per Census</u>	
Andover Borough	Mayor-Council	1.5	606	417.3
Andover Township	Township Committee	20.0	6,319	316.6
Branchville Borough	Mayor-Council	0.6	841	1,419.2
Byram Township	Council-Manager	21.1	8,350	396.2
Frankford Township	Township-Committee	34.0	5,565	163.6
Franklin Borough	Mayor-Council	4.5	5,045	1,121.6
Fredon Township	Township Committee	17.7	3,437	194.0
Green Township	Township Committee	16.0	3,601	225.3
Hamburg Borough	Mayor-Council	1.1	3,277	2,870.4
Hampton Township	Township Committee	24.4	5,196	213.2
Hardyston Township	Council-Manager	32.0	8,213	256.9
Hopatcong Borough	Mayor-Council	10.9	15,147	1,395.5
Lafayette Township	Township Committee	18.0	2,538	141.3
Montague Township	Township Committee	44.0	3,847	87.4
Newton Town	Council-Manager	3.1	7,997	2,542.2
Ogdensburg Borough	Mayor-Council	2.3	2,410	1,055.4
Sandyston Township	Township Committee	42.5	1,998	47.0
Sparta Township	Council-Manager	36.9	19,722	533.9
Stanhope Borough	Mayor-Council	1.8	3,610	1,966.3
Stillwater Township	Township Committee	27.1	4,099	151.5
Sussex Borough	Mayor-Council	0.6	2,130	3,615.9
Vernon Township	Mayor-Council	68.2	23,943	350.9
Walpack Township	Township Committee	24.1	16	0.7
Wantage Township	Township Committee	66.8	11,358	170.1
		<u>519.0</u>	<u>149,265</u>	<u>287.6</u>

Source: U.S. Census Bureau

FINANCIAL INFORMATION

COUNTY REVENUE AND TAXES REALIZED

<u>Year</u>	<u>Total Revenue Realized</u>	<u>County Taxes</u>	<u>County Taxes as a % of Total Revenue</u>	<u>Other Revenue</u>
2018	\$ 114,471,213	\$ 92,101,859	80.46%	\$ 22,369,354
2017	111,896,325	90,172,841	80.59%	21,723,484
2016	113,457,377	84,850,217	74.79%	28,607,160

Source: Sussex County Department of Finance & Library Services. 2018 data is unaudited.

COUNTY TAXES

County taxes are collected by the municipalities and paid to the County Treasurer. The municipal levy includes all County general, library, and open space taxes, and school and municipal taxes. Each municipality is required to pay to the County Treasurer its share of the County Purpose Tax on the fifteenth day of February, May, August and November of each year. The County receives its share of the taxes collected from the first taxes collected by each municipality. The State Division of Local Government Services requires that each municipality establish a reserve for uncollected taxes that is equal to the product of total taxes assessed by the County multiplied by the percentage of uncollected taxes in the prior year. This reserve is included in the municipal budget when the municipality establishes its own tax rate and assures the County that it will receive 100% of the taxes due. The County reports that it received 100% of its tax levy during the levy year for each of the last three years.

COMPARISON OF TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>General Tax Levy</u>	<u>Cash Collection</u>	<u>Percentage of Collection</u>
2018	\$ 92,101,859	\$ 92,101,859	100.00%
2017	90,172,841	90,172,841	100.00%
2016	84,850,217	84,850,217	100.00%

Source: Sussex County Department of Finance & Library Services. 2018 data is unaudited.

EQUALIZED VALUATIONS FOR APPORTIONMENT OF COUNTY TAXES

<u>Taxing District</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Andover Borough	\$ 67,136,768	\$ 66,257,495	\$ 69,759,297
Andover Township	679,423,689	684,727,535	667,740,551
Branchville Borough	128,225,339	142,122,836	125,626,181
Byram Township	990,189,256	967,681,544	969,084,680
Frankford Township	796,082,118	807,870,623	824,978,449
Franklin Borough	411,468,592	417,593,307	421,019,872
Fredon Township	434,293,964	428,576,845	427,779,556
Green Township	461,967,426	464,335,551	454,977,399
Hamburg Borough	268,222,994	272,188,832	270,607,041
Hampton Township	645,989,071	636,367,807	630,209,749
Hardyston Township	1,113,588,531	1,136,196,356	1,119,212,905
Hopatcong Borough	1,572,256,246	1,577,240,720	1,636,821,275
Lafayette Township	343,097,932	337,460,456	348,586,224
Montague Township	364,146,167	367,140,165	351,615,565
Newton Town	633,703,021	625,091,779	624,118,805
Ogdensburg Borough	191,473,801	187,038,817	190,649,453
Sandyston Township	249,172,059	244,406,764	246,356,077
Sparta Township	3,111,077,036	3,083,772,077	3,045,962,744
Stanhope Borough	315,261,868	319,640,920	325,290,131
Stillwater Township	452,762,968	455,280,148	437,771,416
Sussex Borough	136,431,619	130,280,646	124,413,054
Vernon Township	2,411,595,380	2,344,616,235	2,354,041,134
Walpack Township	2,682,773	2,932,623	2,915,163
Wantage Township	1,192,522,224	1,169,093,206	1,185,651,429
	<u>\$ 16,972,770,842</u>	<u>\$ 16,867,913,287</u>	<u>\$ 16,855,188,150</u>

Source: Sussex County Board of Taxation

ASSESSED AND EQUALIZED VALUATIONS AND TAX RATES

<u>Year</u>	<u>Assessed Valuation</u>	<u>Equalized Assessed Valuation</u>	<u>General Tax Levy</u>	<u>General Tax Rate</u>
2018	\$ 16,366,382,362	\$ 16,972,770,842	\$ 92,101,859	\$ 0.54
2017	16,392,510,072	16,867,913,287	90,172,841	0.53
2016	16,422,082,683	16,855,188,150	84,850,217	0.50

Source: Sussex County Board of Taxation

ASSESSED VALUATION OF REAL PROPERTY BY CATEGORY

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	2.09%	82.13%	3.73%	9.91%	1.29%	0.86%	100.00%
2017	2.13%	82.14%	3.72%	10.03%	1.30%	0.68%	100.00%
2016	2.14%	82.13%	3.71%	10.07%	1.30%	0.66%	100.00%

Source: New Jersey Department of Community Affairs, Division of Local Government Services

LARGEST TAXPAYERS

Listed below are the 15 major ratables in the County currently listed on the tax rolls and their equalized market value for the year 2018:

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
1.	Martin, Kenneth	Real Estate Developer	\$46,268,200
2.	Tenneco, Inc.	Auto Parts	45,575,100
3.	Wantage Avenue Holding Co., Inc.	Insurance	30,000,000
4.	Mountain Creek	Resort/Recreation	25,256,200
5.	Wal-Mart Stores, Inc.	Retail	24,376,700
6.	Metairie	Resort/Recreation	22,862,800
7.	Jersey Investors Growth	Real Estate Developer	20,627,900
8.	Mulvihill	Resort/Recreation	17,756,300
9.	Gordon Byram Assoc, LLC	Real Estate Property Mgt	17,712,100
10.	Edgewater Assoc, LLC	Real Estate Developer	17,000,000
11.	Kere Associates, LLC	Real Estate Developer	15,962,300
12.	Weldon Quarry Co.	Quarry	15,000,000
13.	Lowe's Home Centers, Inc.	Retail Home Improvements	14,595,000
14.	City of Newark	Water Utility	14,317,100
15.	United Telephone	Communications	13,860,051
		Total	<u>\$341,169,751</u>

Source: Sussex County Board of Taxation-2019 Data Unavailable

SUMMARY OF BUDGET OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Anticipated	Realized	% Realized	Prior Year Realized
Revenue:				
Fund Balance	\$ 5,865,648	\$ 5,865,648	100.00%	\$ 5,340,000
Miscellaneous	13,605,324	14,777,674	108.61%	14,686,611
Current Tax Collections	92,101,859	92,101,859	100.00%	90,172,841
Total Revenue	<u>\$ 111,572,832</u>	<u>\$ 112,745,181</u>	101.05%	<u>\$ 110,199,452</u>
	Appropriated (Modified)	Paid or Charged	% Paid or Charged	Prior Year Paid or Charged
Expenditures:				
Operations:				
Salaries & Wages	\$ 32,906,726	\$ 29,999,046	91.16%	\$ 30,216,065
Other Expenses	54,816,546	50,631,032	96.50%	48,249,450
Capital Improvements	500,000	500,000	100.00%	699,900
Debt Service	16,062,489	16,062,485	99.99%	16,535,906
Deferred Charges & Statutory Expenditures	7,287,071	6,971,919	95.68%	6,964,221
Total Expenditures	<u>\$ 111,572,832</u>	<u>\$ 104,164,482</u>	93.36%	<u>\$ 102,665,542</u>

Source: Sussex County Department of Finance & Library Services. Data is unaudited.

COMPARATIVE SCHEDULE OF FUND BALANCES

	Year	Balance December 31	Used in Succeeding Budget
Current Fund	2018	\$ 16,350,698	\$ 5,866,000
	2017	15,889,577	5,865,648
	2016	13,871,769	5,340,000
County Health Fund*	2018	n/a	n/a
	2017	n/a	n/a
	2016	\$ 565,712	\$ 226,000
County Library Fund	2018	\$ 676,482	\$ 480,000
	2017	712,047	530,000
	2016	581,001	480,000

*County Health Fund was dissolved in 2017 and operations are fully accounted for in the Current Fund

Source: Sussex County Department of Finance & Library Services. 2018 data is unaudited.

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, as of December 31, 2018, and indicated a statutory net debt of 0.603%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General, Vocational School and County College Debt	<u>\$ 112,711,781</u>	<u>\$ 10,036,607</u>	<u>\$ 102,675,174</u>

Net Debt of \$102,675,174, divided by Equalized Valuation Basis per NJSA 40A:2-2, as amended, of \$17,017,463,206 = 0.603%.

DEBT LIMIT OF THE COUNTY OF SUSSEX
DECEMBER 31, 2018

Average Equalized Valuation Basis (2015, 2016 and 2017)	<u>\$ 17,017,463,206</u>
Permitted Debt Limitation (2.00%)	\$ 340,349,264
Net Debt Issued and Authorized but not Issued	<u>102,675,174</u>
Remaining Borrowing Power	<u>\$ 237,674,090</u>

Source: Sussex County Department of Finance & Library Services

COUNTY OF SUSSEX
SCHEDULE OF EXISTING BOND MATURITIES
AND DEBT SERVICE REQUIREMENTS
AS OF DECEMBER 31, 2018⁽¹⁾

Year	Vocational Bonds		General Improvement Bonds		County College Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 605,000	\$ 169,513	\$ 8,675,000	\$ 1,254,413	\$ 1,115,000	\$ 181,188	\$ 11,990,114
2020	605,000	157,225	6,772,000	1,042,701	1,137,000	132,220	9,846,146
2021	455,000	140,200	6,030,000	824,648	1,020,000	102,019	8,571,867
2022	505,000	121,000	4,950,000	596,300	1,025,000	72,275	7,269,575
2023	535,000	97,525	4,950,000	373,550	565,000	43,150	6,564,225
2024	535,000	70,775	4,996,000	124,900	490,000	29,050	6,245,725
2025	560,000	43,400			320,000	18,050	941,450
2026	588,000	14,700			150,000	11,100	763,800
2027					155,000	6,525	161,525
2028					160,000	2,100	162,100
	<u>\$ 4,388,000</u>	<u>\$ 814,338</u>	<u>\$ 36,373,000</u>	<u>\$ 4,216,512</u>	<u>\$ 6,137,000</u>	<u>\$ 587,677</u>	<u>\$ 52,516,527</u>

(1) Does not include County College Bonds pursuant to the County College Bond Act (P.L. 1971, c.12) which are paid by the NJ Department of the Treasury.

Source: Sussex County Department of Finance & Library Services

EMPLOYMENT AND UNEMPLOYMENT COMPARISONS

For the past three (3) years, the New Jersey Department of Labor & Workforce Development reported the following annual average employment information for the County and the State.

	<u>Annual Average</u>			
	<u>Labor Force</u>	<u>Employed</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>County of Sussex</u>				
2018	72,600	69,700	2,900	4.0%
2017	73,200	70,000	3,200	4.4%
2016	74,800	71,200	3,500	4.7%
<u>State of New Jersey</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,453,500	4,247,500	206,000	4.6%
2016	4,474,700	4,252,100	222,600	5.0%

Source: New Jersey Department of Labor & Workforce Development

PER CAPITA INCOME

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County of Sussex	\$59,193	\$56,711	\$55,528
State of New Jersey	\$64,537	\$61,905	\$60,536

*2018 data not yet available

Source: U.S. Bureau of Economic Analysis-Personal Income by State

MAJOR PRIVATE AND PUBLIC EMPLOYERS*

<u>Employer</u>	<u>Municipality</u>	<u>Number of Employees</u>
1. Selective Insurance Group Inc.	Branchville/Sparta	1,000-4,999
2. Crystal Springs Resort	Hardyston	1,000-4,999
3. Newton Medical Center	Newton	500-999
4. Sussex County Offices	Newton	500-999
5. Thorlabs	Newton	500-999
6. Mountain Creek Resort	Vernon	500-999
7. Shop Rite	Byram	250-499
8. Sussex County Community College	Newton	250-499
9. United Methodist Community Bristol Glen	Newton	250-499
10. Andover Subacute & Rehab Center	Andover	100-249

*Local School Districts not included

Source: Sussex County Chamber of Commerce, 2019

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY¹

The Sussex County Municipal Utilities Authority (the “SCMUA”) is a public body corporate and politic of the State of New Jersey. The SCMUA was organized pursuant to the Municipal and County Utilities Authorities law (N.J.S.A. 40:14B-1 et seq.) (the “MUA Act”). The governing body of the SCMUA consists of nine members appointed by the Board of Chosen Freeholders for terms on a staggered basis for a maximum term of five years. The SCMUA was created for the purpose of acquiring, constructing, maintaining and operating sewerage facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the County from pollution or the threatened pollution and for the improvement of conditions affecting the public health. The SCMUA has been granted additional powers to implement the County solid waste plan.

The SCMUA has broad power under the MUA Act including, among others, the following: to sue and to be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and rights of holders thereof under a bond resolution; to enter into contracts with municipalities, other authorities and corporations for the treatment and disposal of sewage and solid waste; to charge and collect service charges for the use of its facilities and to revise such service charges which the MUA Act requires to such that the revenue of the SCMUA will at all times be adequate to pay operating and maintenance expenses including reserves, insurance, extensions and replacements; to pay punctually the principal of and interest on any bonds and to maintain reserves and sinking funds therefor as may be required by the terms of any contracts with bondholders; and to make and enforce rules and regulations for the management of its business affairs.

The County and the Sussex County Municipal Utilities Authority (the "SCMUA") have entered into a Deficiency Advance Contract in order to provide security to the holders of obligations of the SCMUA relative to the existing \$52,638,996 Solid Waste New Jersey Infrastructure Bank Bonds, Upper Wallkill Wastewater Facilities Revenue Bonds and the Paulinskill Water Reclamation Facilities USDA – Rural Development Loans. Pursuant to the terms of the Deficiency Advance Contract, the SCMUA can impose and collect from the County of Sussex annual charges, as defined in the contract, in any fiscal year that the SCMUA estimates that the amount of revenue received from all sources will be insufficient to satisfy all of its costs, expenses, or other obligations.

As of November 30, 2018, the SCMUA had outstanding approximately \$37,290,678 of Upper Wallkill Wastewater Facilities Revenue Bonds that are supported by a Deficiency Advance Contract. The SCMUA’s wastewater revenues have been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its wastewater system.

As of November 30, 2018, the SCMUA had outstanding approximately \$7,697,869 of Solid Waste New Jersey Infrastructure Bank Bonds that are supported by a Deficiency Advance Contract. The SCMUA’s solid waste revenues and surplus had been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its solid waste system.

As of November 30, 2018, the SCMUA had outstanding approximately \$7,650,449 of Paulinskill Basin Water Reclamation Facility USDA –Rural Development Loans which are supported by a Deficiency Advance Contract. The SCMUA’s Paulinskill Facility’s wastewater revenues have been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its wastewater system.

The SCMUA prepared a 2019 budget which anticipates operating revenues will meet all operating and debt service expenses for 2019. Should the actual revenue plus available reserve funds be insufficient, and if the SCMUA has no other source of funding, the county will be required to advance fund to the SCMUA under the Deficiency Advance Contract to the extent other revenue is not obtained to finance the SCMUA’s operations.

¹ Source: Sussex County Department of Finance & Library Services

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APPENDIX B

**FINANCIAL STATEMENTS OF THE COUNTY OF SUSSEX
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

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COUNTY OF SUSSEX
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Independent Auditors' Report

The Honorable Director and Members
of the Board of Chosen Freeholders
County of Sussex
Newton, NJ 07860

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the County of Sussex, in the County of Sussex (the "County") as of and for the years ended December 31, 2018, 2017, and 2016, and the related notes to the 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 financial statements.

The Honorable Director and Members
of the Board of Chosen Freeholders
County of Sussex
Page 2

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, the financial statements are prepared by the County on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the 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

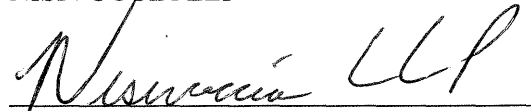
In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the County as of December 31, 2018, 2017, and 2016, or the changes in financial position where applicable, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the County of Sussex as of December 31, 2018, 2017, and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Mt. Arlington, New Jersey
May 28, 2019

NISIVOCCIA LLP

A handwritten signature in black ink, appearing to read "Nisivoccia LLP", is written over a horizontal line.

COUNTY OF SUSSEX
COMPARATIVE BALANCE SHEET
CURRENT FUND

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	\$ 35,575,435.07	\$ 34,861,162.24	\$ 32,436,407.06
Added and Omitted Taxes Receivable	148,261.50	158,166.90	207,831.91
Grant Funds Receivable		3,869,129.97	3,958,528.19
Interfund Receivable	830,846.08		18,266.83
Other Receivables	648,628.37	582,459.70	817,645.65
Total General Fund	<u>37,203,171.02</u>	<u>39,470,918.81</u>	<u>37,438,679.64</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	3,701,938.08		
Total Federal and State Grant Fund	<u>3,701,938.08</u>		
<u>TOTAL ASSETS</u>	<u>\$ 40,905,109.10</u>	<u>\$ 39,470,918.81</u>	<u>\$ 37,438,679.64</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves	\$ 10,716,617.89	\$ 8,697,712.33	\$ 8,160,376.37
Other Encumbrances Payable and Other Liabilities	238,266.73	820,293.46	928,045.66
Interfund Payables	100,000.00	3,245,986.90	3,584,254.92
Cash Reserves for Various Purposes	8,169,852.84	10,076,723.00	9,850,488.86
Reserve for Receivables	1,627,735.95	740,626.60	1,043,744.39
Fund Balance	16,350,697.61	15,889,576.52	13,871,769.44
Total General Fund	<u>37,203,171.02</u>	<u>39,470,918.81</u>	<u>37,438,679.64</u>
Grant Fund:			
Appropriated Reserves	2,031,000.28		
Unappropriated Reserves	99,712.73		
Interfund Payables	830,846.08		
Encumbrances Payable	740,378.99		
Total Grant Fund	<u>3,701,938.08</u>		
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 40,905,109.10</u>	<u>\$ 39,470,918.81</u>	<u>\$ 37,438,679.64</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

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

	Year Ended December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	\$ 5,865,648.00	\$ 5,340,000.00	\$ 5,100,000.00
Miscellaneous Revenue Anticipated	14,777,674.24	14,686,610.68	21,989,425.31
Receipts from Current Taxes	92,101,859.00	90,172,841.00	84,850,217.00
Non-Budget Revenue	1,726,032.33	1,696,873.75	1,517,734.33
Other Credits to Income	4,259,250.09	4,246,524.05	3,377,983.47
Total Income	118,730,463.66	116,142,849.48	116,835,360.11
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Operations	87,723,271.74	84,199,532.33	87,822,497.83
Capital Improvements	500,000.00	700,000.00	626,220.00
County Debt Service	16,062,485.17	16,535,905.69	16,007,254.99
Deferred Charges and Statutory Expenditures	7,286,641.58	7,349,379.38	6,936,031.53
Other Debits to Income	450.00	225.00	645.00
Balances Cancelled			15,080.40
Interfunds and Other Receivables Advanced	830,846.08		18,266.83
Total Expenditures	112,403,694.57	108,785,042.40	111,425,996.58
Excess in Revenue	6,326,769.09	7,357,807.08	5,409,363.53
<u>Fund Balance</u>			
Balance January 1	15,889,576.52	13,871,769.44	13,562,405.91
	22,216,345.61	21,229,576.52	18,971,769.44
Decreased by:			
Utilization as Anticipated Revenue	5,865,648.00	5,340,000.00	5,100,000.00
Balance December 31	\$ 16,350,697.61	\$ 15,889,576.52	\$ 13,871,769.44

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF REVENUE - CURRENT FUND

	For the Years Ended December 31,					
	2018		2017		2016	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 5,865,648.00	\$ 5,865,648.00	\$ 5,430,000.00	\$ 5,340,000.00	\$ 5,100,000.00	\$ 5,100,000.00
Miscellaneous Revenue Anticipated	13,605,324.74	14,777,674.24	13,271,979.33	14,686,610.68	21,442,087.83	21,989,425.31
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Taxes for County Purposes	92,101,859.00	92,101,859.00	90,172,841.00	90,172,841.00	84,850,217.00	84,850,217.00
Total Budget Revenue	111,572,831.74	112,745,181.24	108,874,820.33	110,199,451.68	111,392,304.83	111,939,642.31
Nonbudget Revenue		1,726,032.33		1,696,873.75		1,517,734.33
Grand Total	<u>\$ 111,572,831.74</u>	<u>\$ 114,471,213.57</u>	<u>\$ 108,874,820.33</u>	<u>\$ 111,896,325.43</u>	<u>\$ 111,392,304.83</u>	<u>\$ 113,457,376.64</u>

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF EXPENDITURES
CURRENT FUND

For the Years Ended December 31,								
2018				2017				
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:								
Salaries and Wages	\$ 32,906,726.00	\$ 29,999,046.04	\$ 2,907,679.96		\$ 32,372,130.00	\$ 30,216,065.35	\$ 2,156,064.65	
Other Expenses	54,816,545.74	50,631,031.92	4,185,513.82		51,827,402.33	48,249,450.52	3,577,951.81	
Capital Improvements	500,000.00	500,000.00			700,000.00	699,900.00	100.00	
County Debt Service	16,062,489.00	16,062,485.17		\$ 3.83	16,535,908.00	16,535,905.69		\$ 2.31
Deferred Charges and Statutory Expenditures	7,287,071.00	6,971,919.40	314,722.18	429.42	7,349,380.00	6,964,220.76	385,158.62	0.62
	<u>\$ 111,572,831.74</u>	<u>\$ 104,164,482.53</u>	<u>\$ 7,407,915.96</u>	<u>\$ 433.25</u>	<u>\$ 108,784,820.33</u>	<u>\$ 102,665,542.32</u>	<u>\$ 6,119,275.08</u>	<u>\$ 2.93</u>
Budget	<u>\$ 111,572,831.74</u>				<u>\$ 108,784,820.33</u>			

For the Year Ended December 31, 2016			
	Budget After Modification	Paid or Charged	Unexpended Balance Canceled
Operations:			
Salaries and Wages	\$ 30,941,130.00	\$ 28,740,868.81	\$ 2,200,261.19
Other Expenses	56,881,367.83	53,476,316.53	3,405,051.30
Capital Improvements	626,220.00	626,220.00	
County Debt Service	16,007,256.00	16,007,254.99	\$ 1.01
Deferred Charges and Statutory Expenditures	6,936,331.00	6,683,573.46	252,458.07
	<u>\$ 111,392,304.83</u>	<u>\$ 105,534,233.79</u>	<u>\$ 5,857,770.56</u>
Budget	<u>\$ 111,392,304.83</u>		<u>\$ 300.48</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE BALANCE SHEET
TRUST FUNDS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 14,109,032.33	\$ 10,222,661.88	\$ 8,912,606.00
Investments	81,379.71	79,910.18	79,145.91
Open Space Added and Omitted			
Taxes Receivable	781.39	800.96	1,054.21
Interfunds Receivable	100,000.00	3,245,986.90	3,584,254.92
<u>TOTAL ASSETS</u>	<u>\$ 14,291,193.43</u>	<u>\$ 13,549,359.92</u>	<u>\$ 12,577,061.04</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Escrow Deposits	\$ 456,013.50	\$ 508,463.60	\$ 513,857.89
Cash Reserves for Various Purposes	13,835,179.93	13,005,814.89	12,028,121.72
Fund Balance		35,081.43	35,081.43
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 14,291,193.43</u>	<u>\$ 13,549,359.92</u>	<u>\$ 12,577,061.04</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE BALANCE SHEET
GENERAL CAPITAL FUND

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 32,910,826.84	\$ 32,619,754.05	\$ 40,264,711.79
Investments	725,859.51	712,752.12	705,935.28
Accounts Receivable	9,435,131.00	10,186,002.34	6,193,102.34
Deferred Charges to Future Taxation:			
Funded	54,949,000.00	62,609,000.00	73,964,000.00
Unfunded	35,977,781.17	32,014,400.17	23,212,847.25
<u>TOTAL ASSETS</u>	<u>\$ 133,998,598.52</u>	<u>\$ 138,141,908.68</u>	<u>\$ 144,340,596.66</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Vocational School and General Improvement Serial Bonds	\$ 70,761,000.00	\$ 75,795,000.00	\$ 79,532,000.00
County College Serial Bonds	14,188,000.00	13,508,000.00	15,628,000.00
Improvement Authorizations	40,288,802.69	42,467,634.58	43,670,761.94
Capital Improvement Fund	2,139,231.56	1,139,131.56	370,731.56
Due to State of NJ	308,912.77	308,912.77	308,912.77
Interfunds Payable			18,266.83
Cash Reserves for Various Purposes	5,208,511.50	4,413,593.82	4,342,287.61
Capital Fund Balance	1,104,140.00	509,635.95	469,635.95
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 133,998,598.52</u>	<u>\$ 138,141,908.68</u>	<u>\$ 144,340,596.66</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF FUND BALANCE
GENERAL CAPITAL FUND

	For the Years Ended December 31,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance January 1	\$ 509,635.95	\$ 469,635.95	\$ 488,054.32
Increased by:			
Cancellation of Reserve for Arbitrage Rebate			204,959.43
Cancellation of Reserve for Future Capital Projects:			
Department Improvements			53,300.00
Cancellation of Fully Funded			
Improvement Authorizations	686,746.05		186,729.80
Premium on Sale of:			
Serial Bonds			4,892.40
Bond Anticipation Notes	35,000.00	40,000.00	35,000.00
	<u>1,231,382.00</u>	<u>509,635.95</u>	<u>972,935.95</u>
Decreased by:			
Payment to Current Fund as Anticipated			
Revenue	127,242.00		450,000.00
Appropriated to Finance Improvement			
Authorizations			53,300.00
	<u> </u>	<u> </u>	<u> </u>
Balance December 31	<u>\$ 1,104,140.00</u>	<u>\$ 509,635.95</u>	<u>\$ 469,635.95</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE BALANCE SHEET
SPECIAL REVENUE - COUNTY HEALTH FUND

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents			\$ 853,896.78
Interfund Receivable			
Receivables with Full Reserves:			
Added and Omitted Taxes Receivable			5,728.44
Revenue Accounts Receivable			28,718.75
<u>TOTAL ASSETS</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,343.97</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves			\$ 288,184.71
Accounts Payable			
Prepaid Tax Levy			
Interfunds Payable			
Reserve for Receivables			34,447.19
Fund Balance			565,712.07
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,343.97</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
SPECIAL REVENUE - COUNTY HEALTH FUND

	Year Ended December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized			\$ 197,000.00
Receipts from Current and Prior Year Taxes			2,298,736.00
Miscellaneous Revenue Anticipated			392,612.32
Nonbudget Revenue			25,870.41
Other Credits to Income		254,325.43	313,380.92
Total Income		254,325.43	3,227,599.65
<u>Expenditures</u>			
Budget Expenditures:			
Operations		594,037.50	2,731,916.00
Other Debts to Income			
Excess in Revenue		(339,712.07)	495,683.65
<u>Fund Balance</u>			
Balance January 1		565,712.07	267,028.42
		524,683.65	762,712.07
Decreased by:			
Utilization as Anticipated Revenue		226,000.00	197,000.00
Balance December 31	\$ -	\$ -	\$ 565,712.07

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF REVENUE
SPECIAL REVENUE - COUNTY HEALTH FUND

	For the Years Ended December 31,					
	2018		2017		2016	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated					\$ 197,000.00	\$ 197,000.00
Miscellaneous Revenue Anticipated					236,180.00	392,612.32
Amount to be Raised by Taxes for Support of Health Budget:						
Local Tax for County Health Purposes					2,298,736.00	2,298,736.00
Total Budget Revenue	-	-	-	-	2,731,916.00	2,888,348.32
Nonbudget Revenue						25,870.41
Grand Total	\$ -	\$ -	\$ -	\$ -	\$ 2,731,916.00	\$ 2,914,218.73

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF EXPENDITURES
SPECIAL REVENUE - COUNTY HEALTH FUND

For the Years Ended December 31,					
2018			2017		
Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Environmental Health Operations:					
Salaries and Wages					
Other Expenses					
Public Health Nursing Funds:					
Salaries and Wages					
Other Expenses					
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the Year Ended December 31, 2016		
Budget After Modification	Paid or Charged	Reserved
Environmental Health Operations:		
Salaries and Wages	\$ 886,319.00	\$ 818,348.90
Other Expenses	1,101,780.00	962,778.71
Public Health Nursing Funds:		
Salaries and Wages	334,369.00	312,334.98
Other Expenses	409,448.00	379,820.69
<u>\$ 2,731,916.00</u>	<u>\$ 2,473,283.28</u>	<u>\$ 258,632.72</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE BALANCE SHEET
SPECIAL REVENUE - COUNTY LIBRARY FUND

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,220,634.61	\$ 828,009.20	\$ 818,012.76
Investments	394,662.61	633,021.46	626,967.18
Receivables with Full Reserves:			
Added and Omitted Taxes Receivable	7,410.13	5,768.05	11,948.28
Revenue Accounts Receivable	5,771.89	6,221.69	7,136.56
	<u>13,182.02</u>	<u>11,989.74</u>	<u>19,084.84</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,628,479.24</u>	<u>\$ 1,473,020.40</u>	<u>\$ 1,464,064.78</u>
 <u>LIABILITIES, RESERVES, AND FUND BALANCE</u>			
Appropriation Reserves	\$ 893,102.12	\$ 596,096.11	\$ 688,533.91
Accounts Payable		107,911.60	107,911.60
Unrestricted State per Capita Library Aid	45,613.00	44,976.00	44,857.00
Reserve for Donations	100.00		22,675.98
	<u>938,815.12</u>	<u>748,983.71</u>	<u>863,978.49</u>
Reserve for Receivables	13,182.02	11,989.74	19,084.84
Fund Balance	676,482.10	712,046.95	581,001.45
<u>TOTAL LIABILITIES, RESERVES, AND FUND BALANCE</u>	<u>\$ 1,628,479.24</u>	<u>\$ 1,473,020.40</u>	<u>\$ 1,464,064.78</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
SPECIAL REVENUE - COUNTY LIBRARY FUND

	Year Ended December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 530,000.00	\$ 480,000.00	\$ 519,945.00
Receipts from Current Taxes	4,930,866.00	4,544,259.00	4,380,316.00
Miscellaneous Revenue Anticipated	44,976.00	67,532.00	56,283.00
Nonbudget Revenue	120,586.32	113,517.83	117,900.36
Other Credits to Income	373,848.83	497,527.67	292,862.85
	<u>6,000,277.15</u>	<u>5,702,836.50</u>	<u>5,367,307.21</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operations	<u>5,505,842.00</u>	<u>5,091,791.00</u>	<u>4,956,544.00</u>
Excess in Revenue	494,435.15	611,045.50	410,763.21
<u>Fund Balance</u>			
Balance January 1	<u>712,046.95</u>	<u>581,001.45</u>	<u>690,183.24</u>
	1,206,482.10	1,192,046.95	1,100,946.45
Decreased by:			
Utilization as Anticipated Revenue	<u>530,000.00</u>	<u>480,000.00</u>	<u>519,945.00</u>
Balance December 31	<u>\$ 676,482.10</u>	<u>\$ 712,046.95</u>	<u>\$ 581,001.45</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF REVENUE
SPECIAL REVENUE - COUNTY LIBRARY FUND

	For the Years Ended December 31,					
	2018		2017		2016	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 530,000.00	\$ 530,000.00	\$ 480,000.00	\$ 480,000.00	\$ 519,945.00	\$ 519,945.00
Miscellaneous Revenue Anticipated	44,976.00	44,976.00	67,532.00	67,532.00	56,283.00	56,283.00
Amount to be Raised by Taxes for Support of Library Budget:						
Local Tax for County Library Purposes	4,930,866.00	4,930,866.00	4,544,259.00	4,544,259.00	4,380,316.00	4,380,316.00
Total Budget Revenue	5,505,842.00	5,505,842.00	5,091,791.00	5,091,791.00	4,956,544.00	4,956,544.00
Nonbudget Revenue		120,586.32		113,517.83		117,900.36
Grand Total	<u>\$ 5,505,842.00</u>	<u>\$ 5,626,428.32</u>	<u>\$ 5,091,791.00</u>	<u>\$ 5,205,308.83</u>	<u>\$ 4,956,544.00</u>	<u>\$ 5,074,444.36</u>

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
COMPARATIVE STATEMENT OF EXPENDITURES
SPECIAL REVENUE - COUNTY LIBRARY FUND

For the Years Ended December 31,						
2018			2017			
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations:						
Salaries and Wages	\$2,284,448.00	\$1,946,093.06	\$ 338,354.94	\$2,184,839.00	\$1,976,823.74	\$ 208,015.26
Other Expenses	3,221,394.00	2,876,970.95	344,423.05	2,906,952.00	2,743,632.48	163,319.52
	<u>\$5,505,842.00</u>	<u>\$4,823,064.01</u>	<u>\$ 682,777.99</u>	<u>\$5,091,791.00</u>	<u>\$4,720,456.22</u>	<u>\$ 371,334.78</u>
For the Year Ended December 31, 2016						
	Budget After Modification	Paid or Charged	Reserved			
Operations:						
Salaries and Wages	\$2,106,847.00	\$1,928,706.80	\$ 178,140.20			
Other Expenses	2,849,697.00	2,536,276.60	313,420.40			
	<u>\$4,956,544.00</u>	<u>\$4,464,983.40</u>	<u>\$ 491,560.60</u>			

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
BALANCE SHEET
GENERAL FIXED ASSETS ACCOUNT GROUP

<u>ASSETS</u>	December 31,		
	2018	2017	2016
Land	\$ 16,415,008.00	\$ 16,415,008.00	\$ 16,963,316.00
Building	85,634,308.00	83,350,896.00	81,710,470.00
Machinery, Equipment and Vehicles	27,352,710.00	25,970,067.00	25,290,383.00
Work in Progress	299,058.00	1,245,339.00	768,915.00
<u>TOTAL ASSETS</u>	<u>\$ 129,701,084.00</u>	<u>\$ 126,981,310.00</u>	<u>\$ 124,733,084.00</u>
<u>RESERVE</u>			
Reserve for Fixed Assets	\$ 129,701,084.00	\$ 126,981,310.00	\$ 124,733,084.00
<u>TOTAL RESERVE</u>	<u>\$ 129,701,084.00</u>	<u>\$ 126,981,310.00</u>	<u>\$ 124,733,084.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the County of Sussex include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the County of Sussex, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the County of Sussex do not include the operations of the County Community College, County Municipal Utilities Authority or the County Vocational School, inasmuch as their activities are administered by separate boards. The operations of the County Welfare Agency have also been excluded inasmuch as they serve as an agent of the State of New Jersey and their records are maintained separately.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

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

Sussex County Community College
College Hill
Newton, NJ 07860

Sussex County Municipal Utilities Authority
34 South Route 94
Lafayette, NJ 07848

Sussex County Division of Social
Services
83 Spring Street
PO Box 218
Newton, NJ 07860

Sussex County Technical School
105 North Church Road
Sparta, NJ 07871

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

The accounting policies of the County of Sussex conform to the accounting practices applicable to municipalities and counties which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the County of Sussex accounts for its financial transactions through the following separate funds:

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

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

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

Special Revenue - County Library Fund - Resources and expenditures for the operations of the County Library system.

General Fixed Assets Account Group - These accounts were established with estimated values of land, buildings, and certain fixed assets of the County as discussed in Note 1E – "Basis of Accounting".

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for the prepayment of future years' revenue and State and Federal Grant Funds which are recorded as revenue in the year they are anticipated in the budget. The amounts recorded as County taxes receivable have not been included in revenue. Amounts that are due to the County which are susceptible of accrual are recorded as receivables with offsetting reserves in the Current, Health and Library Funds. Expenditures are charged to operations generally based on budgeted amounts.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances, become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at 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 additional encumbrances which have not been recorded as of December 31, for specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

The cash basis of accounting is followed in the Trust and General Capital Funds.

Had the County's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded or budgeted; and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the County's net OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

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

- E. Other significant accounting policies include:

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

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

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

Investments – Investments are stated at cost.

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

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

General Fixed Assets – In accordance with N.J.A.C. accounting requirements, the County developed a fixed assets accounting and reporting system based on the following.

General fixed assets are recorded at cost, except for land which is recorded at assessed value, and buildings, which are recorded at replacement value in the year in which they were originally recorded. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and the General Capital Fund. The values recorded in the General Fixed Assets Account Group, Current Fund and the General Capital Fund may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

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

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the 1st quarter for the current operating and open space trust funds. The budget is submitted to the governing body and the State Division of Local Government Services. Additionally, budgets are prepared for the County Library Funds which is approved by the governing body but do not require approval by the State Division of Local Government Services. The budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in NJSA 40A. All budget amendments/transfers must be approved by the County during the year.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt

Summary of County Debt

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

	December 31,		
	2018	2017	2016
Issued:			
General Bonds, Notes and Loans	\$ 84,949,000	\$ 89,303,000	\$ 95,160,000
Authorized but not Issued:			
General Bonds and Notes	5,977,781	5,320,400	2,016,847
	<u>90,926,781</u>	<u>94,623,400</u>	<u>97,176,847</u>
Less:			
Funds Temporarily Held to Pay Bond			
and Note Principal:			
Reserve to Pay Debt Service	1,856,515	2,268,094	3,345,221
Reserve to Pay Debt Service - NJ DOT Grant			31,360
Reserve to Pay Vocational			
School Bonds	129,092	128,245	108,303
Capital Projects for County Colleges			
(NJSA 18A:64A-22.1 to 22.8)	8,051,000	7,846,000	9,046,000
	<u>10,036,607</u>	<u>10,242,339</u>	<u>12,530,884</u>
Net Bonds and Notes Issued and			
Authorized but not Issued	<u>\$ 80,890,174</u>	<u>\$ 84,381,061</u>	<u>\$ 84,645,963</u>

All debt issued for the Sussex County Community College is a direct obligation of the County.

The Sussex County Vocational School is a Type I School District; therefore, according to statute, the County is responsible for all debt authorized by the Vocational School.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Prior Year

<u>Fund</u>	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Serial Bonds:				
General Capital Fund	\$ 73,964,000.00		\$ 11,355,000.00	\$ 62,609,000.00
Bond Anticipation Notes:				
General Capital Fund	<u>21,196,000.00</u>	<u>\$ 26,694,000.00</u>	<u>21,196,000.00</u>	<u>26,694,000.00</u>
	<u>\$ 95,160,000.00</u>	<u>\$ 26,694,000.00</u>	<u>\$ 32,551,000.00</u>	<u>\$ 89,303,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>
Serial Bonds:				
General Capital Fund	\$ 62,609,000.00	\$ 2,800,000.00	\$ 10,460,000.00	\$ 54,949,000.00
Bond Anticipation Notes:				
General Capital Fund	<u>26,694,000.00</u>	<u>30,000,000.00</u>	<u>26,694,000.00</u>	<u>30,000,000.00</u>
	<u>\$ 89,303,000.00</u>	<u>\$ 32,800,000.00</u>	<u>\$ 37,154,000.00</u>	<u>\$ 84,949,000.00</u>

The County's debt issued and outstanding at December 31, 2018 is as follows:

Vocational School Serial Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Balance Dec. 31, 2018</u>
Vocational School	08/15/2020	2.125-2.25%	\$ 300,000
Vocational School	02/15/2026	2.00-5.00%	<u>4,088,000</u>
			<u>4,388,000</u>

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

General Improvement Serial Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	Balance Dec. 31, 2018
General Improvements	08/15/2020	2.125-2.25%	\$ 3,777,000
General Improvements	05/01/2021	2.994-3.518%	1,080,000
General Improvements	09/01/2021	4.00%	2,820,000
General Improvements	02/15/2024	2.00%-5.00%	28,696,000
			<u>36,373,000</u>

County College Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	
County College	09/01/2022	4.00%	\$ 1,060,000
County College	08/15/2020	2.125-2.25%	297,000
County College	01/15/2022	2.00-3.00%	750,000
County College	01/15/2023	4.00%	375,000
County College	03/15/2024	1.50-2.00%	1,075,000
County College	03/15/2025	2.00%	1,180,000
County College	03/15/2028	2.00-4.00%	1,400,000
			<u>6,137,000</u>

County College Bonds (Ch. 12)

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	
County College (Ch. 12)	09/01/2022	4.00%	\$ 800,000
County College (Ch. 12)	08/15/2020	2.125-2.25%	216,000
County College (Ch. 12)	01/15/2022	2.00-3.00%	680,000
County College (Ch. 12)	01/15/2023	4.00%	375,000
County College (Ch. 12)	09/01/2026	4.00%	2,325,000
County College (Ch. 12)	03/15/2024	1.50-2.00%	1,075,000
County College (Ch. 12)	03/15/2025	2.00%	1,180,000
County College (Ch. 12)	03/15/2028	2.00-4.00%	1,400,000
			<u>8,051,000</u>

Total Serial Bonds Outstanding

\$ 54,949,000

Bond Anticipation Notes

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	
Various Capital Improvements	06/24/2019	3.00%	\$ 30,000,000
Total Debt Issued and Outstanding			<u>\$ 84,949,000</u>

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

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 .603%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General, Vocational School and County College Debt	<u>\$ 112,711,781</u>	<u>* \$ 10,036,607</u>	<u>\$ 102,675,174</u>

Net Debt \$102,675,174 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$17,017,463,206 = .603%.

*Includes Bonds issued by the Morris County Improvement Authority which are included as part of the Net Debt. See Note 15 for further information.

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

2% Average Equalized Valuation of Real Property	\$ 340,349,264
Net Debt	<u>102,675,174</u>
Remaining Borrowing Power	<u>\$ 237,674,090</u>

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

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and
Thereafter for Bonded Debt Issued and Outstanding

Calendar Year	General Improvements		Vocational School		County College*		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 8,675,000	\$ 1,254,413	\$ 605,000	\$ 169,513	\$ 1,115,000	\$ 171,188	\$ 11,990,114
2020	6,772,000	1,042,701	605,000	157,225	1,137,000	132,220	9,846,146
2021	6,030,000	824,648	455,000	140,200	1,020,000	102,019	8,571,867
2022	4,950,000	596,300	505,000	121,000	1,025,000	72,275	7,269,575
2023	4,950,000	373,550	535,000	97,525	565,000	43,150	6,564,225
2024-2028	4,996,000	124,900	1,683,000	128,875	1,275,000	66,825	8,274,600
	<u>\$ 36,373,000</u>	<u>\$ 4,216,512</u>	<u>\$4,388,000</u>	<u>\$ 814,338</u>	<u>\$ 6,137,000</u>	<u>\$ 587,677</u>	<u>\$ 52,516,527</u>

* Does not include principal and interest on County College Bonds issued pursuant to Chapter 12, Public Laws of 1971, which will be paid by the State Department of Treasury.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$54,580,260 at June 30, 2018. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$37,152,695 at June 30, 2018. See Note 4 for further information on the PERS and PFRS.

Net OPEB Liability

The County's Net OPEB liability related to the County's Post Retirement Benefit Plan was calculated to be \$351,009,095. See Note 17 for further information on this net OPEB liability.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2018 which are appropriated and included in the introduced budgets as anticipated revenue in their own respective funds for the year ending December 31, 2019 are as follows:

Current Fund	\$ 5,866,000
County Library Fund	480,000

Note 4: Pension Plans

County employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

This unfunded liability is being paid by the employer in level annual payments over a period of 15 years which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. County contributions to PERS amounted to \$2,667,617 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense

At June 30, 2018, the County's liability was \$54,580,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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 members, actuarially determined. At June 30, 2018, the County's proportion was 0.277%, which was a decrease of 0.006% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the County recognized actual pension expense in the amount of \$2,667,617.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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 one year for females).

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2017 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equit	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 upon the contribution rate in the most recent fiscal year. 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.66%)	(5.66%)	(6.66%)
County's proportionate share of the Net Pension Liability	\$ 68,628,387	\$ 54,580,259	\$ 42,800,322

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of the assets.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation

Under 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.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers 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 local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2018 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

County contributions to PFRS amounted to \$2,430,019 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$298,879 to the PFRS for normal pension benefits on behalf of the County, which is less than the contractually required contribution of \$597,759.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2018, the County's liability for its proportionate share of the net pension liability was \$37,152,695. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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 members, actuarially determined. At June 30, 2018, the County's proportion was 0.2746%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

Additionally, the State's proportionate share of the net pension liability attributable to the County is \$5,046,579 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the County 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 members, actuarially determined. At June 30, 2018, the State's proportion was 0.2746%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017 which is the same proportion as the County's.

County's Proportionate Share of the Net Pension Liability	\$ 37,152,695
State's Proportionate Share of the Net Pension Liability Associated with the County	<u>5,046,579</u>
Total Net Pension Liability	<u><u>\$ 42,199,274</u></u>

For the year ended December 31, 2018, the County recognized total pension expense of \$2,430,019.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability retirement rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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 real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2018 are summarized in the following table:

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Asset	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%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the County) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the County) as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.51%)	(6.51%)	(7.51%)

County's proportionate share of the NPL and the
State's proportionate share of the Net Pension

Liability associated with the County	\$ 62,106,363	\$ 47,136,608	\$ 34,837,252
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Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the County recognized pension expense of \$54,771 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$100,414 for the year ended December 31, 2018.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Accrued Sick and Vacation Benefits

The County has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. The current cost of such unpaid compensation has been estimated at approximately \$2,403,849 at December 31, 2018 and is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the County's budget operating expenditures in the year in which it is used and/or charged.

This amount is partially reserved in the Reserve for Accrued Sick and Vacation of \$2,258,271 on the Other Trust Funds balance sheet at December 31, 2018.

Note 6: Selected Tax Information

County Tax Calendar

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

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a possible increase in future tax levies.

<u>Year</u>	<u>General Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 92,101,859	\$ 92,101,859	100.00%
2017	90,172,841	90,172,841	100.00%
2016	84,850,217	84,850,217	100.00%
<u>Year</u>	<u>Open Space Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 395,000	\$ 395,000	100.00%
2017	395,000	395,000	100.00%
2016	395,000	395,000	100.00%

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 6: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently (Cont'd)

<u>Year</u>	<u>Health Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	*	*	*
2017	*	*	*
2016	\$ 2,298,736	\$ 2,298,736	100.00%
<u>Year</u>	<u>Library Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 4,930,866	\$ 4,930,866	100.00%
2017	4,544,259	4,544,259	100.00%
2016	4,380,316	4,380,316	100.00%

* The County Health Fund is part of the Current Fund Budget starting in 2017.

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the County, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Comparative Tax Information

<u>Year</u>	<u>Net Valuation on Which Taxes Are Apportioned</u>	<u>County General Tax Rate</u>	<u>County Health Tax Rate</u>	<u>County Library Tax Rate</u>	<u>County Open Space Tax Rate</u>
2018	\$ 16,972,770,842	\$ 0.544		\$ 0.036	\$ 0.002
2017	16,867,913,287	0.535		0.033	0.002
2016	16,855,188,150	0.505	\$ 0.014	0.032	0.002

Note 7: Sussex County Municipal Utilities Authority Receivable

The Current Fund balance sheet reflects a receivable from the Sussex County Municipal Utilities Authority ("SCMUA") in the amount of \$343,599.42 at December 31, 2018.

The \$343,599.42 represents funds advanced to the SCMUA for the study of several projects. The SCMUA is to repay the funds when the projects have been completed and permanently financed from proceeds of bonds, temporary bonds or from proceeds of grants received for the projects. However, due to the lack of federal funds available, the construction of the projects under study is questionable; therefore, the collection of the receivable is uncertain. The management of the County feels that if the receivable is not collected, it would not adversely affect the County's financial position because the receivable is offset with a reserve.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Commitment

The County of Sussex and the Sussex County Municipal Utilities Authority (the "SCMUA") have entered into a Deficiency Advance Contract in order to provide security to the holders of obligations of the SCMUA relative to the existing \$52,638,996 Solid Waste New Jersey Infrastructure Bank Bonds, Upper Wallkill Wastewater Facilities Revenue Bonds and the Paulinskill Water Reclamation Facilities USDA – Rural Development Loans. Pursuant to the terms of the Deficiency Advance Contract, the SCMUA can impose and collect from the County of Sussex annual charges, as defined in the contract, in any fiscal year that the SCMUA estimates that the amount of revenue received from all sources will be insufficient to satisfy all of its costs, expenses, or other obligations.

As of November 30, 2018, the SCMUA had outstanding approximately \$37,290,678 of Upper Wallkill Wastewater Facilities Revenue Bonds that are supported by a Deficiency Advance Contract. The SCMUA's wastewater revenues have been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its wastewater system.

As of November 30, 2018, the SCMUA had outstanding approximately \$7,697,869 of Solid Waste New Jersey Infrastructure Bank Bonds that are supported by a Deficiency Advance Contract. The SCMUA's solid waste revenues and surplus had been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its solid waste system.

As of November 30, 2018, the SCMUA had outstanding approximately \$7,650,449 of Paulinskill Basin Water Reclamation Facility USDA –Rural Development Loans which are supported by a Deficiency Advance Contract. The SCMUA's Paulinskill Facility's wastewater revenues have been sufficient to meet all costs of operation and maintenance and all debt service costs of the Authority with respect to its wastewater system.

The SCMUA prepared a 2019 budget which anticipates operating revenues will meet all operating and debt service expenses for 2019. Should the actual revenue plus available reserve funds be insufficient, and if the SCMUA has no other source of funding, the county will be required to advance fund to the SCMUA under the Deficiency Advance Contract to the extent other revenue is not obtained to finance the SCMUA's operations.

In 2017, Mountain Creek filed under Federal Chapter 11 for bankruptcy protection, wherein Vernon Township, a municipal participant of the SCMUA, was listed as an unsecured creditor. While Vernon Township ultimately secures the debt to SCMUA, if they are unable to pay SCMUA, SCMUA may have to draw on the Deficiency Advance Contract with the County. However, Vernon Township pledges ad valorem taxes as security for the amount owed to SCMUA. The County is working with legal counsel and with the Division of Local Government Services, who has taken the position that Vernon Township is responsible for the debt payments, to protect the interest of the County.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 9: Cash and Cash Equivalents and Investments

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

Custodial Credit Risk – The County's policy with respect to custodial credit risk requires that the County ensures that County funds are only deposited in financial institutions in which NJ counties are permitted to invest their funds.

Deposits

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

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

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

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

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (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.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2018, cash and cash equivalents and investments of the County of Sussex consisted of the following:

Fund	<u>Cash and Cash Equivalents</u>		<u>Investments</u>	Total
	Cash on Hand	Checking and Savings Accounts	Certificates of Deposit	
Current	\$ 900	\$ 35,574,535		\$ 35,575,435
Other Trust		14,109,032	\$ 81,380	14,190,412
General Capital		32,910,827	725,860	33,636,687
County Library		1,220,635	394,662	1,615,297
	<u>\$ 900</u>	<u>\$ 83,815,029</u>	<u>\$ 1,201,902</u>	<u>\$ 85,017,831</u>

The carrying amount of the County's cash and cash equivalents and investments at December 31, 2018, was \$85,017,831 and the bank balance was \$85,006,538.

Note 10: Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ.

Property, Liability and Workers' Compensation

The County is a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Property and Liability Insurance and Workers' Compensation. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 10: Risk Management (Cont'd)

Property, Liability and Workers' Compensation (Cont'd)

The December 31, 2018 audit report of the Statewide Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2017 is as follows:

	Statewide Insurance Fund Dec. 31, 2017
Total Assets	\$ 48,640,942
Net Position	\$ 13,386,585
Total Revenue	\$ 28,241,347
Total Expenses	\$ 23,341,898
Change in Net Position	\$ 4,899,449
Members Dividends	\$ 560,525

Financial statements for the Fund is available at the office of the Fund's Executive Directors

Statewide Insurance Fund
One Sylvan Way
Parsippany, NJ 07054
(862) 260-2050

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.

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

<u>Year</u>	<u>Interest Earnings</u>	<u>County/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 5,495.67	\$ 74,827.39	\$ 44,686.17	\$ 575,147.34
2017	668.20	68,475.60	96,877.95	539,510.45
2016	85.82	59,829.56	38,341.63	567,244.60

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 830,846.08	\$ 100,000.00
Federal & State Grant Fund		830,846.08
Other Trust	100,000.00	
	<u>\$ 930,846.08</u>	<u>\$ 930,846.08</u>

The interfund receivable in the Current Fund and interfund payable in the Federal and State Grant Fund are the result of expenses paid by the Current Fund that have not been transferred in cash from the Federal and State Grant Fund prior to year-end. The interfund receivable in the Other Trust Funds is due to the reserve for storm recovery due from the Current Fund.

Note 12: Deferred Compensation

The County of Sussex offers its employees deferred compensation plans (the "Plans") created in accordance with Section 457 of the Internal Revenue Code. The Plans, which are administered by Nationwide Retirement Solutions, Equitable and ICMA Retirement Solutions, are available to all County employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

Note 13: Open Space Trust Fund

On January 17, 2001, the County created an Open Space Trust Fund to provide for farmland preservation and open space acquisition. Collection of funds for the Trust Fund commenced during 2001 with a tax equal to \$.02 per \$100 of total county equalized real property valuation. The levy for 2018 was set at \$.002 per \$100. As of December 31, 2018, the balance in the Open Space Trust Fund was \$4,342,498.79.

Note 14: Economic Dependency

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

Note 15: Contingent Liabilities

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

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the County as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although County officials expect such amounts, if any, to be immaterial.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 15: Contingent Liabilities (Cont'd)

On December 7, 2011, the Morris County Improvement Authority issued Bonds in the principal amount of \$26,715,000 designated as "County of Sussex Guaranteed Renewable Energy Program Lease Revenue Bonds Series 2011 A" (Federally Taxable). Additionally, in 2015 the Morris County Improvement Authority issued bonds or notes in the principle amount of \$6,750,000 designated as "County of Sussex Guaranteed Renewable Energy Program Lease Revenue Notes and Bonds, Series 2015. The purpose of these fundings was to develop Renewable Energy Projects for various public entities in the County of Sussex including School Districts, Municipalities, the Sussex County Technical School, the Sussex County Community College and the County. In 2012 a dispute arose between the developer and its contractor which delayed the completion of approximately 50% of the projects. On March 3, 2015, the dispute was settled by all parties. The Morris County Improvement Authority issued a Default Notice. The resultant shortage of funds will therefore require, the County of Sussex, as Guarantor, to assume the payment of the remaining \$21,785,000 of outstanding debt at December 31, 2018. The County will offset future debt service with PPA and SREC revenues. Any revenue shortfall will be funded annually by appropriation within the overall County Budget. The 2019 County Budget includes an appropriation of \$1,800,000 to support the County guarantee.

Note 16: Related Party Transactions

During the years ended December 31, 2018 and 2017, the County of Sussex provided financial support for current operations to the following component units:

	December 31,	
	2018	2017
Sussex County Technical School	\$ 6,983,864	\$ 6,973,418
Sussex County Community College	4,020,000	3,984,500
Sussex County Division of Social Services	1,513,362	1,413,512
	<u>\$ 12,517,226</u>	<u>\$ 12,371,430</u>

These funds are raised through the County's tax levy and disbursed to the county vocational school, the county college and the Division of Social Services for their operations. There are no amounts due to, or due from, these three entities at December 31, 2018.

Note 17: Post-Retirement Benefits Other than Pensions (OPEB)

1. General Information about the County's OPEB Plan

Plan Description and Benefits Provided

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

1. Police (PBA, including officers, sheriffs, prosecutors): Generally, an employee must retire with at least 25 years of service in a New Jersey pension system (and also either 10, 20 or 25 years with the County).
2. Other employees: Generally, an employee must retire after age 55 with at least 25 years of service in a New Jersey pension system (and also 15 years with the County).

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

1. General Information about the County's OPEB Plan (Cont'd)

Plan Description and Benefits Provided (Cont'd)

Generally, the costs of post retirement benefits are 100% County funded. However, if an employee did not have 20 years of service as of June 28, 2011, some level of retiree contribution is required according to the state mandated scale.

Deductibles of up to \$1,500 per year per person will be reimbursed by the County for the Sheriff's Unit (PBA#138).

Prosecutors hired after 2007 only receive coverage until age 65.

The County's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e. pay-as-you-go). Current New Jersey state law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust.

Employees Covered by Benefit Terms

As of December 31, 2018, there was a total of 1,022 employees and retirees, reflecting the sum of 660 active employees and 362 retirees.

Total OPEB Liability

The County's OPEB liability of \$351,009,095 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.64%
Salary Increases	3.00% per year
Inflation Assumptions	3.00% per year

The actuarial valuation assumed the following:

- 1 – The contribution percentage was 20% for future retirees who did not have 20 years of service as of June 28, 2011.
- 2 - The current and future retirees and dependents in the Sheriff's Unit (PBA #138) are expected to utilize 100% of the annual deductible.
- 3 – 100% of eligible retirees are expected to participate.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

The investment rate of return in the previous actuarial valuation under GASB 45 was 4.50%.

The selected discount rate was based on the Standard and Poor's Municipal bond 20-year High Grade Index as of December 31, 2018 which is 3.64%.

The following are the health care cost trend rates:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7+	5.0%

Mortality rates were based on the RP-2014 mortality table and MP-2016 projection.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2018	\$ 336,608,116
Changes for Year:	
Service Cost	9,805,934
Interest Cost	12,073,390
Benefit Payments	(9,843,143)
Difference between Expected and Actual Experience	<u>2,364,798</u>
Net Changes	<u>14,400,979</u>
Balance at December 31, 2018	<u><u>\$ 351,009,095</u></u>

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (2.64 percent) or 1 percentage higher (4.64 percent) than the current discount rate:

	December 31, 2018		
	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB Liability	\$ 418,248,964	\$ 351,009,095	\$ 283,769,228

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage lower or 1 percentage higher than the valuation healthcare cost trend rates:

	December 31, 2018		
	1% Decrease (7.0% Decreasing to 4.0%)	Healthcare Trend Rates (8.0% Decreasing to 5.0%)	1% Increase (9.0% Increasing to 6.0%)
Total OPEB Liability	\$ 290,240,907	\$ 351,009,095	\$ 424,137,658

OPEB Expense

For the year ended December 31, 2018, the County's OPEB expense was \$22,217,152 as determined by the actuarial valuation.

The County's portion of post-retirement benefits is funded on a pay-as-you go basis from the Current Fund operating budget. During 2018 and 2017, the County had approximately 368 and 363 employees who met eligibility requirements and recognized expenses of approximately \$8,500,300 and \$7,746,616, respectively.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

2. State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

2. State Health Benefit Local Government Retired Employees Plan (Cont'd)

General Information about the OPEB Plan (Cont'd)

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

2. State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense

The total OPEB liability as of June 30, 2018 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The States proportionate share of the net OPEB liability attributable to the County at June 30, 2017 was 34,675,482. At June 30, 2017, the State's proportion related to the County was .398779%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2017 the State of New Jersey's OPEB expense related to the County was \$2,481,589.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 17: Post-Retirement Benefits Other than Pensions (OPEB) (Cont'd)

2. State Health Benefit Local Government Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 18: Fixed Assets

The following is a schedule of the County of Sussex's fixed assets at December 31, 2018:

	Balance Dec. 31, 2017	Additions	Adjustments/ Deletions	Balance Dec. 31, 2018
Land	\$ 16,415,008			\$ 16,415,008
Buildings	83,350,896	\$ 1,072,555	\$ 1,210,857	85,634,308
Machinery, Equipment and Vehicle	25,970,067	2,151,817	(769,174)	27,352,710
Construction In Progress	1,245,339	264,576	(1,210,857)	299,058
	<u>\$ 126,981,310</u>	<u>\$ 3,488,948</u>	<u>\$ (769,174)</u>	<u>\$ 129,701,084</u>

COUNTY OF SUSSEX
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 19: Tax Abatement

Governmental Accounting Standards Board (GASB) Statement 77, Tax Abatements, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

County property tax revenues were potentially reduced by approximately \$553,500 under agreements entered by several municipalities in the County, however, because the County property tax levy is guaranteed to be paid in full by the municipalities, the County collected its full tax levy in 2018. The entities (including nonprofit organizations and redevelopers) under these agreements pay the municipalities an annual service charge or payment in lieu of taxes. Under a certain number of these agreements, the municipalities remit 5% of the annual service charges to the County.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS

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A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
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10 Highway 35
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FAX 732-345-8420

June 20, 2019

Director and Members of the
Board of Chosen Freeholders
of the County of Sussex
Newton, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$25,835,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$19,625,000 General Improvement Bonds, Series 2019, \$3,350,000 Vocational-Technical School Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended), and \$2,860,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C. 12, As Amended) (collectively, the "Bonds") of the County of Sussex (the "County"), a body politic and corporate of the State of New Jersey.

The Bonds are authorized by and are issued pursuant to the provisions of, as applicable, N.J.S.A. 18A:64A-1 et seq., as amended and supplemented, N.J.S.A. 18A:54-1 et seq., as amended and supplemented, the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution duly adopted by the Board of Chosen Freeholders of the County on May 15, 2019.

The proceeds of the Bonds will be used to provide for (i) the current refunding of a \$24,083,000 portion of Bond Anticipation Notes of the County issued in the aggregate principal amount of \$30,000,000 on June 25, 2018 and maturing June 24, 2019 (the "Prior Notes") and (ii) the permanent financing of \$3,000,000 of various capital improvements and acquisition of related capital equipment at and for certain facilities of Sussex County Community College.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of in principal denominations of \$5,000, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of

\$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the County as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of June and December (each an "Interest Payment Date"), commencing June 1, 2020, in each year until maturity or prior redemption, as applicable. The Bonds shall mature on June 1 in each of the years, in the principal amounts and at the interest rates as follows:

\$19,625,000 General Improvement Bonds, Series 2019

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$ 920,000	2.000%	2027	\$1,750,000	3.000%
2021	985,000	4.000	2028	1,750,000	3.000
2022	985,000	4.000	2029	1,750,000	3.000
2023	985,000	4.000	2030	1,750,000	2.000
2024	1,750,000	3.000	2031	1,750,000	3.000
2025	1,750,000	2.000	2032	1,750,000	3.000
2026	1,750,000	3.000			

\$3,350,000 Vocational-Technical School Bonds, Series 2019
(New Jersey School Bond Reserve Act, 1080 N.J. Laws C. 72, As Amended)

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$160,000	2.000%	2027	\$300,000	3.000%
2021	160,000	4.000	2028	300,000	3.000
2022	165,000	4.000	2029	300,000	3.000
2023	165,000	4.000	2030	300,000	2.000
2024	300,000	3.000	2031	300,000	3.000
2025	300,000	2.000	2032	300,000	3.000
2026	300,000	3.000			

\$2,860,000 County College Bonds, Series 2019
(County College Bond Act, 1971 N.J. Laws C. 12, As Amended)

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2020	\$190,000	2.000%	2026	\$300,000	3.000%
2021	190,000	4.000	2027	300,000	3.000
2022	190,000	4.000	2028	300,000	3.000
2023	190,000	4.000	2029	300,000	3.000
2024	300,000	3.000	2030	300,000	2.000
2025	300,000	2.000			

The Bonds are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. 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. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the County enforceable in accordance with their terms, and (iii) the County has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The County will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of each of the Bonds, as executed by the County, and, in our opinion, the form of such Bond and its execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

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A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

June 20, 2019

Director and Members of the
Board of Chosen Freeholders
of the County of Sussex
Newton, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Sussex, State of New Jersey (the "County") and other proofs submitted to us relative to the issuance and sale of the

\$14,133,000
BOND ANTICIPATION NOTES

COUNTY OF SUSSEX
STATE OF NEW JERSEY

Dated: June 20, 2019

The \$14,133,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the County are dated June 20, 2019, mature on June 19, 2020 and bear interest at the rate of two and fifty hundredths percentum (2.50%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Notes will be made in book-entry only form in principal denominations of \$1,000 or any integral multiple thereof (with a minimum purchase of \$5,000). So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the County or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented and various bond ordinances duly adopted by the Board of Chosen Freeholders of the County and published as required by law.

The proceeds of the Notes are being issued to provide for (i) the current refunding of a \$5,917,000 portion of Bond Anticipation Notes of the County issued in the aggregate principal amount of \$30,000,000 on June 25, 2018 and maturing June 24, 2019 (the "Prior Notes") (a portion of the Prior Notes in the aggregate amount of \$24,083,000 is being permanently financed by the County via General Improvement Bonds and Vocational-Technical School Bonds) and (ii) the temporary financing of \$8,216,000 of various capital improvements in and for the County.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, (ii) the Notes are valid and legally binding obligations of the County, and (iii) the County has pledged its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable property within the County is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The County will represent in its tax certificate relating to the Notes that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with

Director and Members of the
Board of Chosen Freeholders
of the County of Sussex
June 20, 2019
Page 3

respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the Notes, as executed by the County, and, in our opinion, the form of such Notes and their execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Notes and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Notes) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of June 20, 2019 (the "Disclosure Certificate") is executed and delivered by the County of Sussex, State of New Jersey (the "County" or the "Issuer") in connection with the issuance of its \$25,835,000 General Obligation Bonds, Series 2019, consisting of \$19,625,000 General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,350,000 Vocational-Technical School Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended) (the "Vocational-Technical School Bonds"), and \$2,860,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C. 12, As Amended) (the "Chapter 12 Bonds" and together with the General Improvement Bonds and the Vocational-Technical School Bonds, the "Bonds"), all such Bonds being dated June 20, 2019. The Bonds are being issued pursuant to various bond ordinance duly adopted by the Board of Chosen Freeholders of the County and published as required by law, and a resolution duly adopted by the Board of Chosen Freeholders of the County on May 15, 2019 (the "Bond Resolution"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The County acknowledges it is an "Obligated Person" under the Rule (as defined below).

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

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

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

"Disclosure Representative" shall mean the County Treasurer/Chief Financial Officer of the County or her designee, or such other person as the County shall designate in writing from time to time for the purposes of this Disclosure Certificate.

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

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents.

The County or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The County shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the County are not available by September 1 of each year, the County shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the County, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the County.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2019, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the County does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the County (if the Dissemination Agent is not the County).

(d) Each year the Dissemination Agent shall file a report with the County (if the Dissemination Agent is not the County), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the County changes, the County shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the County, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The County's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the County (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. The general financial information and operating data of the County consistent with the information set forth in Appendix A to the Official Statement dated June 6, 2019, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (i) County indebtedness including a schedule of outstanding debt issued by the County, (ii) property valuation information, and (iii) tax rate, levy and collection data and in the forepart thereof under the heading entitled, "Litigation".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The County shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the County may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the County has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the County shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the County (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the County is not the Dissemination Agent) and the County shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the County determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the County shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the County) and the Dissemination Agent (if the Dissemination Agent is not the County) shall be instructed by the County not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the County (if the Dissemination Agent is not the County). Notwithstanding the foregoing, notice of

Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the County is no longer an "Obligated Person" (as defined in the Rule). The County shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The County previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements event notices and late filing notices in connection with its untimely filings of rating changes in connection with certain bond insurer rating changes in 2014. Such notices of events and late filings have since been filed with EMMA. The County appointed Phoenix Advisors, LLC in July of 2014 to serve as continuing disclosure agent.

SECTION 8. Dissemination Agent; Compensation. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. The County shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the County to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the County, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The County shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the County agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the County) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the County further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the County

Elke Yetter, Chief Financial Officer
County of Sussex
Sussex County Administrative Center
One Spring Street
Newton, New Jersey 07860

(b) Copies of all notices to the Dissemination Agent from
time to time with respect to the Bonds:

initially: Elke Yetter, Chief Financial Officer
County of Sussex
Sussex County Administrative Center
One Spring Street
Newton, New Jersey 07860

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the County and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the County and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

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SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

COUNTY OF SUSSEX

**Elke Yetter,
County Treasurer/Chief Financial Officer**

**Acknowledged and Accepted by:
DISSEMINATION AGENT**

N/A

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Sussex, State of New Jersey

Name of Bond Issue: \$25,835,000 General Obligation Bonds, Series 2019, consisting of \$19,625,000 General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,350,000 Vocational-Technical School Bonds, Series 2019 (New Jersey School Bond Reserve Act, 1980 N.J. Laws C. 72, As Amended) (the "Vocational-Technical School Bonds"), and \$2,860,000 County College Bonds, Series 2019 (County College Bond Act, 1971 N.J. Laws C. 12, As Amended) (the "Chapter 12 Bonds" and together with the General Improvement Bonds and the Vocational-Technical School Bonds, the "Bonds")
Dated June 20, 2019
(CUSIP Number 869265ZX9)

Date of Issuance: June 20, 2019

NOTICE IS HEREBY GIVEN that the above designated County has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of June 20, 2019 executed by the County.

DATED: _____

DISSEMINATION AGENT
(on behalf of the County)

cc: County of Sussex

APPENDIX F

FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

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**CERTIFICATE OF COMPLIANCE WITH
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, ELKE YETTER, County Treasurer/Chief Financial Officer of the County of Sussex (the "County"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY to TD Securities (USA) LLC, the purchaser (the "Purchaser") of \$14,133,000 aggregate principal amount of Bond Anticipation Notes of the County dated June 20, 2019 and maturing June 19, 2020 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the County will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation (as defined below) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The term "Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Whenever the County (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the County shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The County's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the County fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the County's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the County, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the
County this 20th day of June, 2019.

COUNTY OF SUSSEX

ELKE YETTER,
County Treasurer/
Chief Financial Officer