NOTICE OF SALE

$2,600,000
COUNTY OF SALEM, NEW JERSEY
COUNTY COLLEGE BONDS (CHAPTER 12), SERIES 2018
(Callable)

ELECTRONIC PROPOSALS will be received via the BiDCOMP®/Parity® Electronic Competitive Bidding System ("PARITY") of i-Deal LLC ("i-Deal") in the manner described below, until 11:00 a.m. (Eastern), on

June 13, 2018

at which time they will be publicly opened and announced for the purchase of the following bonds ("Bonds"), due on March 15, as follows:

Year	Principal Amount	Year	Principal Amount
2019	$120,000	2027	$180,000
2020	145,000	2028	185,000
2021	150,000	2029	190,000
2022	155,000	2030	195,000
2023	155,000	2031	205,000
2024	160,000	2032	210,000
2025	165,000	2033	215,000
2026	170,000		

The Bonds will be entitled to the benefits of the provisions of the County College Bond Act, P.L. 1971, c.12 (*N.J.S.A.* 18A:64A-22.1 *et* seq.), as amended ("College Bond Act"), pursuant to which the State of New Jersey ("State") shall annually appropriate in its budget and pay on behalf of the County an amount equal to one-half of the amount of principal and interest due on the Bonds. However, bonds issued under the provisions of the College Bond Act, including the Bonds, are not a debt or liability of the State or a pledge of the faith and credit of the State. Payment by the State pursuant to the College Bond Act is dependent upon appropriations provided by law from time to time.

The Bonds will be dated June 20, 2018 and bear interest at the rates per annum specified by the successful bidder therefor, payable initially on March 15, 2019 and semiannually thereafter on September 15 and March 15 in each year until maturity or earlier redemption. The Bonds are subject to redemption prior to their stated maturity dates as set forth in the Preliminary Official Statement (hereinafter defined).

Upon initial issuance, the Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and be responsible for maintaining a book-entry system for recording the interests of its participants or the transfers of interests among its participants. Individual purchases may be made in the principal amount of $5,000 or any integral multiple thereof through book entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interest in the Bonds, but each book-entry bondholder will receive a credit balance on the books of its nominee. For additional information, see "DESCRIPTION OF THE BONDS--Book-Entry-Only System" in the preliminary official statement described below.

In connection with the offering of the Bonds, the County has prepared a Preliminary Official Statement, dated June 6, 2018 ("Preliminary Official Statement"), relating to, *inter alia*, the Bonds, the County and the County's $10,531,000 Bond Anticipation Notes of 2018, Series A ("Notes"), which obligations are being offered pursuant to the Preliminary Official Statement and shall be delivered simultaneously with the Bonds.

Bidders shall ***not*** be required to submit a proposal for the purchase of the Notes when submitting a proposal for the purchase of the Bonds. The submission of a bid for the purchase of the Bonds does not and shall not constitute a proposal for the purchase of the Notes. The specifications for the purchase of the Notes are set forth in a separate Notice of Sale prepared and delivered under separate cover.

The County has prepared the Preliminary Official Statement in connection with the sale of the Bonds which it has deemed "final" as of its date for purposes of paragraph (b)(1) of Rule 15c2-12, as amended ("Rule 15c2-12") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, except for certain omissions permitted thereunder. Within seven (7) business days of the sale of the Bonds, and in sufficient time to accompany any confirmation that requests payment from a customer, the County will deliver a sufficient number of copies of the final official statement ("Official Statement") to the purchaser in order for the same to comply with Paragraph (b)(4) of Rule 15c2-12.

The Preliminary Official Statement is available for viewing in electronic format through the internet facilities of Bowman & Company LLP. Bowman & Company's web address is **www.govdebt.net** ("Site"). In addition, broker dealers registered with the National Association of Securities Dealers ("NASD") and dealer banks with DTC clearing arrangements may either: (i) print out a copy of the Preliminary Official Statement by their own means; or (ii) at any time prior to June 13, 2018, elect to receive a printed copy of the Preliminary Official Statement in the mail by requesting the same on the Bowman & Company web site or by calling the County's Bond Counsel, Parker McCay P.A. ("Bond Counsel"), 9000 Midlantic Drive, Suite 300, Mount Laurel, New Jersey 08054. Calls should be directed to Alexis B. Batten, Esquire at (856) 985-4067. In order to view, print a copy or request a copy of the Preliminary Official Statement from the Bowman & Company web site, please visit **www.govdebt.net**. Bidders may log-in to access electronic viewing and delivery. Once logged-in to the Site, bidders must follow the applicable instructions and prompts to access the Preliminary Official Statement. All bidders must review the Preliminary Official Statement and certify that they have done so prior to participating in the bidding.

In accordance with the requirements of Rule 15c2-12, the County will, prior to the issuance of the Bonds, enter into an agreement substantially in the form set forth in Appendix "D" to the Preliminary Official Statement ("Disclosure Agreement").

BID SPECIFICATIONS

Each **ELECTRONIC PROPOSAL** for the Bonds must be submitted to PARITY in accordance with this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, including any fee charged, potential bidders may contact BiDCOMP®/PARITY®, 1359 Broadway, Second Floor, New York, New York 10018, (212) 849-5021. The County may, but is not obligated to, acknowledge its acceptance in writing of any bid submitted electronically via PARITY. In the event that a bid for the Bonds is submitted via PARITY, the bidder further agrees that:

1. If a bid submitted electronically by PARITY is accepted by the County, the terms of this Notice of Sale and the information that is electronically transmitted through PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the County, and the County shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the County or information provided by the bidder.

3. The County may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via TM3 News Services, or by other available means, no later than 3:00 p.m. (Eastern Time) on the last business date prior to the bid date set forth above.

4. Once the bids are communicated electronically via PARITY to the County as described above, each bid will constitute an official "Proposal for Bonds" and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting electronic bids, the time as maintained on PARITY shall constitute the official time.

5. Each bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor i-Deal shall have any duty or obligation to provide or assure to any bidder, and neither the County nor i-Deal shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The County is using PARITY as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the County harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

Each proposal must specify in a multiple of 1/8 or 1/20th of 1%, a single rate of interest which each maturity of the Bonds are to bear. Not more than one rate of interest may be named for Bonds of the same maturity. No rate of interest named for any maturity may be less than the rate of interest named for a prior maturity, and the difference between the highest and the lowest rates of interest named in the proposal shall not exceed three percent (3%). No proposal shall be considered that offers to pay an amount less than the principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest net interest cost to the County under any legally acceptable proposal.

The Bonds will be sold to the bidder who, after having complied with the terms of this Notice of Sale, offers the lowest net interest cost for the Bonds. The net interest cost shall be computed in each instance by adding to the total principal amount of Bonds bid for, the total interest cost to maturity in accordance with such bid. **Proposals may <u>not</u> include any premium**. If two (2) or more bidders specify the same lowest net interest cost, then to one of such bidders selected by the undersigned by lot. The purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. The County reserves the right to reject all bids and any bid not complying with the terms of this Notice of Sale.

Each bidder is required to make a good faith deposit ("Deposit") in the form of a cash wire or a certified, cashier's or treasurer's check in the amount of **$52,000**, payable to the order of "County of Salem". If a cash wire is used, the wire must be received by the County no later than **11:00 A.M.** on **WEDNESDAY, JUNE 13, 2018**. Wiring instructions can be obtained by contacting Bond Counsel. If a cash wire is utilized, each bidder must notify the County of its intent to use such cash wire prior to **10:00 A.M.**, and must provide proof of electronic transfer of such cash wire prior to **11:00 A.M.**, on **WEDNESDAY, JUNE 13, 2018**. If a check is used, the check must be certified or cashier's or treasurer's check drawn upon a bank or trust company and must be delivered to the County by no later than **11:00 A.M**. on **WEDNESDAY, JUNE 13, 2018**. Each bidder accepts responsibility for delivering such check on time and the County is not responsible for any check that is not received on time. When the successful bidder has been ascertained, all such Deposits shall be promptly returned to the persons making the same, except the check or cash wire of the successful bidder which shall be applied as partial payment for the Bonds or to secure the County from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. Award of the Bonds to the successful bidder or rejection of all bids is expected to be made promptly after opening of the bids. The successful bidder may withdraw its proposal after 5:30 p.m. on the day of such bid opening, but only if such award has not been made prior to the withdrawal.

AT THE TIME OF DELIVERY OF THE BONDS, PAYMENT FOR THE BONDS SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

The successful bidder may refuse to accept the Bonds, if prior to their delivery, any income tax law of the United States of America shall provide that the interest thereon is taxable, or shall be taxable at a future date, for federal income tax purposes and, in such case, the deposit made by such bidder will be returned and the successful bidder will be relieved of its contractual obligations arising from the acceptance of its proposal.

RATING

The County has applied for a rating on the Bonds from S&P Global Ratings, acting through Standard & Poor's Financial Services LLC. The County expects to have the rating prior to the sale of the Bonds. Notice of the rating on the Bonds will be communicated via MUNIFACTS.

OPTIONAL PURCHASE OF MUNICIPAL BOND INSURANCE

Information concerning the County has been furnished to certain companies for the purpose of qualifying the Bonds for municipal bond insurance. Any purchase of said insurance will be at the sole option and expense of the bidder and increased costs of issuance including, without limitation, any additional rating agency fees, resulting by reason of such insurance will be paid by such bidder. Notice of qualification of the Bonds for municipal bond insurance will be communicated via MUNIFACTS. If the Bonds qualify for municipal bond insurance, each bidder shall be required to specify on the Official Form of Proposal whether municipal bond insurance will be purchased.

POSTPONEMENT

The County reserves the right to postpone, from time to time, the date and time established for receipt of Bids. **ANY SUCH POSTPONEMENT WILL BE PUBLISHED ON THOMSON MUNICIPAL NEWSWIRE, BEFORE 11:00 A.M. ON THE DAY BEFORE THE SALE.** If any date fixed for receipt of bids and the sale of the Bonds is postponed, an alternative sale date will be announced via Thomson Municipal Newswire at least forty-eight hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of the Notice of Sale, except for the date of sale and except for the changes announced on Thomson Municipal Newswire at the time the sale date and time are announced.

DELIVERY OF THE BONDS

It is anticipated that delivery of the Bonds will occur on or about Wednesday, June 20, 2018.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or a refusal by the purchaser thereof to accept delivery of and to pay for the Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the County; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the purchaser.

Closing Certificates:

Simultaneously with the delivery of the Bonds, the purchaser shall assist the County in establishing the issue price and yield of the Bonds and shall execute and deliver to the County at closing an "issue price" and "yield" or similar certificate setting forth the reasonably expected initial offering price to the public or the sale price or prices of the Bonds and yield, together with the supporting pricing wires or equivalent communications ("Issue Price Certificate"). The Issue Price Certificate shall be executed in the form attached hereto as Exhibit "A".

Establishment of Issue Price:

(a) The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the County disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the County may receive bids from at least three (3) underwriters of municipal bonds or Bonds who have established industry reputations for underwriting new issuances of municipal bonds or Bonds; and
(4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(b) If the successful bidder is a bank or local government unit purchasing for its own account the provisions of paragraphs (d) and (e) below shall not apply

(c) In the event that paragraph (b) above is not applicable and the competitive sale requirements are not satisfied, the County shall so advise the successful bidder. The County shall treat the first price at which 10% of the Bonds (the "10% Test") is sold to the public as the issue price of the Bonds. The successful bidder shall advise the County if the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The County will ***not*** require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of the Bonds as the issue price of the Bonds. Bids will ***not*** be subject to cancellation in the event that the competitive sale requirements are not satisfied. *Bidders should prepare their bids on the assumption that the Bonds will be subject to the 10% Test in order to establish the issue price of the Bonds.*

(d) If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to the Bonds, the successful bidder agrees to promptly report to the County the prices at which the unsold Bonds have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds. If the 10% Test is not met by the closing date, a supplemental issue price certificate must be provided.

(e) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds, if and for so long as directed by the successful bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds, if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

(f) Sales of any securities to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "public" means any person other than an underwriter or a related party;

(ii) "underwriter" means: (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the County to the successful bidder.

The obligation of the purchaser to purchase and pay for the Bonds is conditioned on the delivery, at the time of settlement of the Bonds, of the following: (i) approving legal opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, a form of which can be found in Appendix "C" to the Preliminary Official Statement; (ii) the delivery of certificates in form and tenor satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, including a statement of the County, dated as of the date of such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Bonds; and (iii) an executed copy of the Disclosure Agreement.

COMPLIANCE WITH P.L. 2005,c.271, s.3

The purchaser is advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to *N.J.S.A.* 19:44A-20.13 (P.L. 2005, c.271, s.3) if the purchaser enters into agreements or contracts, such as its agreement to purchase the Bonds, with a public entity, such as the

County and receives compensation or fees in excess of $50,000 in the aggregate from public entities, such as the County, in a calendar year. It is the purchaser's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

JOHN WILLADSEN, Chief Financial Officer

Dated: June 6, 2018

Exhibit “A”

$2,600,000
COUNTY OF SALEM, NEW JERSEY
COUNTY COLLEGE BONDS (CHAPTER 12), SERIES 2018

CERTIFICATE OF UNDERWRITER
REGARDING YIELD AND ISSUE PRICE

The undersigned, an authorized representative of _______________, as underwriter ("Underwriter") for the above-captioned bonds ("Bonds"), hereby certifies as follows:

1. This certificate is delivered to the County of Salem, New Jersey ("County") and may be relied upon in establishing the reasonable expectations of the County as to the matters stated herein as may be necessary or appropriate in the preparation by the County of a certificate relating to arbitrage matters in connection with the issuance of the Bonds and in complying with the requirements of the Internal Revenue Code of 1986, as amended ("Code"), and the regulations promulgated thereunder with respect to arbitrage.

2. This certificate is based on facts and estimates in existence on the date hereof and, to the best of the undersigned's knowledge and belief, the matters set forth herein are reasonable in light of such facts and estimates.

3. On June 6, 2018 ("Sale Date"), the Underwriter submitted and the County accepted its competitive proposal to purchase the Bonds.

4. [As of the date of this certificate, the Underwriter has not sold at least 10% of the Bonds at a single price and agrees once it has sold at least 10% of the Bonds at a single price, it will provide a Supplemental Issue Price Certificate to the County and Bond Counsel, which date will be not later than thirty (30) days after the last day of the calendar quarter next ending after

the date of closing of the Bonds.] [As of the date of this certificate, the first price at which at least 10% of the Bonds was sold to the Public is ___________.]

5. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto below:

(i) "Public" shall mean any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(ii) "Underwriter" shall mean: (a) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public; and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public). The representations set forth in this certificate are limited to factual matters only.

(iii) "Yield" shall mean that discount rate, determined on the basis of one interest compounding period equal to the term of the Bonds, which, when used in computing the present value of all unconditionally payable payments of principal (including original issue discount, if any), produces an amount equal to the aggregate issue price thereof.

6. All of the Bonds of each maturity have been the subject of a bona-fide offering to the General Public at reoffering yields no lower than the yields set forth on the cover page of the Official Statement, prepared with respect to the sale of Bonds ("Official Statement"), a copy of which is attached hereto as Exhibit "A" and made a part hereof.

7. Based upon prevailing market conditions on the Sale Date, the Underwriter had no reason to believe that any maturity of the Bonds would be sold to the General Public at yields less than the yields set forth on the cover page of the Official Statement for each respective maturity.

8. The aggregate issue price of the Bonds is the sum of the issue prices of the Bonds (determined separately for Bonds that are not substantially identical). The issue price for the Bonds that are substantially identical is an amount equal to the initial offering price of the Bonds to the General Public at which price a substantial amount of the Bonds were sold, including accrued interest, if any, as of the date of issuance, and without allowance for discount or any fees in connection with the issuance of the Bonds. As thus determined, the aggregate issue price of the Bonds is $____________.

9. The aggregate issue price of the Bonds, as determined herein, does not exceed the fair market value of the Bonds as of the Sale Date.

10. The yield on the Bonds to maturity, or in the case of Bonds that are subject to redemption prior to maturity and are issued with an original issue premium in excess of twenty-five one-hundredths percent (0.25%) times the number of years to the first optional call date ("Yield-to-Call Bonds"), to the optional call date that produces the lowest yield on each maturity of

the Yield-to-Call Bonds, was computed as that discount rate determined on the basis of semi-annual interest compounding (based on a 360 day year consisting of twelve (12) months of thirty (30) days each) which, when used in computing the present value of all the unconditionally payable payments of principal of and interest (including original issue discount, if any) on the Bonds, produces an amount equal to the aggregate issue price of the Bonds. The issue price of the Bonds is an amount equal to the initial offering price of the Bonds to the General Public at which price, including accrued interest, a substantial amount of the Bonds were sold as of the date of issuance, and without allowance for discount or any fees in connection with the issuance of the Bonds.

11. As thus calculated the yield of the Bonds is not less than ____________%.

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IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2018.

_____________________________,
as Underwriter

By:_____________________________________
[NAME], [Title]

Exhibit "A"

New Issue- Book Entry Only **Rating: (See "RATING" herein)**

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 6, 2018

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the County of Salem, New Jersey ("County") with certain tax covenants described herein, under existing law, interest on the Bonds and Notes (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Bonds and Notes with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Bonds and Notes in "adjusted current earnings". For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition, interest on the Bonds and Notes may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and Notes and any gain from the sale thereof is not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein.

$2,600,000*
COUNTY OF SALEM, NEW JERSEY
COUNTY COLLEGE BONDS (CHAPTER 12), SERIES 2018
(Callable)

$10,531,000*
COUNTY OF SALEM, NEW JERSEY
BOND ANTICIPATION NOTES OF 2018, SERIES A
(Non-Callable)

Dated: Date of Delivery **Bonds Due: March 15, as shown on inside front cover**
Notes Due: June 19, 2019

The $2,600,000* County of Salem, New Jersey, County College Bonds (Chapter 12), Series 2018 ("Bonds"), and $10,531,000* County of Salem, New Jersey, Bond Anticipation Notes of 2018, Series A ("Notes"), shall be issued in fully registered book-entry only form without coupons. The principal of the Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Bonds in the offices of the County Treasurer or its hereafter designated paying agent, if any. The principal of the Notes shall be paid on the maturity date thereof upon presentation and surrender of the Notes in the offices of the County Treasurer. Interest on the Bonds is payable semi-annually on March 15 and September 15 ("Interest Payment Dates"), commencing March 15, 2019, in each year until maturity or earlier redemption. Interest on the Notes will be payable upon the maturity dates thereof. The Bonds are subject to redemption prior to their stated maturity dates on the terms and conditions set forth herein. The Notes are not subject to redemption prior to maturity.

Upon initial issuance, the Bonds and Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds and Notes. So long as Cede & Co. is the registered owner of the Bonds and the Notes, payments of principal of and interest on the Bonds and Notes will be made by the County or its hereafter designated paying agent for the Bonds, if any, directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Bonds and Notes. Purchasers will not receive certificates representing their ownership interest in the Bonds and Notes purchased. For so long as any purchaser is a Beneficial Owner of a Bond or Note, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Bond or Note.

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinance 2018-02, duly and finally adopted by the Board of Chosen Freeholders ("Board") of the County and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Board on May 2, 2018; and (iv) a Certificate of Determination and Award executed by the County Treasurer on June __, 2018.

The Bonds are being issued by the County to provide funds which will be used to: (i) permanently finance various improvements described herein in and for Salem County College for which obligations have been authorized, but not issued; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law; (ii) bond ordinances 2011-04, 2012-02 and 2017-01, each duly and finally adopted by the Board and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the County Treasurer on June __, 2018.

The Notes are being issued by the County to provide funds which will be used to: (i) temporarily finance the costs of various capital improvements and equipment by the repayment at maturity of a portion of certain bond anticipation notes heretofore issued by the County; (ii) temporarily finance the costs of various capital improvements and equipment for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

The full faith and credit of the County are irrevocably pledged for the payment of the principal of and interest on the Bonds and the Notes. The Bonds and the Notes are general obligations of the County payable as to principal and interest from *ad valorem* taxes to be levied upon all taxable real property in the County without limitation as to rate or amount. The Bonds are also entitled to the benefits of the County College Bond Act, constituting Chapter 12 of 1971 Laws of the State of New Jersey ("State") (*N.J.S.A.* 18A:64A-22 *et seq.*), as amended, which provides that an amount equal to one-half of the principal of and interest on the Bonds will be paid by the State. However, bonds issued under the provisions of the County College Bond Act shall not be deemed to constitute a debt or liability of the State or a pledge of the faith and credit of the State, but are dependent for repayment upon appropriations provided by law from time to time.

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

The Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the County by Michael M. Mulligan, Esquire, Salem, New Jersey, County Counsel. Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as Financial Advisor to the County in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery through DTC in New York, New York on or about June 20, 2018.

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* Preliminary, Subject to Change

MATURITY SCHEDULES

$2,600,000*
2018 COUNTY COLLEGE BONDS

Year	Amount*	Interest Rate	Yield	Year	Amount*	Interest Rate	Yield
2019	$120,000	%	%	2027	$180,000	%	%
2020	145,000			2028	185,000		
2021	150,000			2029	190,000		
2022	155,000			2030	195,000		
2023	155,000			2031	205,000		
2024	160,000			2032	210,000		
2025	165,000			2033	215,000		
2026	170,000						

$10,531,000*
BOND ANTICIPATION NOTES OF 2018, SERIES A

Principal Amount	Interest Rate	Yield	Maturity Date
$10,531,000	%	%	June 19, 2019

* Preliminary, Subject to Change

COUNTY OF SALEM, NEW JERSEY

DIRECTOR

Melissa L. DeCastro, Esquire

DEPUTY DIRECTOR

Charles V. Hassler

FREEHOLDERS

Benjamin H. Laury
Lee R. Ware
R. Scott Griscom

COUNTY DIRECTOR OF OPERATIONS

Jeffrey Ridgway

CLERK OF THE BOARD OF CHOSEN FREEHOLDERS

Brenda Banks

COUNTY COUNSEL

Michael M. Mulligan, Esquire

COUNTY TREASURER

Kelly A. Hannigan, CPA

COUNTY CHIEF FINANCIAL OFFICER

John Willadsen

BOND COUNSEL

Parker McCay P.A.
Mount Laurel, New Jersey

COUNTY AUDITOR

Bowman & Company LLP
Woodbury and Voorhees, New Jersey

FINANCIAL ADVISOR

Acacia Financial Group, Inc.
Mount Laurel, New Jersey

The information which is set forth herein has been provided by the County of Salem, New Jersey ("County"), The Depository Trust Company ("DTC") and by other sources which are believed to be reliable by the County, but the information provided by such sources is not guaranteed as to accuracy or completeness by the County. Certain general and financial information concerning the County is contained in Appendices "A" and "B" to this Official Statement. Such information has been furnished by the County.

Where the Constitution or statutes of the State of New Jersey are referred to, reference should be made to such Constitution or statutes for a complete statement of the matters referred to therein. This Official Statement is submitted in connection with the sale of the Bonds and Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information or to make any representations with respect to the Bonds and Notes other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the County and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness of such information from sources other than itself is not to be construed as a representation or warranty by the Underwriter, or as to information from sources other than itself, by the County. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by references to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be obtained from the County during normal business hours.

Upon issuance, the Bonds and Notes will not be registered under the Securities Act of 1933 as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission or any other federal, state, municipal or other governmental entity, other than the County will have passed upon the accuracy or adequacy of the Official Statement.

This 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 Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or any underwriter.

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

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 the Official Statement, including the Appendices, must be considered in its entirety.

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OFFICIAL STATEMENT

RELATING TO

$2,600,000*
COUNTY OF SALEM, NEW JERSEY
COUNTY COLLEGE BONDS (CHAPTER 12), SERIES 2018
(Callable)

$10,531,000*
COUNTY OF SALEM, NEW JERSEY
BOND ANTICIPATION NOTES OF 2018, SERIES A
(Non-Callable)

INTRODUCTION

The purpose of this Official Statement, including the cover page hereof and the Appendices attached hereto, is to provide certain information relating to the issuance by the County of Salem, New Jersey ("County") of its: (i) $2,600,000*, aggregate principal amount, County College Bonds (Chapter 12), Series 2018 ("Bonds"); and (ii) $10,531,000*, aggregate principal amount, Bond Anticipation Notes of 2018, Series A ("Notes").

AUTHORIZATION FOR THE BONDS AND THE NOTES

Bonds

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinance 2018-02 ("Bond Ordinance"), duly and finally adopted by the Board of Chosen Freeholders ("Board") of the County and published in accordance with the requirements of the Local Bond Law; (iii) a resolution adopted by the Board on May 2, 2018 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the County Treasurer on June ___, 2018.

Notes

The Notes are authorized to be issued pursuant to: (i) the Local Bond Law; (ii) bond ordinances 2011-04, 2012-02 and 2017-01 (collectively, the "Note Ordinances"), each duly and finally adopted by the Board and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the County Treasurer on June ___, 2018.

* Preliminary, Subject to Change

PURPOSE OF THE ISSUE

Bonds

The Bonds are being issued by the County to provide funds which will be used to: (i) permanently finance the various improvements described herein in and for Salem County College ("County College") for which obligations have been authorized, but not issued; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The Improvements to be financed with the proceeds of the Bonds include the following:

Ordinance No. and Section	Purpose/Improvement	Bonds to be Issued
2018-02, 7(A)	Construction of expanded facilities for the Salem County Community College Glass Education Center in Alloway Township, together with the acquisition of all materials and equipment and completion of all work necessary therefor or related thereto, all as more particularly described in the records on file in the office of the Superintendent of Buildings and Grounds (Chapter 12 Project)	$2,525,000
2018-02, 7(B)	Acquisition and installation of lighting and audio equipment for Davidow Hall and DuPont Field House at the Salem County Community College Main Campus, together with the acquisition of all materials and equipment and completion of all work necessary therefor or related thereto, all as more particularly described in the records on file in the office of the Superintendent of Buildings and Grounds (Chapter 12 Project)	75,000
	TOTAL	**$2,600,000**

Notes

The Notes are being issued by the County to provide funds which will be used to: (i) temporarily finance the costs of various capital improvements and equipment by the repayment at maturity of a portion of certain bond anticipation notes heretofore issued by the County; (ii) temporarily finance the costs of various capital improvements and equipment for which obligations have been authorized, but not issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

The Improvements to be financed with the proceeds of the Notes include the following:

Ordinance No. and Section	Purpose/Improvement	Notes to be Issued
2011-04	Repair and/or Reconstruction of Roads, Bridges and Railroads	$4,050,000
2012-02	Repair and/or Reconstruction of Roads, Bridges and Railroads	2,681,000
2017-01	Various County Short Line Railroad Port Area Improvements	3,800,000
	TOTAL	**$10,531,000**

DESCRIPTION OF THE BONDS AND THE NOTES

General

Bonds

The Bonds will be issued in the aggregate principal amount of $2,600,000*. The Bonds will be dated the date of delivery and bear interest from that date at the interest rates set forth on the inside front cover hereof. Interest on the Bonds will be payable semiannually commencing on March 15, 2019 and, thereafter, on September 15 and March 15 in each year until maturity or earlier redemption (each an "Interest Payment Date"). Individual purchases of the Bonds may be made in the principal amount of $5,000, or any integral multiple of $5,000, and in integral multiples of $1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Bonds, through book-entries made on the books and the records of DTC (as hereinafter defined) and its participants. See "DESCRIPTION OF THE BONDS--Book-Entry-Only System" below. The Bonds will mature on March 15 in the years and in the principal amounts, all as shown on the inside front cover page of this Official Statement.

The Bonds will be issued in fully registered form without coupons. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of the County Treasurer or its hereafter designated paying agent, if any. Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the County for such purpose at the offices of the County Treasurer or its hereafter designated paying agent, if any, as of the close of business on the first (1^{st}) day of the calendar month containing an Interest Payment Date.

Notes

The Notes will be issued in the principal amount of $10,531,000 in fully registered book-entry-only form in denominations of $100,000 or integral multiples thereof, and in integral multiples of $1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Notes. The Notes shall bear interest at the rate of ____________________ one-hundredths per centum (______%) per annum, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes will be dated June 20, 2018 and will mature on June 19, 2019. Payment of the principal of and interest on the Notes will be paid at maturity.

The Notes will be issued in fully registered form without coupons. The principal of the Notes will be payable to the registered owners at maturity upon presentation and surrender of the Notes at the offices of the County Treasurer.

So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the Bonds and the Notes, payments of the principal of and interest on the Bonds and the Notes will be made directly to Cede & Co., as nominee of DTC. Disbursements of such payments to the participants of DTC ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as hereinafter defined) of the Bonds and the Notes is the responsibility of the DTC Participants and not the County or its hereafter designated paying agent, if any.

Redemption Provisions

Bonds

The Bonds maturing on and after March 15, 2028 are subject to redemption prior to their stated maturity dates at the option of the County, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the County shall determine and within any such maturity by lot) on any date on or after March 15, 2027, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the County. So long as the Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC or any successor, and will not be sent to the beneficial owners of the Bonds. Failure of an owner of the Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the Bonds shall not affect the validity of any proceedings for the redemption of Bonds. Such notice shall specify: (i) the series and maturity of the Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bond or portion thereof to be redeemed shall cease to accrue and be payable.

Notes

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

Book-Entry-Only System

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

The DTC will act as securities depository for the Bonds and Notes. The Bonds and 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 and Note certificate will be issued for each maturity of the Bonds and Notes, each in the aggregate principal amount of such issue, 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 and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each Bond and Note ("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 and 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 Bonds and Notes, except in the event that use of the book-entry system for the Bonds or Notes is discontinued.

To facilitate subsequent transfers, all Bonds and 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 Bonds and 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 and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and 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.

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

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

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or its hereafter designated Paying Agent, if any, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, if any, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or its hereafter designated Paying Agent, if any, 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 and Notes at any time by giving reasonable notice to the County or its hereafter designated Paying Agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Bond and 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 and Note certificates will be printed and delivered to DTC.

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 neither the County nor the Underwriters (as hereinafter defined) take any responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR ITS HEREAFTER DESIGNATED PAYING AGENT, IF ANY, WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds and Notes, the following provisions would apply: (i) the Bonds and Notes may be exchanged for an equal aggregate principal amount of Bonds and Notes in other authorized denominations and of the same maturity, upon surrender thereof at the offices of the County or its hereafter designated paying agent; (ii) the transfer of any Bonds and Notes may be registered on the books maintained by the County or its hereafter designated paying agent for such purpose only upon the surrender thereof to the County or its hereafter designated paying agent together with the duly executed assignment in form satisfactory to the County or its hereafter designated paying agent; and (iii) for every exchange or registration of transfer of Bonds and Notes, the County, or its hereafter designated paying agent, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds and Notes. Interest on the Bonds and Notes will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the first (1st) day, whether or not a business day, of the calendar month containing an Interest Payment Date.

SECURITY FOR THE BONDS AND NOTES

The full faith and credit of the County are irrevocably pledged for the payment of the principal of and interest on the Bonds and Notes. The Bonds and Notes will be legal, valid and binding general obligations of the County payable as to principal and interest from *ad valorem* taxes to be levied upon all the taxable real property within the County without limitation as to rate or amount.

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

In addition to the foregoing security, the Bonds are entitled to the benefits of the provisions of the County College Bond Act, P.L. 1971, c. 12 (*N.J.S.A.* 18A:64A-22 *et seq.*), as amended ("College Bond Act"), pursuant to which the State shall annually appropriate in its budget and pay on behalf of the County an amount equal to one-half the amount of principal of and interest due on the Bonds. The amounts paid by the State pursuant to the College Bond Act are paid directly to the securities depository to be used for the payment of the principal of and interest on the Bonds. The Bonds are not a debt or liability of the State. Payment by the State pursuant to the College Bond Act is dependent upon appropriations provided by law from time to time.

INFORMATION REGARDING THE COUNTY OF SALEM

General

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

Financial

The compiled financial statements of the County, prepared by Bowman & Company LLP, Woodbury, New Jersey, for the year ended December 31, 2017 are set forth in Appendix "B" to this Official Statement.

The audited financial statements of the County, prepared by Nightlinger, Colavita & Volpa, Williamstown New Jersey, for the years ended December 31, 2016, 2015 and 2014, are set forth in Appendix "B" to this Official Statement.

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

Local Bond Law

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

Debt Limits - The authorized bonded indebtedness of the County is limited by statute, subject to the exceptions noted below, to an amount equal to two percent (2.00%) of its equalized valuation basis. The equalized valuation basis of the County is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The County, including the issuance of the Bonds, will not exceed its two percent (2.00%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The County may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the County may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the County or substantially reduce the ability of the County to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

In addition, debt in excess of the statutory limit may be issued by the County to fund certain notes, to provide for purposes in an amount not exceeding two-thirds (2/3) of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short-Term Financing – When approved by bond ordinance, the County may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the notes are issued.

Bonds – Bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding 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 bonds.

Local Fiscal Affairs Law

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

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

An independent examination of the County's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 is on file with the Clerk of the Board of Chosen Freeholders and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the chief financial officer/treasurer of the local unit file annually with the Director a verified statement of the financial condition of the local unit as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end local units and August 10 for June 30 fiscal year end local units. The Annual Compiled Financial Statement for the year ended December 31, 2017 is on file with the Clerk of the Board of Chosen Freeholders and is available for review during business hours.

Local Budget Law

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

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

No budget shall be adopted unless the Director shall have previously certified their approval thereof.

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

A statute passed in 1976, as amended (*N.J.S.A.* 40A:4-45.1 *et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a local unit to increase its overall appropriations, it does not limit the obligation of the County to levy *ad valorem* taxes upon all taxable real property within the County to pay debt service on the Bonds. The Cap Law provides that a local unit shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010 (S-29R1), which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, *N.J.S.A.* 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the County to levy *ad valorem* taxes upon all taxable real property within the County to pay debt service on its bonds or notes, including the Bonds.

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [D]irector 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." Such determination may be made by the governing body and the chief financial officer in any year during which the local unit is subject to local examination.

No budget or amendment shall be adopted unless the Director has previously certified the approval of such anticipated revenues.

Real Estate Taxes

The same general principal that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. *N.J.S.A.* 40A:4-29 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year".

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

Section 40 of the Local Budget Law requires that an additional amount ("Reserve For Uncollected Taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will be at least equal to the tax levy required to balance the budget.

Deferral of Current Expenses

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

The exceptions are certain enumerated projects to cover the cost of the extraordinary expense for the repair, or reconstruction of streets, roads or bridges, or other public property damaged by snow, ice, frost or flood, where such expense was not foreseen at the time of the adoption of the budget, which may be amortized over three years; and tax map preparations, revision of ordinances, revaluations, master plan preparation, studies and planning necessary for the installation and construction of a sanitary sewer system, and payments of accumulated sick and vacation time which may be amortized over five years.

Budget Transfers

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

Capital Budget

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

Related Constitutional and Statutory Provisions

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

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

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

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

Rights and Remedies of Owners of Bonds

The State Municipal Finance Commission Act, Chapter 27 of Title 52 of the State Statutes, as amended and supplemented ("Act"), provides that when it has been established, by court proceedings, that a local unit has defaulted for over sixty days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board of the State Department of Community Affairs (which, pursuant to the Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting local unit.

The Act provides that the Commission shall remain in control of the local unit until all bonds or notes of the local unit that have fallen due and all bonds or notes that will fall due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Act empowers the Commission to direct the local unit to provide for the funding or refunding of notes or bonds of the local unit and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Act further authorizes the Commission to bring and maintain an appropriate proceeding for the assessment, levy or collection of taxes by the local unit for the payment of principal or of interest on such indebtedness.

Under Article 6 of the Act, while the Commission functions in the local unit, no judgment, levy, or execution against the local unit or its property for the recovery of the amount due on any bonds, notes or other obligations of the local unit in the payment of which it has defaulted, shall be enforced unless otherwise directed by Court Order. However, Article 6 of the Act also provides that upon application of any creditor made upon notice to the local unit and the Commission, a court may vacate, modify or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

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

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

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

THE SUMMARIES OF AND REFERENCES TO THE STATE CONSTITUTION AND OTHER STATUTORY PROVISIONS ABOVE ARE NOT AND SHOULD NOT BE CONSTRUED AS COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES TO SUCH DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PARTICULAR DOCUMENT, THE FULL TEXT OF WHICH MAY CONTAIN QUALIFICATIONS OF AND EXCEPTIONS TO STATEMENTS MADE HEREIN.

LEGAL MATTERS

The legality of the Bonds and Notes will be subject to the approving legal opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the County ("Bond Counsel"). Such opinion will be printed on or accompany the Bonds and Notes and provide, *inter alia,* that the Bonds and Notes are valid and binding obligations of the County, and the County has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the County without limitation as to rate or amount for the payment of the Bonds and Notes and interest thereon. The enforceability of rights or remedies with respect to such Bonds and Notes may be limited by bankruptcy, insolvency, or other law affecting creditors' rights or remedies heretofore or hereinafter enacted. Certain legal matters will be passed upon for the County by Michael M. Mulligan, Esquire, Salem, New Jersey, County Counsel ("County Counsel").

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent, if any, as specifically stated herein) and will express no opinion relating thereto.

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

PREPARATION OF OFFICIAL STATEMENT

The County hereby states that the descriptions and statements herein and in the Appendices attached hereto, including financial and statistical statements, are true and correct in all material respects, and it will confirm the same to the purchasers of the Bonds and Notes by certificates signed by various officers and officials of the County upon issuance and delivery of the Bonds and Notes.

All of the information has been obtained from sources which the County considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

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

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the County, assuming continuing compliance by the County with the tax covenants described below, under existing law, interest on the Bonds and Notes is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds and Notes, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds and Notes received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the

Bonds and Notes is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds and Notes received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds and Notes, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the County's covenants contained in the Bond Ordinance and Note Ordinances, and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the Bonds and Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the County to comply with such covenants could result in the interest on the Bonds and Notes being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds and Notes that may affect the tax-exempt status of the interest on the Bonds and Notes.

Ownership of the Bonds and Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds and Notes will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds and Notes is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds and Notes.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section

265(b)(3) of the Code. The County has *not* designated the Bonds or the Notes as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code.

Owners of the Bonds and Notes should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Bonds and Notes and any gain from the sale thereof are not includable in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in New Jersey that, if enacted, could alter or amend the Federal and New Jersey tax matters referred to above or adversely affect the market value of the Bonds and Notes. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds and the Notes.

PROSPECTIVE PURCHASERS OF THE BONDS AND THE NOTES SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS AND NOTES AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

LEGALITY FOR INVESTMENT

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

LITIGATION

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

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Rating Agency"), has assigned a rating of "AA-" stable outlook to the Bonds, based upon the creditworthiness of the County. The Notes are not rated.

The rating reflects only the views of the Rating Agency. Any desired explanation of the significance of such rating should be obtained directly from the Rating Agency. The County furnished to the Rating Agency certain information and materials concerning the Bonds and the County. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Mount Laurel, New Jersey, served as financial advisor ("Financial Advisor") to the County with respect to the issuance of the Bonds and Notes. This Official Statement has been prepared with the assistance of the Financial Advisor. Information set forth in the Official Statement has been obtained from the County and other sources which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

CONTINUING DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the County will, prior to the issuance of the Bonds, enter into an agreement substantially in the form set forth in Appendix "D" hereto.

During the five-year period preceding the date of this document, the County previously failed to timely file (i) its audited financial statements for the fiscal years ended December 31, 2013 and 2012; (ii) annual operating data for the fiscal years ended December 31, 2015, 2013 and 2012; (iii) its adopted budgets for the fiscal years ended December 31, 2014 and 2013; and (iv) its annual debt statements for the fiscal years ended December 31, 2014 and 2012. In addition, the County previously failed to timely file material event notices in connection with certain rating changes of the County and bond insurers as well as New Jersey State program ratings such as Chapter 12 and 72. The County has since filed all annual financial information and notices and has engaged a dissemination agent to ensure future compliance.

The foregoing description of instances of non-compliance by the County with its continuing disclosure obligations should not be construed as an acknowledgement by the County that any such instances were material. The County has retained a Disclosure Agent to ensure future timely filings.

NO DEFAULT

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

UNDERWRITING

The Bonds have been purchased from the County at a public sale by ________________________ ("Bonds Underwriter"). The Bonds Underwriter has purchased the Bonds in accordance with the Notice of Sale and the Official Form of Proposal. The Bonds are being offered for sale at the yields or prices set forth on the cover page of this Official Statement.

The Notes have been purchased from the County at a public sale by ________________________ ("Notes Underwriter," and together with the Bonds Underwriter, the "Underwriters"). The Notes Underwriter has purchased the Notes in accordance with the Notice of Sale and the Official Form of Proposal. The Notes are being offered for sale at the yields or prices set forth on the cover page of this Official Statement.

The Underwriters are obligated to purchase all of the Bonds and Notes if any of the Bonds and Notes are purchased. The Underwriters intend to offer the Bonds and Notes to the public initially at the offering yields set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds and the Notes to the public. The Underwriters may offer and sell the Bonds and Notes to certain dealers (including dealers depositing Bonds and Notes into investment trusts) at yields higher than the public offering yields set forth on the front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriters without prior notice.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Kelly A. Hannigan, CPA, County Treasurer, at (856) 935-7510, ext 8499, or to the Financial Advisor at (856) 234-2266.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Bonds.

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

This Official Statement has been duly executed and delivered by the County.

COUNTY OF SALEM, NEW JERSEY

By:______________________________________
KELLY A. HANNIGAN, CPA, County Treasurer

Dated: June ___, 2018

APPENDIX A

General Information Concerning the County

CERTAIN INFORMATION REGARDING THE COUNTY OF SALEM

General

The County of Salem, New Jersey ("County"), is situated in the southwest portion of the State of New Jersey ("State"). The Delaware River and Delaware Bay form the County's 36-mile western and southwestern border, with Wilmington, Delaware, directly across from the County's southwest border. The County of Gloucester, New Jersey, is on the County's northern side, and the County of Cumberland, New Jersey, forms the eastern and southeastern borders of the County. The County encompasses approximately 338 square miles, of which about 40% is composed of State Parks, Fish and Wildlife Management Areas, Government Facilities, and meadows or low-lying areas, 48% is devoted to agriculture, and 12% is developed for residential use (approximately 9,000 acres), and commercial and industrial use (approximately 6,500 acres).

The County is in the middle of the northeast corridor and on the State's main transportation corridor. Over 60 million people reside within 120 miles of the County's borders. The County is located in close proximity to three major business markets: (1) Philadelphia (35 miles away); (2) Baltimore (60 miles); and (3) New York City (120 miles). Wilmington, Delaware is five miles south of the County and is headquarters for E.I. DuPont de Nemours and Company ("DuPont").

Industry is located primarily along the Delaware River, and in the area of Salem City, as is the largest proportion of the County's population.

The 2012 Census of Agriculture (latest available) reported that 101,847 acres or nearly 50% of the County's land area was farmland. According to the census there were 825 farms and total agricultural sales amounted to $111,993,000 with the average annual sales per farm at $135,749. The County is the leading producer of soybeans among the State's 21 counties. Other important crops to the County include wheat and barley for grain, asparagus, tomatoes, corn and hay. The County is among the top three dairy producing counties in the State. Agriculture is the third largest employer.

County Government

The County operates under the freeholder form of county government, in which five members of the Board of Chosen Freeholders ("Board") are elected for staggered 3-year terms. The Board operates through a committee system and is required to perform both executive and legislative responsibilities in: (i) formulating County policies; (ii) developing new County programs; (iii) appointing members of various commissions and boards; and (iv) approving the operating and capital budgets and appropriating the funds received from the County's municipalities as well as state and federal agencies to maintain all County services. The day-to-day operations of the County are carried out by professional department heads answerable to the appropriate freeholder committee. The County abides by the regulations of the New Jersey Civil Service Commission.

The County is responsible for providing various government services, including the maintenance of the County road system, the administration of social and health care services, and the operation of recreational programs and facilities. The County provides space and personnel services for the court system; however, it is operated by the State.

The members of the Board are as follows:

Name	**Title**	**Term Expiration**
Honorable Melissa DeCastro	Director	12/31/2018
Honorable Charles V. Hassler	Deputy Director	12/31/2020
Honorable Ben H. Laury	Member	12/31/2018
Honorable Lee R. Ware	Member	12/31/2019
Honorable R. Scott Griscom	Member	12/31/2019

Compensated Absences

Upon retirement, employees will receive one-half of their accumulated sick days up to a maximum of $15,000. Unused accumulated vacation is paid for as straight time. However, only a maximum of ten vacation days may be carried over to each subsequent calendar year. For additional information regarding compensated absences, see Appendix "B": 2016 Audited Financial Statements (Note G herein).

Retirement Systems and Other Employee Benefits

All full-time permanent or qualified County employees who began employment after 1944 must enroll in one of two retirement systems (the Public Employees Retirement System or the Police and Firemen's Retirement System) depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding, and the manner of administration are set by the State. The Division of Pensions within the Treasury Department of the State is the administrator of the funds with benefit and contribution levels set by the State. The County is a member of the Public Employees Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). PERS and PFRS are evaluated every year by the State with employee contribution rates normally determined by the State of New Jersey. Approximately 256 employees of the County are enrolled in PERS, and 176 employees are enrolled in PFRS.

The County is not delinquent with respect to its share of contributions to PERS, PFRS, or the Federal Social Security System ("OASI").

All full-time employees are covered by AmeriHealth of New Jersey regarding their hospitalization, and Aetna Dental for the dental plan. The prescription plan is self-insured by the County. The County also provides to all full time and part time employees workers compensation which the County self-insures, group life insurance through the State pension system, and disability insurance through the State of New Jersey.

Labor Relations

The County employs approximately 543 persons, including part-time employees. Approximately, 86% of the County's work force is represented by the collective bargaining units listed below:

Union	Title of Employees
Local 1085, Communications Workers of America	Supervisory and non-supervisory personnel
Salem County Sheriff's Officers' Association	Non-supervisory sheriff's officers
Salem County Sheriff's Superior Officers' Association	Supervisory sheriff's officers
Salem County Correctional Officers' Association	Non-supervisory correction officers
Salem County Correctional Superior Officers' Association	Supervisory correction officers
Assistant Prosecutor ("AAP")	Employees of Prosecutor's Office

Population (1)

About 60% of the County's population lives in the western portion of the County near the Delaware River. The most populated municipalities in this area are Pennsville Township (12,827), and Carneys Point Township (7,846). Pittsgrove Township (9,081) is a rapidly growing rural municipality in the extreme eastern part of the County along the Route 55 corridor.

The following table compares the County's population with State and national trends.

Year	County	State	United States
2017 estimated	62,792	9,005,644	325,719,178
2016 estimated	63,158	8,978,416	323,405,935
2015 estimated	64,180	8,958,013	321,418,820
2014 estimated	64,715	8,938,175	318,857,056
2013 estimated	65,166	8,899,339	316,128,839
2012 estimated	65,727	8,867,749	313,873,685
2011 estimated	65,902	8,821,155	311,591,917
2010 Federal	66,083	8,791,894	308,745,538

Educational Facilities

Primary and secondary public educational facilities in the County include twenty-two elementary schools, six middle schools, five high schools, a special education school, and a vocational and technical school. Higher education consists of the Salem Community College in Carneys Point. In close proximity to the County are Rutgers - the State University - Camden Campus, Rowan University, University of Pennsylvania and the Wharton School of Business in Philadelphia, the University of Delaware, and Widener University. In addition, there is a Business/Industry Outreach Program which provides customized training, on-site training, and cooperative education to prospective and current employees, as well as companies.

(1) Source: U.S. Bureau of the Census, Population Division

The Salem County Vocational Technical School ("SCVTS") operates a special purpose district in which a wide range of educational programs and services are provided to county residents. The educational programs offered by the SCVTS focus on secondary full time and share time careers, technical education programs, and Career Academy programs offered in partnership with four school districts in the County. SCVTS also operates the New Jersey Regional Day School for the New Jersey Department of Education. The program serves disabled students from Cumberland, Gloucester, and Salem Counties. Additionally, SCVTS provides programs for post-secondary students and a wide array of community and continuing education programs, all of which are available for one purpose; to serve the community's interests.

Salem Community College ("SCC") is a two-year, public, comprehensive institution of higher education authorized to grant associate degrees in the arts, fine arts, science and applied science, and certificates. SCC offers more than 40 programs of study in liberal arts, social science, business, nursing, allied health and technology. SCC features the nation's only associate degree program in scientific glass technology and offers a unique fine arts degree program in glass art. Thanks to a federal grant, SCC now offers associate in applied science degree programs in nuclear and sustainable energy technology. Fall semester enrollment exceeded 1,500 students. SCC also enrolls students in noncredit courses and customized training programs.

Health Care Facilities

The County's residents are served by two acute care hospitals - The Memorial Hospital of Salem County, Inc., located in Mannington Township near the center of the County, and the Inspira Healthcare Network in Elmer Borough in the southeastern portion of the County.

The Memorial Hospital of Salem County is a privately owned 126 licensed bed facility, which completed a $10 million expansion and renovation project in 2006. The hospital's facilities include a Cardiac Catheterization Lab, Rehabilitation and Telemetry, Emergency Room and Mobile Intensive Care Units. The hospital employs approximately 200 healthcare professionals.

Inspira Hospital - Elmer is a 96 bed facility since January of 2000, they have a state-of-the-art intensive care unit; a modern surgical services department; a Maternity Care Center and most recently an expanded emergency department. The lobby and registration area have recently been completely designed.

In addition to the above, The South Jersey Physical Therapy and Back Rehabilitation Center is located in Pennsville. Senior Care Centers include Carneys Point Rehabilitation and Nursing Center and Southgate Health Care Center located in Carneys Point, Golden Rehabilitation and Nursing Center located in Salem, and Friends Village at Woodstown.

There are also various volunteer ambulance services throughout the County.

Recreational and Cultural Facilities

The County is home to two State Parks: (1) Fort Mott, encompassing 104 acres in the southwestern part of the County; and (2) Parvin, encompassing 1,125 acres in the southeastern part of the County in Pittsgrove Township. Additionally, within the County reside two Fish and Wildlife Refuges covering over 5,800 acres, and a National Wildlife Refuge of 2,200 acres. The County has developed two recreational parks in addition to numerous publicly and privately owned parks and recreational facilities. These include the Boy Scouts and YM/YWCA facilities.

Fishing and boating exits line the Delaware River and Delaware Bay, providing access to five boat basins with launching sites. There are also three semi-public golf courses throughout the County, bridle trails and camping sites.

Special interest attractions include the Cowtown Rodeo and Flea Market, and the Appel Farms Arts & Music Center.

The County has a rich cultural heritage with over 100 historic sites including the Hancock House in Hancock's Bridge, a State historic site, and the Alexander Grant House in Salem, headquarters to the Salem County Historical Society, which contains an excellent museum and library. The County touts 29 patterned brick houses scattered throughout the area. The County government also maintains an important historic structure in active use; the Old County Courthouse (1817, 1907).

There are five public libraries in the County which serve the developed communities and adjacent outlying areas. The SCC also operates a bookmobile for those who are unable to avail themselves of these library facilities.

Transportation

An extensive road network provides excellent access to the County from all directions. Several important interstate and regional highways radiate from the Delaware-Memorial Bridge in Pennsville Township, connecting the County with the Boston-to-Washington (Interstate 95) corridor, Philadelphia, Atlantic City and other shore points. These routes include the New Jersey Turnpike, Interstate 295, U.S. Route #130, U.S. #40 and N.J. State Highway #49. The New Jersey Turnpike and Interstate 295 begin in the County at the Delaware Memorial Bridge.

The County has a total of 879.53 linear miles of roads, including 3.2 miles of Interstate routes, 46 miles of State highways, and 355.17 miles of County roads. Only a few isolated segments or intersections are near their design capacity at any time of the day. Therefore, the County's road network has the capacity to handle further increases in traffic volume without major new highway alignments. The County road system is the largest form of County capital investment and receives a significant portion of the County's budget for improvements and maintenance.

Regional bus service is provided by New Jersey Transit - Bus Operations which links the County with the Counties of Gloucester and Camden as well as the City of Philadelphia. The County operates intra-County bus service between the City of Salem and the Borough of Penns Grove to serve the County's employment centers, business districts and residential neighborhoods.

There are currently three active rail lines providing freight service (there is no passenger rail service in the County) that pass through the County.

Salem Secondary Line is an 18.6 mile line, which runs from Swedesboro, Gloucester County, through Woodstown and Alloway Junction to its terminus at Salem Port. Connecting Conrail Service is available at Swedesboro. The line, known as the Salem Secondary Track (purchased by Salem County from Conrail in 1985), is operated by Southern Railroad of New Jersey.

The Cumberland and Maurice River Branch (three miles of which pass through the extreme southeastern corner of the County in Pittsgrove Township) is owned by Winchester and Western Railroad. The line carries freight through Pittsgrove Township on route from Vineland to destinations in southern Cumberland County.

Penns Grove Secondary Line, owned and operated by Conrail, runs southward from Woodbury in Gloucester County, through Oldmans Township and Penns Grove Borough, in Deepwater and in Pennsville Township. The line provides service to DuPont and several other industries in the County.

Of significance to the County's economic development is its access to the Delaware River, an important artery for waterborne transportation in the region. The waterway is maintained by the Army Corps of Engineers to an authorized depth of 40 feet from Philadelphia to the Atlantic Ocean. Some companies, such as The Chemours Company and Calpine, have developed deepwater docking facilities along the Delaware River. The South Jersey Port Corporation operating in the City of Salem has developed a barge port to serve bulk material traffic for the South Jersey area. The port development area is located on the Salem River, within two miles of the Delaware River channel, and directly across from the Chesapeake and Delaware Canal.

There are several private airports and one public airport in the County. These facilities are used principally for agricultural-related operations and for aviational recreation. In addition, a few heliports are located in the County primarily to serve major industries. Air freight and air passenger service needs are met by Philadelphia International Airport, situated 16 miles to the north of the County and, to a limited extent, by Greater Wilmington Airport in New Castle County, Delaware, seven miles from the Delaware Memorial Bridge.

Economic Development (1)

Logistic and manufacturing firms form the County's economic base. In particular, Chemours located at the Chamber Works in Pennsville Township. The factory's wastewater treatment plant, with a capacity of 40 million gallons per day, is capable of handling large volumes of hazardous chemicals. In 2014 DuPont announced split the company, with the new company, Chemours, focusing on what they call "performance chemicals". Approximately 80-percent of the site moved into Chemours. The other 20-perent remains with DuPont.

Mannington Mills, Inc., a manufacturer of floor covering, wood flooring, carpet and ceramic tile, has its national headquarters in Mannington Township, Salem County. In 1999, Siegfried USA, a pharmaceutical manufacturer located in Pennsville Township, completed a $2.5 million expansion that resulted in 30 new jobs. J.E. Berkowitz Architectural Glass, which occupies 200,000 square feet of plant and employs 250 people, also completed an expansion in 2014. Mullica Hill Freezers & Cold Storage, Inc. has opened an 110,000 square foot office/cold storage distribution facility.

In 2014 the County welcomed to the Gateway Business Park in Oldmans Township. Warehouse facilities have opened for, Five Below, jet.com, and UPS. More space is available. Other expansions include, New Options Farm in Mannington and McLane trucking in Carneys Point. New franchise outlets, include Dollar Tree, Planet Fitness, and Dunkin Donuts.

The County is an important center for electric generating plants. Public Service Electric and Gas Company ("PSE&G") operates three nuclear generating plants. Two plants (Salem I and II) are owned jointly by PSE&G (50.00%), Philadelphia Electric Co. (42.59%), and Atlantic City Electric (Atlantic Electric and Delmarva Power and Light) (7.41%). Hope Creek I nuclear plant is owned by PSE&G.

PSE&G operates a nuclear training school in Salem City and has concentrated its nuclear power operations in the County. These nuclear power activities, located in Lower Alloways Creek Township on Artificial Island in the Delaware River, are major sources of employment for the County and South Jersey in

(1) Source: County Economic Development Office

general. PSE&G replaced the steam generators in Salem I which cost approximately $150 million. Steam generator replacement on Salem Unit II was completed in the Spring of 2008. In 1999, Atlantic City Electric opened a regional headquarters and customer care center in Carneys Point Township which employs 526 people.

The 3.3125% sales tax program has helped some retailers recapture sales lost to Delaware.

Salem Port District (1)

The Salem Port District ("Port District"), which is operated by the South Jersey Port Corporation, is situated on the Salem River in Salem County approximately two miles upstream from the Delaware River and Delaware Bay, five miles from the entrance to the Chesapeake and Delaware Canal. The Port District serves barges and small ocean-going vessels. The Conrail and West Jersey rail lines, Interstate Routes 95 and 295, and the New Jersey Turnpike are accessible to incoming and outgoing cargo. All are within nine miles of the Port District.

The Port District is a Foreign Trade Zone ("FTZ"). The FTZ is an area where domestic and foreign merchandise can be stored without formal customs entry and without payments of duties and taxes. Many additional financial benefits are available to businesses that locate in the FTZ. Salem Marine Terminal is the lease operator of the port facility for the South Jersey Port Corporation.

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(1) Source: County Economic Development Office

Employment(1)

Year	Labor Force	Employed Persons	Unemployed Persons	Unemployment Rate County	Unemployment Rate State
2017	29,891	28,061	1,830	6.1%	4.6%
2016	30,318	28,376	1,942	6.4%	5.0%
2015	31,400	29,200	2,200	7.1%	5.8%
2014	31,200	28,500	2,600	8.5%	6.8%
2013	31,600	28,300	3,300	10.4%	8.2%

Per Capita Personal Income(3)

Year	County	State
2017 -Personal	30,295	37,538
2017 Household Median	61,341 US Census estimates	73,702 US Census estimates
2016	$45,187	$61,472
2015	44,269	60,234
2014	42,426	57,634
2013	28,772	36,027
2012	27,334	53,628

Estimated Cost of Residential Construction (2)

Year	Total Value of Permits
2016	$21,883,605
2015	19,782,503
2014	20,917,111
2013	17,254,633
2012	15,379,969

LARGEST PRIVATE SECTOR EMPLOYERS (3)

Employer	Nature of Business	Approximate Number of Employees
PSE&G	Nuclear Power Generating Plant	1,500
Mannington Mills, Inc.	Floor Coverings	550
Memorial Hospital of Salem County	Acute Care Facility	Cannot verify#
R.E. Pierson Construction	Construction	125
Inspira Hospital - Elmer	Acute Care Facility	Cannot verify#
Atlantic City Electric	Public Utility	500
McLane NJ	Grocery Distribution	400

(1) Source: Bureau of Economic Analysis, U.S. Department of Commerce
(2) Source: New Jersey Department of Community Affairs
(3) Source: County Economic Development Office

CERTAIN TAX INFORMATION
TEN LARGEST TAXPAYERS(1)

Business	Nature of Business	Location	2018 Assessed Valuation
The Chemours Company FC, LLC	Manufacturer of Various Chemicals	Pennsville	$124,000,000
PSEG Services Corp	Public Utility	Lower Alloways	113,498,600
DuPont c/o Chambers Cogen Ltd.	Manufacturer of Various Chemicals	Carneys Point	52,000,000
Mannington Mills, Inc.	Floor Coverings	Mannington	34,624,200
Salem Hospital Corp.	Acute Care Facility	Mannington	32,400,000
DuPont De Nemours EI	Manufacturer of Various Chemicals	Carneys Point	25,000,000
Mexichem Specialty Resins Inc.	PVC Dispersion Resins	Oldmans Twp	22,000,000
McLane New Jersey, Inc.	Wholesales General Line Groceries	Carneys Point	20,965,600
PHI Service Co	Business Park	Carneys Point	19,028,600
ACP Pennsville Associates	Property Invesetments	Pennsville	16,925,600
Calpine New Jersey Generation LLC	Public Utility	Pennsville	15,865,800
Siegfried USA, LLC	Manufacturer of Various Chemicals	Pennsville	13,581,900
Delaware River & Bay Authority	Government	Pennsville	12,778,100
Pennsville Acquisition, LLC	Property Investments	Pennsville	12,697,300
MHG Gateway Properties, LLC	Property Investments	Oldmans Twp	11,113,600

TAX COLLECTIONS (2)

		Collection Year of Levy	
Year	**Tax Levy**	**Amount**	**Percentage**
2016	$52,933,660	$52,933,660	100.00%
2015	51,448,093	51,448,093	100.00
2014	50,310,876	50,310,876	100.00
2013	51,356,241	51,356,241	100.00
2012	51,356,241	51,356,241	100.00

EQUALIZED VALUATION ON WHICH COUNTY TAXES ARE APPORTIONED AND ANNUAL COUNTY TAX RATE

Year	County Net Valuations	Tax Rate(3)
2016	$5,057,825,714	$1.070
2015	5,265,472,749	.980
2014	5,339,001,530	.947
2013	5,453,646,338	.946
2012	5,585,235,635	.922

(1) Source: County Tax Board.
(2) Source: County Board of Taxation. County Taxes are levied and collected directly from the constituent municipalities.
(3) Source: County Board of Taxation. Rate per $100 of equalized value.

REAL PROPERTY CLASSIFICATION(1)

Year	Total Assessed Value Land and Improvements	Land	Residential	Farm	Commercial	Industrial	Apartments
2017	$5,037,196,030	$118,590,698	$3,367,254,032	$440,398,200	$544,989,800	$484,111,800	$81,851,500
2016	5,187,391,727	122,288,197	3,468,972,934	441,922,600	573,405,200	496,061,496	84,741,300
2015	5,266,488,627	129,801,397	3,505,842,134	443,113,700	603,490,600	499,320,996	84,919,800
2014	5,287,977,227	132,225,797	3,515,315,734	443,863,700	611,364,900	500,187,296	85,019,800
2013	5,308,589,273	135,292,800	3,518,108,634	445,240,300	621,459,643	502,881,096	85,606,800

STATEMENT OF EQUALIZED VALUATION FOR CONSTITUENT MUNICIPALITIES(2)

	2018			2017		
	Equalized Value-Land and Improvements	Net Valuation on which County Taxes are Apportioned	Apportionment of County Taxes	Equalized Value-Land and Improvements	Net Valuation on which County Taxes are Apportioned	Apportionment of County Taxes
Alloway Township	$ 290,938,858	$ 292,341,815	5.81%	$ 291,283,856	$ 292,718,815	5.93%
Carney's Point Township	591,467,695	599,382,048	11.90%	543,999,103	553,164,756	11.21%
Elmer Township	108,197,642	108,774,005	2.16%	107,696,294	108,297,578	2.19%
Elsinboro Township	104,288,444	104,831,924	2.08%	103,812,005	104,369,203	2.11%
Lower Alloways Creek Township	295,613,280	297,149,087	5.90%	292,308,084	293,931,047	5.96%
Mannington Township	198,246,801	201,858,959	4.01%	183,159,251	187,013,059	3.79%
Oldmans Township	240,189,499	250,760,272	4.98%	232,967,089	240,009,759	4.86%
Penns Grove Township	125,812,792	127,052,953	2.52%	132,887,528	134,257,279	2.72%
Pennsville Township	1,015,628,349	1,063,432,673	21.12%	980,683,704	1,033,131,439	20.94%
Pilesgrove Township	443,092,047	444,496,654	8.83%	434,628,378	436,092,469	8.84%
Pittsgrove Township	655,060,662	658,649,358	13.08%	636,397,160	639,389,646	12.96%
Quinton Township	175,617,625	177,312,729	3.52%	186,713,209	188,463,979	3.82%
City of Salem	131,229,639	137,176,816	2.72%	131,762,157	138,090,808	2.80%
Upper Pittsgrove Township	306,592,594	308,534,066	6.13%	316,341,845	319,224,972	6.47%
Woodstown Borough	262,423,418	263,018,076	5.22%	264,342,022	266,701,947	5.40%
Total	$ 4,944,399,346	$ 5,034,771,435	100.00%	$ 4,838,981,685	$ 4,934,856,756	100.00%

(1) Source: County Board of Taxation
(2) Sources: Equalization Tables for the County

DEBT INFORMATION

General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt, bonds or notes, which have been refunded, and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered defeased. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount to determine if a local government unit is within the limit of its statutory borrowing power.

The County's debt incurring power is limited by State statute to 2.00% of the equalized valuation basis, determined annually by the State, of all taxable property within the County (see "County Borrowing Capacity" herein). The County's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year of an issue's date and the final maturity not to exceed the useful life of a capital improvement. General purpose bonds must be sold on a competitive bid basis, and the amount bid for a bond issue may not exceed $1,000 above or be less than the principal amount of a bond issue. Refunding and Fiscal Year Adjustment Bonds may be sold on a negotiated basis with the approval of the Local Finance Board. Notes may be sold on a competitive or on a negotiated, or private sale basis for a period of one year, and may be renewed annually not to exceed ten renewals.

Appropriation Not Required for Payments on Debt

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

COUNTY OF SALEM
STATEMENT OF INDEBTEDNESS(1)

The following table summarizes the direct debt of the County as of December 31, 2017 in accordance with the requirements of the Local Bond Law of the State (N.J.S.A. 40A:2-2- et. seq.). The gross debt comprises long and short-term debt issued and debt authorized but not issued, including General and Salem County Improvement Authority. Deductions from gross debt to arrive at net debt include deductible County College debt, as well as debt deductible in accordance with N.J.S.A. 40: 37A-80. The resulting net debt of $43,364,364 represents .873% of the average of equalized valuations for the County for the last three years, which is within the 2% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Debt Auth. But Not	Gross		Net
	Bonds	Notes	Loan	Issued	Debt	Deductions	Debt
General	$30,834,000	$7,645,000	$1,300,000	$3,800,364	$43,579,364	$215,000 (3)	$43,364,364
SCIA - Lease Obligation and Other	1,460,000				1,460,000 (2)	1,460,000 (2)	
	$32,294,000	$7,645,000	$1,300,000	$3,800,364	$45,039,364	$1,675,000	$43,364,364

(1) As of December 31, 2017
(2) Includes Salem County Improvement Authority - Lease Obligation
(3) County College Bonds Act PL 1971 C. 12

Source: County Auditor

DEBT RATIOS AND VALUATIONS(1)(2)

Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	$4,969,845,926
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	0.873%
2018 Net Valuation Taxable	$5,007,792,466
2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	$4,951,072,806
Gross Debt (3):	
As a percentage of 2018 Net Valuation Taxable	0.87%
As a percentage of 2018 Equalized Valuations	0.88%
Net Debt (3):	
As a percentage of 2018 Net Valuation Taxable	0.87%
As a percentage of 2018 Equalized Valuations	0.88%
Gross Debt Per Capita (4)	$659
Net Debt Per Capita (4)	$656

COUNTY BORROWING CAPACITY(1)(2)

Statutory Borrowing Capacity:	
2.0% of Average (2015-17) Equalized Valuation of Real Property including Improvements ($4,969,845,926)	$99,396,919
Net Debt	43,364,364
Remaining Borrowing Capacity Available Under N.J.S.A. 40A:2-6	$56,032,555

OVERLAPPING DEBT

Gross Debt of Constituent Municipalities(1)	$120,330,858

(1) As of December 31, 2017
(2) Source: County Auditor
(3) Excluding overlapping debt
(4) Based on Federal 2010 Census of 66,083

AUTHORITIES CREATED BY THE COUNTY

Under laws creating authorities, a local governmental unit may enter into a contract or agreement to borrow funds from an authority or, under a deficiency type of agreement, guarantee debt service payments on debt issued by an authority. If a local governmental unit borrows funds from an authority, such borrowing is not included in a local governmental unit's statutory gross debt. If a local governmental unit guarantees all or any part of an authority's outstanding debt, the portion of debt service not payable from an authority's revenues and which is guaranteed by a local governmental unit, must be included in a local governmental unit's statutory net debt amount ("deficiency agreement").

The County has created three authorities. A description of each authority and the outstanding debt for each authority are shown below.

The following information applies to each of the authorities and should be noted. None of the authorities have the power to levy or collect taxes. The debt issued by any one of the authorities is neither a debt nor a liability of the State, the County, nor any political subdivision of the State, except the respective authorities, and does not and shall not create or constitute any indebtedness of the State, the County or any political subdivision of the State, except the respective authorities.

The Salem County Utilities Authority

The Salem County Utilities Authority ("SCUA") was created on February 20, 1980, by the County in response to the requirements of the Solid Waste Management Act of 1975 and the adoption of a ten year Solid Waste Management Plan ("Plan"). The County's Plan, as amended, sets forth a combination of resource recovery and landfill facilities. Currently there is no resource recovery facility.

The Salem County Board of Chosen Freeholders adopted a plan on June 10, 2008 to transfer the assets, liabilities and operations of the SCUA to The Salem County Improvement Authority on or about October 1, 2008. The SCUA subsequently consented and, thereafter, a plan of dissolution was submitted to the Local Finance Board, Division of Local Government Services, Department of Community Affairs of the State of New Jersey. Such plan of dissolution was approved by the Local Finance Board on August 15, 2008. By resolution of the Commissioners dated July 22, 2008, it was determined that all the outstanding debt of SCUA, as indicated in the previous paragraph, would be defeased in its entirety on or before the dissolution of the SCUA. Therefore, because of such defeasance no outstanding debt of the SCUA was assumed or refunded. The final dissolution of the SCUA was completed on April 1, 2009.

The Salem County Improvement Authority

The Salem County Improvement Authority ("SCIA") was created by a resolution of the County's Board on January 7, 1976. Under the State's Improvement Authority Act, the SCIA has the power, among other powers, to acquire, construct and equip any "public facility", and to issue its obligations to finance the construction or acquisition costs of such facilities. The SCIA is permitted under the Improvement Authority Act to lease such public facility which it acquires or constructs.

On June 14, 1989, the SCIA issued $24,365,000 Revenue Bonds (Correctional Facility and Court House Annex) ("1989 Revenue Bonds") for the construction of the correctional facility and the renovation of the courthouse annex ("Project"). Under the SCIA's bond resolution authorizing the issuance of the 1989 Revenue Bonds, or any other bonds issued to refinance the 1989 Revenue Bonds to pay for the costs of Project, the County is responsible for the payment of all debt service on such bonds pursuant to a lease purchase agreement by and between the County and the SCIA ("Lease"), until the final payment of such bonds. The County is responsible to pay for all operational and maintenance expenses incurred with respect to the Project in addition to the debt service payments noted above. The 1989 Revenue Bonds were refunded.

On April 1, 1993, the SCIA issued its Revenue Refunding Bonds of 1993 (Correctional Facility and Court House Annex) in the aggregate principal amount of $19,995,000 ("1993 Revenue Bonds") to advance refund a portion of the SCIA's outstanding 1989 Revenue Bonds maturing in the year 2000, to advance refund all of the 1989 Revenue Bonds maturing in the years 2001 to 2017 and to pay costs of issuance for the 1993 Revenue Bonds. The 1993 Revenue Bonds were refunded.

On April 1, 1998, the SCIA issued its Revenue Refunding Bonds of 1998 (Correctional Facility and Court House Annex) in the aggregate principal amount of $3,910,000 ("1998 Revenue Bonds") to advance refund a portion of the SCIA's outstanding 1989 Revenue Bonds maturing in the year 2019 and pay costs of issuance for the 1998 Revenue Bonds. The 1998 Revenue Bonds were refunded.

On February 1, 2003, the SCIA issued its Revenue Refunding Bonds of 2003(Correctional Facility and Court House Annex) in the aggregate principal amount of $17,140,000 ("2003 Revenue Bonds") to currently refund the SCIA's outstanding Revenue Bonds (Correctional Facility and Court House Annex Project Refunding, Series 1993) maturing in the years 2004 through 2017 and pay costs of issuance for the 2003 Revenue Bonds. The 2003 Revenue Bonds mature annually through 2017. The 2003 Revenue Bonds were refunded.

On April 9, 2008, the SCIA issued its Revenue Refunding Bonds of 2008 (Correctional Facility and Court House Annex) in the aggregate principal amount of $3,780,000 ("2008 Refunding Bonds") to currently refund the SCIA's outstanding Revenue Bonds (Correctional Facility and Court House Annex Project, Refunding Series 1998) maturing in the years 2008 through 2019 and pay costs of issuance for the 2008 Refunding Bonds. The 2008 Refunding Bonds mature annually through 2019. As of December 31, 2016, $3,645,000.00 remains outstanding.

On July 31, 2013, the SCIA issued its Revenue Refunding Bonds of 2013 (Correctional Facility and Court House Annex) in the aggregate principal amount of $5,680,000 ("2013 Refunding Bonds") to currently refund the SCIA's outstanding Revenue Bonds (Correctional Facility and Court House Annex Project, Refunding Series 2003) maturing in the years 2014 through 2017 and pay costs of issuance for the 2013 Refunding Bonds. The 2013 Refunding Bonds mature annually through 2017. As of December 31, 2016, $1,475,000.00 remains outstanding.

Under the terms of the Lease, which terminates upon payment or retirement of all obligations issued by the SCIA in connection with the financing of the Project, as of December 31, 2016, the County will be obligated to pay a total of $5,544,775 in principal and interest.

On July 19, 2007, the SCIA issued its City-Guaranteed Revenue Bonds (Finlaw State Office Building Project) Series 2007 in the aggregate principal amount of $19,500,000 ("2007 Revenue Bonds") for the purpose of making a loan to Stand Up for Salem, Inc., a New Jersey not-for-profit corporation, for the construction of a five-story office building in the City of Salem, to house various State agencies and other entities and an adjacent parking facility to house approximately 275 spaces. The 2007 Revenue Bonds were issued as fixed rate bonds with a final maturity of August 15, 2038. As of December 31, 2016, $18,770,000 of the 2007 Revenue Bonds remain outstanding. The County has no repayment obligation with respect to the 2007 Revenue Bonds.

On May 28, 2008, the SCIA issued its Governmental Loan Revenue Bonds (County College Project) Series 2008A ("2008A Revenue Bonds") in the aggregate principal amount of $3,600,000 which are payable from and secured by loan payments received from the County of which $840,000 remains outstanding as of December 31, 2016. On May 28, 2008, the Authority issued its County Guaranteed Lease Revenue Bonds (County Glass Blowing Project) Series 2008B in the aggregate principal amount of $2,000,000 ("2008B Revenue Bonds") of which $195,000 remains outstanding as of December 31, 2016. On December 5, 2016 the Authority issued County Guaranteed Lease Revenue Refunding Bonds (County Glass Blowing Project) Series 2016 in the aggregate principal amount of $1,380,000 to refinance the Capital Lease Revenue Bonds Series 2008B. As of December 31, 2016 $1,380,000 remains outstanding. The 2008B and 2016 Revenue Bonds are secured by a lease purchase agreement between the SCIA and the SCUA. The payment of the principal of and interest on such 2008B Revenue Bonds are secured by an unconditional guaranty of the County. Upon dissolution of the SCUA, as previously discussed, the annual lease payments are now funded by the "Landfill Operations Division" of the SCIA.

On March 18, 2009, the SCIA issued its Governmental Loan Revenue Bonds (County Capital Improvement and Equipment Project), Series 2009 ("2009 Revenue Bonds") in the aggregate principal amount of $9,854,000 which are payable from and secured by loan payments received from the County. The 2009 Revenue Bonds were refunded, but $1,320,000 remains outstanding as of December 31, 2016.

On August 30, 2016, the County issued its General Obligation Refunding Bonds, Series 2016 ("Bonds") in the aggregate principal amount of $6,035,000 to advance refund the SCIA's outstanding Governmental Loan Revenue Bonds (County Capital Improvement and Equipment Project), Series 2009 maturing on March 15, 2020 through and including 2029 and pay certain costs associated with the issuance of the Bonds. The 2016 Refunding Bonds mature annually through 2029. As of December 31, 2016, $6,035,000 remains outstanding.

The Salem County Pollution Control Financing Authority

Created by a resolution of the Board adopted on March 6, 1974, the Salem County Industrial Pollution Control Financing Authority ("PCFA") serves as a tax-exempt financing vehicle for private industry or business located, or to be located, in the County.

The PCFA was established to benefit industrial organizations by issuing revenue bonds, the proceeds of which are to be used for constructing or improving the pollution control facilities situated in the County. Proceeds from the issuance of these types of bonds, generally, are subject to a lower cost of borrowing than for private sector entities. The PCFA does not become involved in the construction activities and is not responsible for the repayment of the issued and outstanding indebtedness. Debt service and the proceeds from the issuance of bonds for construction purposes are administered by an appointed trustee as defined in each trust indenture. As of January 31, 2017, there is approximately $714,415,000 of such bonds outstanding. Neither the PCFA nor the County have any repayment obligation with respect to the Revenue Bonds.

SELECTED ECONOMIC AND DEBT INFORMATION ON THE MUNICIPALITIES IN THE COUNTY

	2016 Estimated Population(1)	2016 Household Median Income(1)	Unemployment Rate(2)	Gross Debt(3) (4) School	Gross Debt(3) (4) Self-Liquidating	Gross Debt(3) (4) Municipal	Statutory Deductions(3) (4) School	Statutory Deductions(3) (4) Self-Liquidating	Statutory Deductions(3) (4) Other	Net Debt(3) (4)	Average Equalized Valuation(3) (4)	% of Debt(3)
Alloway Township	3,330	$ 71,691	5.00%	$ 1,645,000	$ 2,427,656	$ 1,623,172	$ 1,645,000	$ 2,427,656		$ 1,623,172	$ 288,686,860	0.562 %
Carneys Point Township	7,772	53,341	6.90%	6,617,490		5,540,878	6,617,490		$ 48,548	5,492,330	602,817,066	0.911
Elmer Borough	1,327	79,643	4.70%		580,000	47,000		580,000		47,000	107,630,891	0.044
Elsinboro Township	986	65,556	7.10%							-	105,314,097	---
Lower Alloways Creek Township	1,782	73,375	6.80%							-	296,199,011	---
Mannington Township	1,750	76,607	6.10%	1,265,000		90,000	1,265,000			90,000	204,739,817	0.044
Oldsman Township	1,810	76,125	4.20%	540,000	39,000	1,070,000	540,000			1,109,000	228,705,808	0.485
Penns Grove Borough	4,884	34,439	8.30%	1,492,510		1,101,905	1,492,510			1,101,905	135,959,518	0.810
Pennsville Township	12,677	58,581	5.30%	33,975,000	1,924,306	5,859,514	33,975,000	1,924,306	406,368	5,453,146	1,008,952,093	0.540
Pilesgrove Township	4,025	85,029	4.50%	12,571,692		4,708,900	12,571,692			4,708,900	438,482,029	1.074
Pittsgrove Township	8,952	72,500	5.30%	4,926,000		706,960	4,926,000			706,960	642,786,527	0.110
Quinton Township	2,443	68,083	6.60%	1,966,000	1,750,014	420,000	1,966,000	1,750,014		420,000	185,132,261	0.227
City of Salem	4,824	26,419	13.50%	1,720,000	12,581,872	2,574,099	1,720,000	12,581,872	428,192	2,145,907	141,768,710	1.514
Upper Pittsgrove Township	3,390	86,648	4.60%							-	313,747,109	---
Woodstown Borough	3,484	71,500	4.70%	7,710,308	1,648,502	1,208,080	7,710,308	1,648,502		1,208,080	268,924,128	0.449
				$ 74,429,000	$ 20,951,350	$ 24,950,508	$ 74,429,000	$ 20,912,350	$ 883,108	$ 24,106,400	$ 4,969,845,926	0.485 %

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

(2) Source: New Jersey Department of Labor - 2017 Annual Average

(3) As of December 31, 2017

(4) Source: Respective municipalities 2017 Annual Debt Statement

SALEM COUNTY
SCHEDULE OF DEBT SERVICE
(BONDED DEBT ONLY)

	Existing Debt (1)(2)			General Obligation Bonds, Series 2018			
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Total**
2018	$ 2,935,000.00	$ 856,894.00	$ 3,791,894.00				
2019	2,585,000.00	751,600.00	3,336,600.00				
2020	2,155,000.00	662,182.00	2,817,182.00				
2021	2,230,000.00	592,328.00	2,822,328.00				
2022	2,295,000.00	524,794.00	2,819,794.00				
2023	2,110,000.00	449,450.00	2,559,450.00				
2024	2,180,000.00	372,949.00	2,552,949.00				
2025	2,225,000.00	283,808.00	2,508,808.00				
2026	1,735,000.00	189,768.00	1,924,768.00				
2027	1,285,000.00	130,538.00	1,415,538.00				
2028	1,310,000.00	77,588.00	1,387,588.00				
2029	934,000.00	21,425.00	955,425.00				
	$ 23,979,000.00	$ 4,913,324.00	$ 28,892,324.00	$ -	$ -	$ -	$ -

(1) As of December 31, 2017
(2) Does Not Include Dam Restoration Loan Payable of $_________ or SCIA Capital Lease Payable.
Source: County Auditor

COUNTY OF SALEM
2018 COUNTY BUDGET(1)

Anticipated Revenues:		
Fund Balance	$	3,584,189
Miscellaneous Revenues:		
Local Revenues		4,371,800
State Aid		781,254
State Assumption of Costs of County Social		
Welfare Services and Psychiatric Facilities		2,810,390
Public and Private Revenues Offset with Appropriations		7,626,544
Other Special Items		9,209,422
Amount to be Raised from Taxation - County Purpose Tax		58,331,928
Total Revenues	$	86,715,527
Appropriations:		
Operations	$	72,054,741
Capital Improvements		650,000
Debt Service		5,908,842
Deferred Charges		186,038
Pension, Social Security and Unemployment		7,915,906
Judgements		
Total Appropriations	$	86,715,527

(1) Source: County's 2018 Annual Budget as introduced.

COUNTY OF SALEM
SIX YEAR CAPITAL PROGRAM 2018-2023(1)

		Budget Appropriations			Bonds and Notes
	Estimated Total Cost	Future Years	Capital Improvement	Grants-in-Aid and Other	General
Railroad Rehabilitation	$ 8,500,000	$ 185,000		$ 8,315,000	
Material Testing	50,000		$ 50,000		
Auburn Road Drainage	50,000				$ 50,000
Bridge and Scour Repairs	5,540,000	1,440,000		4,000,000	100,000
Dam Repair, Avis Mill	6,611,849	2,300,000		3,200,000	1,111,849
Right of Acquisition	10,000		10,000		
Oil and Stone Program	250,000				250,000
2017 County Aid	2,866,000			2,866,000	
Dutch Row, Watson Mill, Willow Grove	3,500,000			3,500,000	
Pointer Auburn	1,500,000			1,500,000	
Parking Lot Resurfacing	65,000	65,000			
Acquisition of Vehicles (Dump Truck)	350,000				350,000
Road Department Cap Materials	150,000				150,000
	$ 29,442,849	$ 3,990,000	$ 60,000	$ 23,381,000	$ 2,011,849

(1) Source: County's 2018 Annual Budget as introduced.

APPENDIX B

Compiled and Audited Financial Statements of the County

FOR THE YEAR ENDED 2017

Compiled Financial Statements

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Freeholder Director and
Members of the Board of Chosen
Freeholders of the County of Salem
Salem, New Jersey 08079

Management is responsible for the accompanying financial statements of the County of Salem, New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance--regulatory basis of the various funds as of December 31, 2017 and the related statements of operations and changes in fund balances--regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures required by these regulatory accounting practices. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the County's assets, liabilities, reserves, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Henry J. Ludwigsen
Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
February 26, 2018

COUNTY OF SALEM - CURRENT FUND
Statement of Assets, Liabilities, Reserves and
Fund Balance -- Regulatory Basis
As of December 31, 2017

Assets		
Regular Fund:		
Cash	$	9,486,352
Receivables with Full Reserves:		
Taxes Receivable		61,326
Interfunds Payable		12,987
Mortgages Receivable		410,621
Due Federal and State Grant Fund		784,298
Deferred Charges		37,464
Total Assets	$	10,793,048
Liabilities, Reserves and Fund Balance		
Regular Fund:		
Liabilities		
Interfunds Payable	$	2,640
Appropriation Reserves		3,332,453
Reserve for Encumbrances		1,314,331
Reserve for Reconstruction of Various County Roads		128,803
Transportation OOA Program		4,468
Reserve for Payment of Debt		46,906
Reserve for Repair and Reconstruction of Roads, Bridges and Railroads		246,557
Total Liabilities		5,076,158
Reserve for Receivables		1,269,232
Fund Balance		4,447,658
Total Liabilities, Reserves and Fund Balance	$	10,793,048

See Independent Accountant's Compilation Report and selected notes.

COUNTY OF SALEM - CURRENT FUND
Statement of Operations and Changes
in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2017

Revenue Realized:	
Fund Balance Utilized	$ 1,890,173
Miscellaneous Revenues Anticipated:	
Operations	18,061,069
State and Federal Programs	18,005,202
Current Tax Collections	55,718,512
Non Budget Revenue and Other Income	2,405,296
Total Income	96,080,250
Expenditures and Encumbrances:	
Operations	59,810,358
Operations-State and Federal Programs, including match	18,348,702
Debt Service	5,266,309
Other Expenditures	8,647,673
Total Expenditures and Encumbrances	92,073,042
Excess in Revenues	4,007,208
Adjustments to Income before Fund Balance:	
Expenditures included above which are by Statute Deferred	
Charges to the Budget of the Succeeding Year:	
Overexpenditure of Appropriation Reserves	37,464
Statutory Excess to Fund Balance	4,044,673
Fund Balance, January 1	2,293,158
	6,337,830
Decreased by:	
Utilized by Revenue	1,890,173
Fund Balance, December 31	$ 4,447,658

See Independent Accountant's Compilation Report and selected notes.

COUNTY OF SALEM - FEDERAL AND STATE GRANT FUND
Statement of Assets, Liabilities and Reserves--
Regulatory Basis
As of December 31, 2017

Assets		
Federal and State Grant Fund:		
Overexpenditure of Grant Reserve	$	7,693
Federal and State Grants Receivable		34,331,335
	$	34,339,028
Liabilities and Reserves		
Federal and State Grant Fund:		
Due to Current Fund	$	784,298
Unappropriated Reserves		30,204
Appropriated Reserves		25,200,683
Reserve for Encumbrances		8,323,843
	$	34,339,028

See Independent Accountant's Compilation Report and selected notes.

COUNTY OF SALEM - TRUST FUND
Statement of Assets, Liabilities and Reserves--
Regulatory Basis
As of December 31, 2017

Assets		
Trust Fund:		
Cash	$	2,092,521
Due from Payroll Trust to Agency Trust		15
		2,092,536
County Open Space Fund:		
Cash and Investments		4,029,507
Taxes Receivable		1,143
		4,030,649
	$	6,123,185
Liabilities and Reserves		
Trust Fund:		
Due Agency Trust from Payroll Trust	$	15
Due Current Fund		288
Reserve for Trust Other		2,092,233
		2,092,536
County Open Space Fund:		
Interfunds Receivable		12,700
Reserve for Open Space and Farmland Preservations		4,017,950
		4,030,649
	$	6,123,185

See Independent Accountant's Compilation Report and selected notes.

COUNTY OF SALEM - GENERAL CAPITAL FUND
Statement of Assets, Liabilities, Reserves and
Fund Balance -- Regulatory Basis
As of December 31, 2017

Assets		
Cash and Investments	$	4,883,663
Deferred Charges to Future Taxation:		
Funded		32,134,000
Unfunded		11,445,364
Dam Restoration Loan Receivable		1,300,000
Interfunds Receivable		2,640
	$	49,765,667
Liabilities, Reserves and Fund Balance		
Reserve for County Aid Program	$	4,713
Contracts Payable		1,489,968
Bond Anticipation Notes		7,645,000
General Capital Bonds		30,834,000
Dam Restoration Loan Payable		1,300,000
Improvement Authorizations:		
Funded		4,738,731
Unfunded		3,479,380
Capital Improvement Fund		3,937
Reserve for Debt Service		227,952
Fund Balance		41,987
	$	49,765,667

See Independent Accountant's Compilation Report and selected notes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The County of Salem (hereafter referred to as the "County") was incorporated on February 13, 1798. It is located in the southwest corner of New Jersey and covers approximately 350 square miles. The County of Gloucester is on the County's northern side and the County of Cumberland forms the eastern and southeastern border of the County.

The County's geographic makeup consists of State Parks, Fish and Wildlife Management Areas, Government Facilities, and meadows or low-lying areas. Forty-eight percent is devoted to agriculture, thirteen percent is developed for residential use (approximately 9,000 acres), and commercial and industrial use (approximately 6,500 acres). The New Jersey Turnpike travels through the County.

In Salem County there are fifteen political subdivisions, consisting of one city, eleven townships and three boroughs. The population of the County of Salem according to the estimated 2017 census is 62,792.

The County government operates under a five member Board of Chosen Freeholders, elected at-large by the voters of the County. A Freeholder, under old English rule, was a person who owned property outright, free of debt, and therefore was deemed to be a leading citizen, eligible for membership on the governing body. Under present form of government, the property rule as a qualification for holding office has been abolished. Each member is elected to a term of three years. A director and deputy director are selected from their membership at the first meeting of each year. The Freeholders have both administrative and policy-making powers.

Component Units - The financial statements of the component units of the County are not presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. If the provisions of the aforementioned GASB Statements had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the County, the primary government:

Salem County Improvement Authority
199 East Broadway
Salem, NJ 08079

Salem Community College
460 Hollywood Avenue
Carneys Point, NJ 08069

Salem County Vocational-
Technical Schools
Salem-Woodstown Road
Woodstown, New Jersey 08098

Special Services School
District of the County of Salem
328-B North Broadway
Pennsville, New Jersey 08070

Pollution Control Financing Authority
94 Market Street
Salem, NJ 08079

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements of the County contain all funds and account groups in accordance with the *Requirements of Audit* (the "*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the County accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

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

Federal, State and Other Grant Fund - The Federal, State, and Other Grant Fund accounts for resources and expenditures restricted by various outside agencies.

Trust Funds - The various trust funds account for receipts, custodianship, and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Asset Group of Accounts - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

Budgets and Budgetary Accounting - The County must adopt an annual budget for its current and open space/farmland preservation funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than January 26 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval, and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the County's financial statements.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Cash, Cash Equivalents and Investments (Cont'd) New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the County requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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 costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The County has adopted a capitalization threshold of $5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The County is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the County's basic financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

General Fixed Assets (Cont'd) - The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Fund Balance - Fund balance in the current fund represents an amount available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the County's budget. Other amounts that are due to the County which are susceptible to accrual are recorded as receivables with offsetting reserves and recorded as revenue when received.

County Taxes – Every municipality within the County is responsible for levying, collecting and remitting county taxes for the County of Burlington. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations for every municipality are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations for every municipality are charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital fund.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Police and Firemen's Retirement System (PFRS) and the Public Employees' Retirement System (PERS), and additions to/deductions from PFRS' and PERS' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FOR THE YEAR ENDED 2016

Audited Financial Statements

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
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June 9, 2017

INDEPENDENT AUDITOR'S REPORT

The Honorable Freeholder Director and
Members of the Board of Chosen
Freeholders of the County of Salem,
State of New Jersey

Mesdames and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the County of Salem, State of New Jersey (the "County"), as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Auditor's Responsibility (Continued)

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the U.S.

As described in Note A, these financial statements are prepared on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

Adverse Opinion on Accounting Principles Generally Accepted in the U.S.

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the U.S." paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County of Salem, State of New Jersey, as of December 31, 2016, or the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fund balance of various funds of the County as of December 31, 2016, and the respective changes in fund balance thereof for the year the ended, in accordance with the financial reporting provisions set forth by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Report on Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplemental schedules as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, are presented for purposes of additional analysis are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note A.

The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey Circular 15-08 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introduction section, general comments, schedule of current year findings and recommendations, summary schedule of prior year findings and statistical section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the County of Salem's, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Salem's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

EXHIBIT A
(1)

COUNTY OF SALEM
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
STATUTORY BASIS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

Assets	Ref.	2016	2015
Current Fund			
Cash	A-4	$ 4,861,527	$ 6,751,749
		4,861,527	6,751,749
Receivables with Full Reserves:			
Taxes Receivable	A-5	42,938	83,952
Revenue Accounts Receivable	A-8	1,591,950	251,872
Due from Grant Fund	A-9	125,565	956,060
Due from Trust Fund	A-9	2	130,787
Mortgages Receivable	A-10	435,714	538,013
Refund Receivable	A-4		18,551
Total Receivables with Full Reserves		2,196,169	1,979,235
Deferred Charges:			
Special Emergency Authorization	A-6		68,674
Overexpenditure of Appropriations	A-7		716,581
Overexpenditure of Appropriation Reserves	A-7	402,438	107,925
Total Deferred Charges		402,438	893,180
Total Current Fund		7,460,134	9,624,164
Federal and State Grant Fund			
Grants Receivable	A-14	28,083,949	27,825,912
Total Federal and State Grant Fund		28,083,949	27,825,912
		$ 35,544,083	$ 37,450,076

See Notes to Financial Statements

EXHIBIT A
(2)

COUNTY OF SALEM
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
STATUTORY BASIS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

Liabilities, Reserves and Fund Balance	Ref.	2016	2015
Current Fund			
Appropriation Reserves	A-3	$ 1,640,304	$ 811,121
Reserve for Encumbrances	A-3	867,009	1,201,887
Due Open Space Trust	A-9		24,920
Due to Capital Fund	A-9		4,713
Accounts Payable	A-11	10,928	5,588
Reserve for Special Emergency - Hurricane S	A-13		33,160
Reserve for Reconstruction of Various County	A-13	128,803	128,803
Transportation OOA Program	A-13	4,468	3,748
Reserve for Payment of Debt - 2011 Storms	A-13		354,529
Reserve for Payment of Debt	A-13	72,738	96,903
Reserve for Repair and Reconstruction of Roads Bridges and Railroads	A-13	246,557	246,557
Reserve for JACC/CAP	A-13		7,220
		2,970,807	2,919,149
Reserve for Receivables		2,196,169	1,979,235
Fund Balance	A-1	2,293,158	4,725,780
Total Current Fund		7,460,134	9,624,164
Federal and State Grant Fund			
Due to Current Fund	A-9	125,565	956,060
Due to Capital Fund	A-15	3,037,923	
Reserve for Encumbrances	A-15	3,782,191	4,640,491
Reserve for Appropriated Grants	A-15	21,138,270	22,081,215
Reserve for Unappropriated Grants	A-16		148,146
Total Federal and State Grant Fund		28,083,949	27,825,912
		$ 35,544,083	$ 37,450,076

See Notes to Financial Statements

EXHIBIT A-1

COUNTY OF SALEM
CURRENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	Ref.	2016	2015
Revenue and Other Income Realized			
Fund Balance Utilized	A-1	$ 3,365,558	$ 4,415,186
Miscellaneous Revenue Anticipated	A-2	30,748,086	32,002,420
Receipts from Current Taxes	A-5	52,933,660	51,448,093
Non-Budget Revenues	A-2	360,267	2,466,366
Other Credits to Income:			
Cancellation of Grants	A-9	193,090	125,509
Interfunds Returned	A-9	961,280	
Mortgage Receivable	A-10	102,299	
Unexpended Balance of Appropriation Reserves	A-12	387,033	321,817
Refunds Receivable	A-4	18,551	19,301
Total Income		89,069,824	90,798,692
Expenditures:			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	30,039,397	29,632,513
Other Expenses	A-3	44,757,226	46,151,322
Capital Improvements	A-3	200,000	
Debt Service	A-3	5,297,067	5,078,823
Deferred Charges and Statutory Expenditures	A-3	7,828,437	6,752,132
Judgments	A-3	14,761	119,422
Overexpenditure of Appropriation Reserves	A-7	402,438	107,925
Interfunds Advanced			1,011,269
Refund Receivable			18,551
Mortgage Receivable Transferred			538,013
Prior Year Receivable Adjustment			1,257
Total Expenditures		88,539,326	89,411,227
Excess in Revenues		530,498	1,387,465
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to the Budget of the Succeeding Years:			
Overexpenditure of Budget Appropriations			716,581
Overexpenditure of Appropriation Reserves	A-7	402,438	107,925
Statutory Excess to Fund Balance		932,936	2,211,971
Fund Balance - January 1	A	4,725,780	6,928,995
		5,658,716	9,140,966
Decreased by:			
Utilized as Anticipated Revenue	A-1	3,365,558	4,415,186
Fund Balance - December 31	A	$ 2,293,158	$ 4,725,780

EXHIBIT B

COUNTY OF SALEM
TRUST FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVES - STATUTORY BASIS
DECEMBER 31, 2016 AND 2015

	Ref.	December 31, 2016	December 31, 2015
ASSETS			
Trust Other Funds:			
Cash - Treasurer	B-4	$ 2,032,819	$ 2,369,985
		2,032,819	2,369,985
Open Space and Farmland Preservation Trust:			
Cash - Treasurer	B-4	3,786,433	4,043,104
Investments	B-4	497,651	497,651
Taxes Receivable	B-6	847	1,771
Due from Current Fund	B-9		24,920
		4,284,931	4,567,446
Total Trust Funds		$ 6,317,750	$ 6,937,431
LIABILITIES AND RESERVES			
Trust Other Funds:			
Reserve for:			
Accumulated Absences Trust	B-6	$ 150,240	$ 261,752
Commodities Resale Program	B-6	16,407	16,382
County Auction	B-6	3,553	3,553
County Clerk	B-6	251,432	269,579
Engineering Escrow	B-6	26,672	21,852
Environmental Enforcement	B-6	376,746	329,686
First Responder Dinner	B-6	130	
Hospitalization	B-6	2	13,500
Housing Revitalization	B-6	72,192	72,109
Motor Vehicle Fines	B-6	174,403	136,233
Parvin Bequest	B-6	55,829	54,776
Payroll Agency	B-6	282,870	283,791
Performance Bond - Woods Laurel Hills	B-6	3,375	3,375
Prosecutor's Office:			
Asset Maintenance Account	B-6	6,145	7,054
Auto Law Enforcement Trust Account	B-6	6,490	6,367
County Law Enforcement Trust Account	B-6	72,015	49,073
Federal County Law Enforcement Trust Account	B-6	65,192	56,900
Municipal Law Enforcement Trust Account	B-6	32,251	45,691
Seized Assets Trust Account	B-6	15,567	68,266
Road Opening Deposits	B-6	16,198	14,129
SCAPG - Nutrition Program	B-6	16,121	164,344
SCAPG - Parvin	B-6	55,426	48,505
Self Insurance	B-6	1,446	1,444
Sheriff's Office	B-6	38,267	31,433
Surrogate Fees	B-6	72,569	63,547
Tax Appeals Filing Fees	B-6	27,706	39,042
Unemployment Claims	B-6	44	44
Veterans donation	B-6	6,953	425
Weights & Measures	B-6	106,092	98,252
Worker's Compensation	B-6	80,484	78,094
		2,032,817	2,239,198
Due to Current Fund	B-8	2	130,787
		2,032,819	2,369,985
Open Space and Farmland Preservation Trust			
Reserve for Future Use	B-7	4,284,931	4,567,446
Total Trust Funds		$ 6,317,750	$ 6,937,431

COUNTY OF SALEM

GENERAL CAPITAL FUND

STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--REGULATORY BASIS

	Ref.	December 31, 2016	December 31, 2015
ASSETS			
Cash	C-2	$ 2,957,645	$ 3,270,334
Dam Restoration Loan Receivable		1,300,000	1,300,000
Due from Grant Fund	C-2	3,037,923	
Due from Current Fund	C-4		4,713
Deferred Charges to Future Taxation:			
Funded	C-5	35,234,000	31,249,000
Unfunded	C-6	7,960,364	13,774,364
		$ 50,489,932	$ 49,598,411
LIABILITIES, RESERVES AND FUND BALANCE			
Accrued Interest on Bond Sale	C-13	$ 227,952	$ 19,567
Reserve for County Aid Program		4,713	4,713
Improvement Authorizations:			
Funded	C-7	4,913,415	5,443,363
Unfunded	C-7	274,380	2,762,278
Serial Bonds Payable	C-8	33,934,000	29,949,000
Bond Anticipation Notes Payable	C-9	7,960,000	8,275,000
Dam Restoration Loan Payable	C-10	1,300,000	1,300,000
Contracts Payable	C-11	1,829,548	1,805,591
Capital Improvement Fund	C-12	3,937	3,937
General Capital Fund	C-1	41,987	34,962
		$ 50,489,932	$ 49,598,411

There were Bonds and Notes authorized, but not issued in the amount of $364 for the years ended December 31, 2016 and 2015 (C-14).

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

The County of Salem (the "County") was incorporated on February 13, 1798. It is located in the southwest corner of New Jersey and covers approximately 350 square miles. The County of Gloucester is on the County's northern side and the County of Cumberland forms the eastern and southeastern border ofthe County.

The County's geographic makeup consists of State Parks, Fish and Wildlife Management Areas, Government Facilities and meadows or low-lying areas. Forty-eight percent is devoted to agriculture, thirteen percent is developed for residential use (approximately 9,000 acres), and commercial and industrial "use (approximately 6,500 acres). The New Jersey Turnpike travels through the County.

In the County there are fifteen political subdivisions, consisting of one City, eleven Townships and three Boroughs. The population of the County according to the official 2010 census is 65,774.

The County government operates under a seven member Board of Chosen Freeholders, elected at-large by the voters of the County. A Freeholder, under old English rule, was a person who owned property outright, free of debt, and therefore was deemed to be a leading citizen, eligible for membership on the governing body. Under the present form of government, the property rule as a qualification for holding office has been abolished. Each member is elected to a term of three years. A director and deputy director are selected from their membership at the first meeting of each year. The Freeholders have both administrative and policy-making powers.

Component Units

The financial statements of the component units of the County are not presented in accordance with Governmental Accounting Standards Board Statement ("GASBS") No. 14. If the provisions of GASBS No. 14 had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the County, the primary government:

Salem County Improvement
Authority 199 East
Broadway Salem, NJ 08079

Salem County Vocational-
Technical Schools
Salem-Woodstown Road
New Jersey 08098

Pollution Control Financing
Authority 94 Market Street
Salem, NJ 08079

Salem Community College
460 Hollywood Avenue
Carneys Point, NJ 08069

Special Services School
District of the County of
Salem
328-8 North Broadway
Woodstown, Pennsville,
New Jersey 08070

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Measurement Focus and Basis of Presentation

The financial statements of the County contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements of Audit," the County accounts for its financial transactions through the use of separate funds, which are described as follows:

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

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

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

Budgets and Budgetary Accounting

The County of Salem must adopt an annual budget in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the Annual County Budget no later than January 26 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the county. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the regulatory dates for introduction, approval and adoption of the County Budget may be granted by the Director of the Division of Local Government Services, with the permission of Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the County's financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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. (See Exhibit A-9)

Inventories of Supplies

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various Statements of Assets, Liabilities, Reserves and Fund Balance.

General Fixed Assets

Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6 differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The County has adopted a capitalization threshold of $5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985, are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The County is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets.

The regulations require that General Fixed Assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Charges

The recognition of certain expenditures in the current fund is deferred to future periods. These expenditures, or deferred charges, are generally over expenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriations in budgets of succeeding years.

Fund Balance

Fund Balance included in the current fund represents amounts available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues

Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants are realized when anticipated as such in the County's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the County's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

County Taxes

Every municipality is responsible for levying, collecting and remitting county taxes for the County. Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1 and are due and payable to the County of Salem by February 15, May 15, August 15 and November 15. Operations for every municipality are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations for every municipality are charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same provisions as appropriation reserves. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is also on the cash basis.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriation Reserves

Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year lapsed appropriation reserves are recorded as income.

Long-Term Debt

Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund.

Compensated Absences and Postemployment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. (See Notes E and F)

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments include amounts on deposit, petty cash, change funds and short-term investments with original maturities of three months or less. Investments are recorded at cost.

New Jersey municipal and county units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

As of December 31, 2016, the County's bank balances of $15,528,542 were exposed to custodial credit risk as follows:

Insured	$	250,000
Uninsured and Collateralized		637,169
Uninsured and Collateralized with Securities held by Pledging Financial Institutions		14,641,373
Total	$	15,528,542

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned or the County will not be able to recover collateral securities in the possession of an outside party. The County's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation ("FDIC"). The Board of Chosen Freeholders approves and designates the authorized depository institution based on evaluation of solicited responses and certifications provided by financial institutions.

Concentration of Credit Risk - This is the risk associated with the amount of investments the County has with any one issuer that exceeds five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and the New Jersey Cash Management Fund are excluded from this requirement. None of the investments held by the County are exposed to this risk.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the County does not have an investment policy regarding Credit Risk; however, the County had no investments that were subject to credit risks as of December 31, 2016. The New Jersey Cash Management Fund is not rated.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. However, its practice is to hold investments to maturity.

Investments

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

- Bonds or other obligations of the United States or obligations guaranteed by the United States.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

- Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association or United States Bank for Cooperatives that have a maturity date not greater than twelve months from the date of purchase.
- Bonds or other obligations of the County or bonds or other obligations of school districts that are a part of the County or are located within the County.
- Bonds or other obligations having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury, Division of Investments.

As of December 31, 2016, the County was invested in United States Treasury Bonds with a reported cost basis of $460,931 and a fair market value of $637,169.

B. FUND BALANCES APPROPRIATED

The following schedule details the amount of current fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets. The County replenished some of its current fund balance utilized in the 2016 budget.

Year	Balance Dec.	Utilized in Budget of Succeeding	Percentage of Fund Balance Used
2016	$ 2,293,160	$ 757,509	33.03%
2015	4,725,780	3,365,558	71.22%
2014	6,928,995	4,415,186	63.72%
2013	7,313,360	2,884,898	39.45%
2012	5,036,504	2,495,801	49.55%

C. PENSION PLANS

The County of Salem contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several County employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a board of trustees that is primarily responsible for its administration. The division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Public Employees' Retirement System - The PERS was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

C. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Tier	Definition
1	Members who are 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.

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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The County's contributions to PERS for the years ended December 31, 2016, and 2015, were $1,813,225 and $1,490,549 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the year ended December 31, 2016 was $31,860,432. Payroll covered by PERS was $13,645,672 for 2016.

D. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Information regarding contributions made by the State of New Jersey on behalf of the County is not available. Contributions to the system for the year ended December 31, 2016 is as follows:

	PERS
Employees	$ 993,501
County	1,813,255
Total	$ 2,806,756

The County is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2016.

Police and Firemen's Retirement System - The State of New Jersey Division of Pensions and Benefits administers the Police and Firemen's Retirement System of New Jersey (Plan), a governmental cost sharing multiple-employer defined benefit pension plan that provides pensions for all individuals who become full-time policemen and firemen and who at the time of enrollment are no older than age 35.

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

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who are enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May22, 2010 and prior to June 28, 201'
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.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased. to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

C. PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System (Continued)

Payroll covered by PFRS was $12,910,277 for 2016.

The County is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

		PFRS
Employees	$	1,291,028
County		3,060,249
Total	$	4,351,277

The County is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2016.

Defined Contribution Retirement Program - The DCRP is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq. The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the County's contribution amounts for each pay period are transmitted to the trustee no later than the fifth business day after the date on which the employee is paid for that pay period.

The County's contributions were as follows:

Fiscal Year		Total Liability
2016	$	
2015		
2014		

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the County.

GASB 68 - Accounting and Financial Reporting for Pensions

Effective June 30, 2014, state and local governments participating in government pension plans are required to reflect liabilities, deferred outflows/inflows of resources and expenditures related to pension activity. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that are provided by other state entities.

Salem County does not and is not required to follow generally accepted accounting principles (GAAP) and, as such, does not follow GASB requirements with respect to the recording of pension liabilities and deferred outflows/inflows of resources on its balance sheets.

C. PENSION PLANS (CONTINUED)

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

As described in Note A of the financial statements, the financial statements are prepared by the County on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey. However, N.J.A.C. 5:30-6.1[c] [2] requires the County to disclose GASB 68 information in the Notes to the Financial Statements.

Public Employees' Retirement System

Components of Net Pension Liability - At December 31, 2016, the County's proportionate share of the PERS net pension liability was $59,945,085. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2016. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was .202%, which was an increase of .017% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources - The County's 2016 PERS pension expense, with respect to GASB 68, was $6,317,932. The County's 2016 deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,114,797	$
Changes of assumptions	12,417,420	
Net difference between projected and actual earnings on pension plan investments	2,285,761	
Changes in proportion	3,371,059	738,420
Total	$ 19,189,037	$ 738,420

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

Year	PERS
2016	$ 3,923,495
2017	3,923,495
2018	4,719,222
2019	4,101,009
2020	1,783,396
Total	$ 18,450,617

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Additional Information - Collective Balances at June 30, 2015 and 2016 are as follows:

Year	6/30/2015	6/30/2016
Collective deferred outflows of resources	$ 6,219,957	$ 19,189,037
Collective deferred inflows of resources	1,622,155	738,420
Collective Net Pension Liability	41,604,309	59,945,085
District's Proportion	0.1853809517%	0.2024000348%

Actuarial Assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS
Measurement Date	June 30, 2016
Actuarial Valuation Date	June 30, 2015
Investment Rate of Return	7.65%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	3.08%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 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.

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Allocation	Real Rate of Return
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payment s after that date in determining the total pension liability.

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2016, 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 (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount (3.98%)	1% Increase (4.98%)
County's proportionate share of the net pension liability	$ 73,455,705	$ 59,945,085	$ 48,790,897

Police and Firemen's Retirement System

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 specific 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.

The County's nonemployer contribution information for PFRS is summarized as follows:

Description	As of 6/30/2016
State Proportionate Share of Net Pension Liability Attributable to Employer	$ 6,020,884
Nonemployer Contributions	$ 230,702

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Components of Net Pension Liability - At December 31, 2016, the County's proportionate share of the PFRS net pension liability was $71,698,361. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016 was .375%.

Pension Expense and Deferred Outflows/Inflows of Resources - The County's 2016 PFRS pension expense, with respect to GASB 68, was $9,275,125.

The County's 2016 deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 469,993
Changes of assumptions	9,930,812	
Net difference between projected and actual earnings on pension plan investments	5,023,760	
Changes in proportion	6,034,675	107,165
Total	$ 20,989,247	$ 577,158

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

Year	PFRS
2016	$ 5,092,824
2017	5,092,824
2018	6,085,884
2019	3,803,886
2020	336,671
Total	$ 20,412,089

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Actuarial Assumptions - The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016.

This actuarial valuation used the following actuarial assumptions:

	PFRS
Interest Rate	7.65%
Salary Scale (Based on Age):	
2012-2021	2.10% - 8.98%
Thereafter	3.10% - 9.98%
Inflation	3.08%

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

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

Discount Rate - The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100%	

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2016, 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 (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

	1% Decrease (4.55%)	Current Discount (5.55%)	1% Increase (6.55%)
Township's proportionate share of the net pension liability	$100,213,610	$77,719,510	$59,376,925

D. POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

Plan Description - The State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey, Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The County provides post employment health care benefits, at its cost, to various classes of employees (non union and collective bargaining units) and their spouses or surviving spouses as well as dependents. The health care benefits will be in a form consistent with that provided to all active employees of the County subject to the requirements as illustrated in Article 33 of the Personnel Agreement regarding retiree benefits. The entitlement at the minimum requires that all qualified County employees be retired through the New Jersey Division of Pensions and Benefits under the PFRS or the PERS and shall meet at least one of the following requirements: retirement on a disability pension; Retirement with 25 years or more of service credit in a state or locally-administered retirement system and at least 15 years of service with the County; retirement at age 62 or older with at least 15 years of service with the County, or retirement with 25 years or more of service credit in a state or locally-administered retirement system, provided the retiring employee was on the employment rolls of the County as of August 1, 1991.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey, Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

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

The State's contribution rate is based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The County of Salem did not participate in the SHBP during 2016.

On October 1, 2013, post-retirement healthcare benefits were provided through a private plan with Amerihealth HMO, Inc. See Note E for more details.

D. POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN (CONT'D)

The County provides post-retirement medical health insurance benefits and prescription benefits, provided the employee qualifies for and has retired through the New Jersey Division of Pensions and Benefits under the Police and Fireman's Retirement System ("PFRS") or the Public Employees Retirement System ("PERS") and meets at least one of the following requirements:

(a) Retirement on a disability pension; or

(b) Retirement with 25 years or more of service credit in a state or locally-administered retirement system and at least 15 years of service with the County of Salem; or

(c) Retirement at age 62 or older with at least 15 years of service with the County of Salem; or Adopted 1/17/07; Revised 7/17/13.

(d) Retirement with 25 years or more of service credit in a state or locally-administered retirement system, provided the retiring employee was employed by Salem County as of August 1, 1991.

There were approximately 171 retired participants eligible at December 31, 2016,

E. GASB STATEMENT 45 FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The required disclosure information from the plan document and the December 31, 2016, actuarial valuation is as follows:

Plan Description

- The County currently maintains an unfunded single-employer post-employment benefits plan other than for pensions.
- The Plan provides eligible retirees and their dependents with prescription drug benefits.
- The Plan does not issue stand-alone financial statements and is not included in the report of another entity.

Funding Policy

- It is the County's policy at this time to fund the Plan on a pay as you go basis.

Other Required Disclosures

- The annual required contribution and OPEB cost for 2014 was $7,736,186, assuming a 30-year amortization of the actuarial accrued liability.
- During the year ended December 31, 2014, the County paid $2,449,346 to the Plan, which represents the amount of benefits paid during the period.
- The actuarial valuation date was December 31, 2014.
- The unfunded actuarial and accrued liability, which includes retirees and active employees, totaled $99,557,544 as of December 31, 2014. The County's next required actuarial valuation was calculated as of December 31, 2016, with amounts to be available in 2017.

F. GASB STATEMENT 45 FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions and Methods

- An assumed discount rate of 4.5% was used for purposes of developing the liabilities and annual required contribution on the basis that the Plan would not be funded.
- Health care cost trend rates were as follows:
  - Prescription ranged from 8.00% in 2014 to 5% in years 2020 and later.
  - These actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.
  - These calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation.
  - The actuarial cost method used was the entry age method.
  - The unfunded actuarial accrued liability was amortized as a level percentage of payroll using projected salary increases of 3.00%.

G. COMPENSATED ABSENCES

Under the existing policies of the County, upon retirement, employees accruing days will be compensated for one-half of their accumulated sick days up to a maximum of $15,000 and all of their accumulated vacation days. A maximum of ten vacation days may be carried over at the end of the year unless approval to carryover more is granted.

The County has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2016, the balance of the fund was $150,240. It is estimated that, at December 31, 2016, accrued benefits for compensated absences for all eligible employees who have accumulated time are valued at $2,220,500. Of this balance, $686,312 is vested and $1,534,188 is unvested portion of the compensated absences.

H. DEFERRED COMPENSATION SALARY ACCOUNT

The County offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the County or its creditors. Since the County does not have a fiduciary relationship with the plan, the balances and activities of the plan are not reported in the County's financial statements.

I. LEASE OBLIGATIONS

At December 31, 2016, the County had a lease agreement in effect for the County Jail.

Future minimum lease payments (principal and interest) under the capital lease agreement for the County Jail is as follows:

Year	Amount
2017	$ 1,725,900
2018	1,912,375
2019	1,906,500
	$ 5,544,775

J. CAPITAL DEBT

Summary of Debt

	December 31, 2016	December 31, 2015	December 31, 2014
Issued			
General:			
Serial Bonds	$ 33,934,000	$ 29,949,000	$ 32,694,000
Bonds Guaranteed by the County	9,623,722	9,552,410	20,641,410
Bond Anticipation Notes	7,960,000	8,275,000	8,590,000
Loan Payable	1,300,000	1,300,000	1,300,000
Authorized but not Issued			
General:			
Bonds and Notes	364	5,499,364	5,499,364
Gross Debt	52,818,086	54,575,774	68,724,774
Deductions	13,283,722	14,181,342	25,296,446
Net Debt	$ 39,534,364	$ 40,394,432	$ 43,428,328

Summary of Regulatory 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 indicated a regulatory net debt of 0.785%.

	Gross Debt	Deductions	Net Debt
General	$ 52,818,086	$ 13,283,722	$ 39,534,364

J. CAPITAL DEBT (CONTINUED)

Equalized Valuation Basis:

2014	$	5,180,811,186
2015		5,026,313,755
2016		4,905,785,423
Average	$	5,037,636,788

Net Debt $39,534,364 divided by Equalized Valuation Basis per **N.J.S.** 40A:2-2 as Amended, $5,037,636,788 = .785%.

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

2% of Equalized Valuation Basis (County)	$	100,752,736
Net Debt		39,544,364
Remaining Borrowing Power	$	61,208,372

General Obligation and Refunding Bonds, Series 2016

In October 2016, the County of Salem issued Bonds in the amount of $6,949,000, with interest between 2% and 4%. The Series 2016 Bond issue consisted of $3,800,000 for general improvement and $3,149,000 for improvements to the Salem County Vocational-Technical School District.

In September 2016, the County of Salem issued General Obligation Refunding Bonds, Series 2016, in the amount of $6,035,000. These Bonds were issued for the purpose of advance refunding $5,854,000 of outstanding principle on the County's Series 2009 Bonds, maturing March 15, 2020 through 2029 and certain costs associated with the issuance of the Bonds. The remaining bonds not refunded were $1,320,000.

J. CAPITAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year	Principal	Interest	Total
2017	$ 3,100,000	$ 1,059,255	$ 4,159,255
2018	3,210,000	869,772	4,079,772
2019	2,909,000	758,979	3,667,979
2020	2,620,000	741,850	3,361,850
2021	2,695,000	653,397	3,348,397
2022	2,760,000	567,262	3,327,262
2023	2,590,000	473,894	3,063,894
2024	2,655,000	388,675	3,043,675
2025	2,700,000	292,600	2,992,600
2026	2,230,000	199,125	2,429,125
2027	1,785,000	146,188	1,931,188
2028	1,790,000	101,900	1,891,900
2029	1,390,000	56,944	1,446,944
2030	500,000	35,625	535,625
2031	500,000	24,375	524,375
2032	500,000	12,500	512,500
	$ 33,934,000	$ 6,382,341	$ 40,316,341

Schedule of Annual General Debt Service for the Principal and Interest for Loans Outstanding

Year	Principal	Interest	Total
2017	$ 31,205	$ 13,000	$ 44,205
2018	63,349	25,060	88,409
2019	64,622	23,787	88,409
2020	65,921	22,489	88,410
2021	67,246	21,164	88,410
2022	68,598	19,812	88,410
2023	69,976	18,433	88,409
2024	71,383	17,027	88,410
2025	72,818	15,592	88,410
2026	74,281	14,128	88,409
2027	75,775	12,635	88,410
2028	77,298	11,112	88,410
2029	78,851	9,558	88,409
2030	80,436	7,973	88,409
2031	82,053	6,357	88,410
2032	83,702	4,707	88,409
2033	85,385	3,025	88,410
2034	87,101	1,309	88,410
	$ 1,300,000	$ 247,168	$ 1,547,168

K. BOND ANTICIPATION NOTES

The County issues bond anticipation notes to temporarily finance various capital projects prior to the issuance of serial bonds. The terms of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid not later than the tenth anniversary of the original note. The State of New Jersey ("State") also prescribes that, on or before the third anniversary of the date of the original note, a payment of at least equal to the first legally payable installment of the bonds, in anticipation of which such notes were issued, be paid or retired. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary of the date of the original issue. At December 31, 2016, the County had bond anticipation notes totaling $7,960,000. On June 22, 2016, the County issued $7,960,000 Bond Anticipation Notes ("BANS") consisting of $7,610,000, with interest at .8% Tax-Exempt BANS and $350,000 Federally Taxable BANS, with interest of 1.3%. These notes mature on June 22, 2017.

L. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the current fund:

	Balance December 31, 2016	2017 Budget Appropriation	Balance to Succeeding Budgets
Over expenditure of Appropriation Reserve	$ 402,438	$ 402,438	$ -
Total	$ 402,438	$ 402,438	$ -

M. OPEN SPACE, RECREATION, FARMLAND AND HISTORIC PRESERVATION TRUST

On November 5, 2002, pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the County authorized the establishment of the Salem County Open Space, Recreation, Farmland and Historic Preservation Trust Fund effective January 1, 2005, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space. The County proposed to levy a tax not to exceed two cents per one hundred dollars of equalized valuation.

Amounts raised by taxation are apportioned by the County Board of Taxation among the municipalities in accordance with N.J.S.A. 54:4-9 and are assessed, levied and collected in the same manner and at the same time as other County taxes. Future increases in the tax rate or to extend the authorization must be authorized by referendum. All revenue received is accounted for in a Trust Fund dedicated by rider (N.J.S.A. 40A:4-39) for the purpose stated. Interest earned on the investment of these funds is credited to the Salem County Open Space, Recreation, Farmland and Historic Preservation Trust Fund.

N. 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 County contributions, reimbursements to the State for benefits paid, and the ending balance of the County's trust fund for the current and previous two years:

Year	County Contributions	Amount Reimbursed	Ending Balance
2016	$ -	$ -	$ 44
2015	45,416	45,416	44
2014	95,146	95,146	44

O. RISK MANAGEMENT

The County has adopted a plan of self-insurance for workers' compensation, automobile, police professional liability, and general liability insurance. Joint Insurance Fund Policy cover individual claims in excess of $250,000 for automobile, general liability claims, and workers' compensation claims.

At December 31, 2016, the estimated payable for the workers' compensation insurance was $785,673, the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported. Such liability at this time is not known.

The estimated payable for the general liability/auto liability/police professional insurance was $421,881 the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported, at December 31, 2016. Such liability at this time is not known.

The estimated payable for workers' compensation, auto liability and general liability police professional insurance do not include any provision for claims incurred but not reported.

Any additional funds required for claims in excess of the amounts reserved and recorded in trust funds below as a liability will be paid and charged to the 2016 or future budgets. At December 31, 2016, the balances of the plans were as follows:

Insurance Plan	Amount
Reserve for Workers' Compensation - Trust Fund	$ 80,484
Reserve for Self Insurance - Trust Fund	1,446
Hospitalization - Trust Fund	2

P. SERVICE AGREEMENT

Salem County Improvement Authority - Solid Waste Landfill Division - In 1984, a service agreement was enacted between the County and the Salem County Utilities Authority. In 2009, the Salem County Utilities Authority was dissolved and all of its rights and obligations were transferred to the Salem County Improvement Authority.

Section 301 of the 1984 agreement provides "Charges may and shall at all times be such that the receipts of the Authority shall be sufficient to pay or provide for expenses of the operation, repair and maintenance of the system including insurance, renewals and replacements and the cost of all enlargements and alterations of the system not otherwise provided for to pay the principal of and interest on any and all bonds or other obligations of the Authority as the same become due, and to repay to the County any advances made by the County to meet any deficits of the Authority by any participant or any other municipality, authority, county, person, partnership, firm, public or private corporation, or from any other cause, and to provide and maintain such reserves or sinking funds for any of the foregoing purpose as may be required by the terms of any contract or other obligation of the Authority."

Section 401 provided "On or before January 15th next following the close of each fiscal year, the Authority shall make and deliver to the Board of Chosen Freeholders of the County, a certificate, signed by its Chairman or Vice-Chairman and its Registered Municipal Accountant, stating the receipts and expenses to the Authority for the current fiscal year and the estimated receipts and expenses to the Authority for the current fiscal year, and deficiency advances (if any) payable by the County to the Authority, for or with respect to the preceding and current fiscal year. Such deficiency advances shall be a sum of money equal to the excess (if any) of the expenses of the Authority for a fiscal year over the receipts of the Authority's such fiscal year.

Section 402 provides "On or before May 1st of each fiscal year, the County will pay to the Authority the deficiency advances (if any) stated in the certificate delivered to the Board of Chosen Freeholders pursuant to Section 401 of this Article."

In 1984, prior year advances to the Authority of $215,000 was repaid to the County of Salem. Subsequent to 1984 through December 31, 2016, the Authority has not requested any advances resulting from deficiencies or for any other purpose.

Q. COMPARATIVE SCHEDULE OF TAX RATES

	2016	2015	2014	2013	2012
County Tax Rate	$ 1.070	$ 0.980	$ 0.947	$ 0.946	0.922
County Open Space Tax Rate	0.020	0.020	0.020	0.020	0.020

R. ASSESSED VALUATION

2016	$ 5,057,825,714
2015	5,265,472,749
2014	5,339,001,530
2013	5,453,646,338
2012	5,585,235,635

S. COMPARISON OF TAX LEVIES AND COLLECTIONS

Year	Tax Levy	Cash Collections	Percentage of Collection
2016	$ 52,933,660	$ 52,933,660	100%
2015	51,448,093	51,448,093	100%
2014	50,310,877	50,310,877	100%
2013	51,356,241	51,356,241	100%
2012	51,356,241	51,356,241	100%

T. LITIGATION

The County is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the County, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

U. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 9, 2017, which is the date that the financial statements were available to be issued.

End of Notes to Financial Statements

FOR THE YEAR ENDED 2015

Audited Financial Statements

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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Williamstown, NJ 08094

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www.colavita.net

June 29, 2016

INDEPENDENT AUDITOR'S REPORT

The Honorable Freeholder Director and
Members of the Board of Chosen
Freeholders of the County of Salem,
State of New Jersey

Mesdames and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the County of Salem, State of New Jersey (the "County"), as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Auditor's Responsibility (Continued)

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note A, these financial statements are prepared on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County of Salem, State of New Jersey, as of December 31, 2015, or the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fund balance of various funds of the County as of December 31, 2015, and the respective changes in fund balance thereof for the year the ended, in accordance with the financial reporting provisions set forth by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Report on Summarized Comparative Information

The financial statements of the County of Salem as of December 31, 2014, were audited by other auditors whose report, dated August 4, 2015, expressed an unmodified opinion on those audited financial statements, in accordance with the financial reporting provisions described in Note A. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplemental schedules as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, are presented for purposes of additional analysis are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note A.

The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey Circular 15-08 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introduction section, general comments, schedule of current year findings and recommendations, summary schedule of prior year findings and statistical section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the County of Salem's, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Salem's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

EXHIBIT A
(1)

COUNTY OF SALEM
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
STATUTORY BASIS
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

Assets	Ref.	2015	2014
Current Fund			
Cash	A-4	$ 6,751,749	$ 10,929,952
Due from State of NJ - Special Election Reimb.	A-1		1,257
		6,751,749	10,931,209
Receivables with Full Reserves:			
Taxes Receivable	A-5	83,952	48,818
Revenue Accounts Receivable	A-8	251,872	7,722,226
Due from Grant Fund	A-9	956,060	
Due from Trust Fund	A-9	130,787	75,578
Mortgages Receivable	A-10	538,013	
Refund Receivable	A-4	18,551	
Total Receivables with Full Reserves		1,979,235	7,846,622
Deferred Charges:			
Special Emergency Authorization	A-6	68,674	149,374
Overexpenditure of Appropriations	A-7	716,581	478,418
Overexpenditure of Appropriation Reserves	A-7	107,925	73,214
Total Deferred Charges		893,180	701,006
Total Current Fund		9,624,164	19,478,837
Federal and State Grant Fund			
Due from Current Fund	A-15		
Grants Receivable	A-14	27,825,912	25,260,996
Due from Current Fund	A-9		977,033
Total Federal and State Grant Fund		27,825,912	26,238,029
		$ 37,450,076	$ 45,716,866

See Notes to Financial Statements

EXHIBIT A
(2)

COUNTY OF SALEM
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
STATUTORY BASIS
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

Liabilities, Reserves and Fund Balance	Ref.	2015	2014
Current Fund			
Appropriation Reserves	A-3	$ 811,121	$ 971,224
Reserve for Encumbrances	A-3	1,201,887	1,337,084
Due Open Space Trust	A-9	24,920	2,863
Due to Capital Fund	A-9	4,713	5,841
Due Federal and State Grant Fund	A-9		977,033
Accounts Payable	A-11	5,588	21,576
Reserve for Special Emergency - Hurricane Sandy	A-13	33,160	33,160
Reserve for Reconstruction of Various County Roads	A-13	128,803	128,803
Transportation OOA Program	A-13	3,748	
Reserve for Payment of Debt - 2011 Storms	A-13	354,529	692,452
Reserve for Type 1 School - Debt Payment	A-13		16,008
Reserve for Payment of Debt	A-13	96,903	120,699
Reserve for Repair and Reconstruction of Roads Bridges and Railroads	A-13	246,557	327,257
Reserve for JACC/CAP	A-13	7,220	69,220
		2,919,149	4,703,220
Reserve for Receivables		1,979,235	7,846,622
Fund Balance	A-1	4,725,780	6,928,995
Total Current Fund		9,624,164	19,478,837
Federal and State Grant Fund			
Due to Current Fund	A-9	956,060	
Reserve for Encumbrances	A-15	4,640,491	5,598,190
Reserve for Appropriated Grants	A-15	22,081,215	20,496,763
Reserve for Unappropriated Grants	A-16	148,146	143,076
Total Federal and State Grant Fund		27,825,912	26,238,029
		$ 37,450,076	$ 45,716,866

See Notes to Financial Statements

EXHIBIT A-1

CURRENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	Ref.	2015	2014
Revenue and Other Income Realized			
Fund Balance Utilized	A-1	$ 4,415,186	$ 2,884,898
Miscellaneous Revenue Anticipated	A-2	32,002,420	32,977,715
Receipts from Current Taxes	A-5	51,448,093	50,310,877
Non-Budget Revenues	A-2	2,466,366	845,641
Other Credits to Income:			
Added and Omitted Taxes			131,247
Cancellation of Grants	A-9	125,509	682,483
Cancellation of Trust Reserves	A-9	19,301	
Unexpended Balance of Appropriation Reserves	A-12	321,817	382,697
Reimbursement of Grant Expenditures			32,757
Interfunds Returned			173,281
Total Income		90,798,692	88,421,596
Expenditures:			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	29,632,513	28,831,782
Other Expenses	A-3	46,151,322	46,436,200
Capital Improvements			1,935
Debt Service	A-3	5,078,823	4,910,700
Deferred Charges and Statutory Expenditures	A-3	6,752,132	6,029,764
Judgments	A-3	119,422	102,330
Overexpenditure of Appropriation Reserves	A-7	107,925	73,214
Interfunds Advanced	A-9	1,011,269	86,771
Mortgage Receivable Transferred	A	538,013	
Refund Receivable	A-4	18,551	
Prior Year Receivable Adjustment	A	1,257	
Total Expenditures		89,411,227	86,472,696
Excess in Revenues		1,387,465	1,948,900
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to the Budget of the Succeeding Years:			
Overexpenditure of Budget Appropriations	A-7	716,581	478,418
Overexpenditure of Appropriation Reserves	A-7	107,925	73,214
Statutory Excess to Fund Balance		2,211,971	2,500,532
Fund Balance - January 1	A	6,928,995	7,313,361
		9,140,966	9,813,893
Decreased by:			
Utilized as Anticipated Revenue	A-1	4,415,186	2,884,898
Fund Balance - December 31	A	$ 4,725,780	$ 6,928,995

See Notes to Financial Statements

EXHIBIT B

COUNTY OF SALEM
TRUST FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVES - STATUTORY BASIS
DECEMBER 31, 2015 AND 2014

	Ref.	December 31, 2015	December 31, 2014
ASSETS			
Trust Other Funds:			
Cash - Treasurer	B-3	$ 2,369,985	$ 3,316,922
Mortgages Receivable	B-6		683,858
Audio Visual Commission Receivable	B-9		10,231
		2,369,985	4,011,011
Open Space and Farmland Preservation Trust:			
Cash - Treasurer	B-3	4,043,104	3,262,874
Investments	B-4	497,651	497,651
Taxes Receivable	B-5	1,771	1,046
Due from Current Fund	B-10	24,920	2,863
		4,567,446	3,764,434
Total Trust Funds		$ 6,937,431	$ 7,775,445
LIABILITIES AND RESERVES			
Trust Other Funds:			
Reserve for Encumbrances			
Reserve for:			
911	B-7	$	$ 262
Accumulated Absences Trust	B-7	261,752	400,838
B.F. Goodrich	B-7		16,417
Commodities Resale Program	B-7	16,382	100,634
County Auction	B-7	3,553	30,686
County Clerk	B-7	269,579	273,573
Engineering Escrow	B-7	21,852	20,852
Environmental Enforcement	B-7	329,686	582,395
Hospitalization	B-7	13,500	57,570
Housing Revitalization	B-7	72,109	73,850
Motor Vehicle Fines	B-7	136,233	33,819
Net Payroll Account	B-7		95,870
Parvin Bequest	B-7	54,776	49,421
Payroll Agency	B-7	283,791	290,690
Performance Bond - J Dare Development	B-7		13,090
Performance Bond - Woods Laurel Hills	B-7	3,375	3,375
Prosecutor's Office:			
Asset Maintenance Account	B-7	7,054	7,823
Auto Law Enforcement Trust Account	B-7	6,367	6,194
County Law Enforcement Trust Account	B-7	49,073	73,313
Federal County Law Enforcement Trust Account	B-7	56,900	91,433
Municipal Law Enforcement Trust Account	B-7	45,691	43,585
Seized Assets Trust Account	B-7	68,266	77,484
Revolving Loan	B-7		1,037,822
Road Opening Deposits	B-7	14,129	12,329
SCAPG - Nutrition Program	B-7	164,344	130,300
SCAPG - Parvin	B-7	48,505	46,207
Self Insurance	B-7	1,444	
Sheriff's Office	B-7	31,433	50,377
Surrogate Fees	B-7	63,547	45,456
Tax Appeals Filing Fees	B-7	39,042	39,409
Unemployment Claims	B-7	44	44
Veterans donation	B-7	425	
Weights & Measures	B-7	98,252	84,868
Worker's Compensation	B-7	78,094	113,267
		2,239,198	3,903,253
Due to Capital Fund	B-3		32,180
Due to Current Fund	B-9	130,787	75,578
		2,369,985	4,011,011
Open Space and Farmland Preservation Trust			
Reserve for Future Use	B-8	4,567,446	3,764,434
Total Trust Funds		$ 6,937,431	$ 7,775,445

See Notes to the Financial Statements

COUNTY OF SALEM
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE--REGULATORY BASIS

	Ref.	December 31, 2015	December 31, 2014
ASSETS			
Cash	C-2	$ 3,270,334	$ 10,935,395
Dam Restoration Loan Receivable		1,300,000	1,300,000
Due from Trust Fund	C-2		32,180
Due from Current Fund	C-4	4,713	5,841
Deferred Charges to Future Taxation:			
Funded	C-5	31,249,000	33,994,000
Unfunded	C-6	13,774,364	14,089,364
		$ 49,598,411	$ 60,356,780
LIABILITIES, RESERVES AND FUND BALANCE			
Overdraft - Bond Funds Held by Trustee	C-2	$	$ 12,491
Accrued Interest on Bond Sale	C-2	19,567	
Reserve for Payment of Debt	C-2		5,036
Reserve for County Aid Program	C-4	4,713	
Improvement Authorizations:			
Funded	C-7	5,443,363	7,322,681
Unfunded	C-7	2,762,278	8,083,230
Serial Bonds Payable	C-8	29,949,000	32,694,000
Bond Anticipation Notes Payable	C-9	8,275,000	8,590,000
Dam Restoration Loan Payable	C-10	1,300,000	1,300,000
Contracts Payable	C-11	1,805,591	2,110,443
Capital Improvement Fund	C-12	3,937	3,937
General Capital Fund Balance	C-1	34,962	234,962
		$ 49,598,411	$ 60,356,780

There were Bonds and Notes authorized, but not issued in the amount of $5,499,364 for the years ended December 31, 2015 and 2014 (C-13).

See Notes to the Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

The County of Salem (the "County") was incorporated on February 13, 1798. It is located in the southwest corner of New Jersey and covers approximately 350 square miles. The County of Gloucester is on the County's northern side and the County of Cumberland forms the eastern and southeastern border of the County.

The County's geographic makeup consists of State Parks, Fish and Wildlife Management Areas, Government Facilities and meadows or low-lying areas. Forty-eight percent is devoted to agriculture, thirteen percent is developed for residential use (approximately 9,000 acres), and commercial and industrial "use (approximately 6,500 acres). The New Jersey Turnpike travels through the County.

In the County there are fifteen political subdivisions, consisting of one City, eleven Townships and three Boroughs. The population of the County according to the official 2010 census is 65,774.

The County government operates under a seven member Board of Chosen Freeholders, elected at-large by the voters of the County. A Freeholder, under old English rule, was a person who owned property outright, free of debt, and therefore was deemed to be a leading citizen, eligible for membership on the governing body. Under the present form of government, the property rule as a qualification for holding office has been abolished. Each member is elected to a term of three years. A director and deputy director are selected from their membership at the first meeting of each year. The Freeholders have both administrative and policy-making powers.

Component Units

The financial statements of the component units of the County are not presented in accordance with Governmental Accounting Standards Board Statement ("GASBS") No. 14. If the provisions of GASBS No. 14 had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the County, the primary government:

Salem County Improvement
Authority 199 East
Broadway Salem, NJ 08079

Salem County Vocational-
Technical Schools
Salem-Woodstown Road
New Jersey 08098

Pollution Control Financing
Authority 94 Market Street
Salem, NJ 08079

Salem Community College
460 Hollywood Avenue
Carneys Point, NJ 08069

Special Services School
District of the County of
Salem
328-8 North Broadway
Woodstown, Pennsville,
New Jersey 08070

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting, Measurement Focus and Basis of Presentation

The financial statements of the County contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements of Audit," the County accounts for its financial transactions through the use of separate funds, which are described as follows:

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

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

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

Budgets and Budgetary Accounting

The County of Salem must adopt an annual budget in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the Annual County Budget no later than January 26 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the county. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the regulatory dates for introduction, approval and adoption of the County Budget may be granted by the Director of the Division of Local Government Services, with the permission of Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the County's financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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. (See Exhibit A-9)

Inventories of Supplies

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various Statements of Assets, Liabilities, Reserves and Fund Balance.

General Fixed Assets

Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6 differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The County has adopted a capitalization threshold of $5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985, are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The County is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets.

The regulations require that General Fixed Assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Charges

The recognition of certain expenditures in the current fund is deferred to future periods. These expenditures, or deferred charges, are generally over expenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriations in budgets of succeeding years.

Fund Balance

Fund Balance included in the current fund represents amounts available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues

Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants are realized when anticipated as such in the County's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the County's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

County Taxes

Every municipality is responsible for levying, collecting and remitting county taxes for the County. Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1 and are due and payable to the County of Salem by February 15, May 15, August 15 and November 15. Operations for every municipality are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations for every municipality are charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same provisions as appropriation reserves. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is also on the cash basis.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriation Reserves

Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year lapsed appropriation reserves are recorded as income.

Long-Term Debt

Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund.

Compensated Absences and Postemployment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. (See Notes E and F)

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments include amounts on deposit, petty cash, change funds and short-term investments with original maturities of three months or less. Investments are recorded at cost.

New Jersey municipal and county units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

As of December 31, 2015, the County's bank balances of $18,244,179 were exposed to custodial credit risk as follows:

Insured	$	250,000
Uninsured and Collateralized		630,493
Uninsured and Collateralized with Securities held by Pledging Financial Institutions		17,363,686
Total	$	18,244,179

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned or the County will not be able to recover collateral securities in the possession of an outside party. The County's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation ("FDIC"). The Board of Chosen Freeholders approves and designates the authorized depository institution based on evaluation of solicited responses and certifications provided by financial institutions.

Concentration of Credit Risk - This is the risk associated with the amount of investments the County has with any one issuer that exceeds five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and the New Jersey Cash Management Fund are excluded from this requirement. None of the investments held by the County are exposed to this risk.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the County does not have an investment policy regarding Credit Risk; however, the County had no investments that were subject to credit risks as of December 31, 2015. The New Jersey Cash Management Fund is not rated.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. However, its practice is to hold investments to maturity.

Investments

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

- Bonds or other obligations of the United States or obligations guaranteed by the United States.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

- Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association or United States Bank for Cooperatives that have a maturity date not greater than twelve months from the date of purchase.
- Bonds or other obligations of the County or bonds or other obligations of school districts that are a part of the County or are located within the County.
- Bonds or other obligations having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury, Division of Investments.

As of December 31, 2015, the County was invested in United States Treasury Bonds with a reported cost basis of $497,651 and a fair market value of $630,493.

B. FUND BALANCES APPROPRIATED

The following schedule details the amount of current fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets. The County replenished some of its current fund balance utilized in the 2015 budget.

Year	Balance Dec.	Utilized in Budget of Succeeding	Percentage of Fund Balance Used
2015	$ 4,725,780	$ 2,851,350	60.34%
2014	6,928,995	4,415,186	63.72%
2013	7,313,360	2,884,898	39.45%
2012	5,036,504	2,495,801	49.55%
2011	7,980,717	5,298,161	64.33%

C. PENSION PLANS

The County of Salem contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several County employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a board of trustees that is primarily responsible for its administration. The division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Public Employees' Retirement System - The PERS was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

C. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Tier	Definition
1	Members who are 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.

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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.92% through June 30, 2015 and 7.06% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 11.92% of covered payroll. The County's contributions to PERS for the years ended December 31, 2015, and 2014, were $1,490,549 and $1,375,998 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Payroll covered by PERS was $13,666,900 for 2015.

Information regarding contributions made by the State of New Jersey on behalf of the County is not available. Contributions to the system for the year ended December 31, 2015 is as follows:

	PERS
Employees	$ 979,519
County	1,490,549
Total	$ 2,470,068

C. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The County is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2015.

Police and Firemen's Retirement System - The State of New Jersey Division of Pensions and Benefits administers the Police and Firemen's Retirement System of New Jersey (PFRS), a governmental cost sharing multiple-employer defined benefit pension plan that provides pensions for all individuals who become full-time policemen and firemen and who at the time of enrollment are no older than age 35.

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

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who are enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May22, 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.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased. to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Payroll covered by PFRS was $11,651,308 for 2015.

Information regarding contributions made by the State of New Jersey on behalf of the County is not available. Contributions to the system for the year ended December 31, 2015 is as follows:

		PFRS
Employees	$	1,165,131
County		2,379,425
Total	$	3,544,556

C. PENSION PLANS (CONTINUED)

Police and Firemen's Retirement System (Continued)

The County is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2015.

Defined Contribution Retirement Program - The DCRP is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq. The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the County's contribution amounts for each pay period are transmitted to the trustee no later than the fifth business day after the date on which the employee is paid for that pay period.

The County's contributions were as follows:

Fiscal Year		Total Liability
2015	$	-
2014		-
2013		-

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the County.

GASB 68 - Accounting and Financial Reporting for Pensions

Effective June 30, 2014, state and local governments participating in government pension plans are required to reflect liabilities, deferred outflows/inflows of resources and expenditures related to pension activity. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that are provided by other state entities.

Salem County does not and is not required to follow generally accepted accounting principles (GAAP) and, as such, does not follow GASB requirements with respect to the recording of pension liabilities and deferred outflows/inflows of resources on its balance sheets.

As described in Note A of the financial statements, the financial statements are prepared by the County on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey. However, N.J.A.C. 5:30-6.1[c][2] requires the County to disclose GASB 68 information in the Notes to the Financial Statements.

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System

Components of Net Pension Liability - At December 31, 2015, the County's proportionate share of the PERS net pension liability was $41,614,309. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was .0185%, which was an increase of .004% from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources - The County's 2015 PERS pension expense, with respect to GASB 68, was $1,593,779. The County's 2015 deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 992,771	$
Changes of assumptions	4,469,044	
Net difference between projected and actual earnings on pension plan investments		669,078
Changes in proportion and differences between District contributions and proportionate share of contributions	758,142	953,077
Total	$ 6,219,957	$ 1,622,155

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

Year	PERS
2016	$ 838,807
2017	838,807
2018	838,807
2019	838,807
2020	838,807
Thereafter	403,767
Total	$ 4,597,802

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Additional Information - Collective Balances at June 30, 2014 and 2015 are as follows:

Year	6/30/2014	6/30/2015
Collective deferred outflows of resources	$ 1,063,318	$ 6,219,957
Collective deferred inflows of resources	3,182,910	1,622,155
Collective Net Pension Liability	33,814,773	41,604,309
District's Proportion	0.1806080846%	0.1853809517%

Actuarial Assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS
Interest Rate	7.90%
Salary Scale (Based on Age):	
2012-2021	2.15% - 4.40%
Thereafter	3.15% - 5.40%
Inflation	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Public Employees' Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2015, 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 (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount (4.90%)	1% Increase (5.90%)
County's proportionate share of the net pension liability	$ 51,721,494	$ 41,614,309	$ 33,140,518

Police and Firemen's Retirement System

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 specific 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.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Special Funding Situation (Continued) - The County's nonemployer contribution information for PFRS is summarized as follows:

Description		As of and for The Year Ended 6/30/2015
State Proportionate Share of Net Pension Liability Attributable to Employer	$	5,297,241
Nonemployer Contributions	$	275,749

Components of Net Pension Liability - At December 31, 2015, the County's proportionate share of the PFRS net pension liability was $60,404,140. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015 was .363%.

Pension Expense and Deferred Outflows/Inflows of Resources - The County's 2015 PFRS pension expense, with respect to GASB 68, was $2,947,769.

The County's 2015 deferred outflows of resources and deferred inflows of resources were from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$		$	521,005
Changes of assumptions		11,152,105		
Net difference between projected and actual earnings on pension plan investments				1,051,281
Changes in proportion and differences between District contributions and proportionate share of contributions		5,872,109		140,971
Total	$	17,024,214	$	1,713,257

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources (Continued) - Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year		PFRS
2016	$	2,800,214
2017		2,800,214
2018		2,800,214
2019		2,800,214
2020		2,800,214
Thereafter		1,309,887
Total	$	15,310,957

Actuarial Assumptions - The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015.

This actuarial valuation used the following actuarial assumptions:

	PFRS
Interest Rate	7.90%
Salary Scale (Based on Age):	
2012-2021	2.60% - 9.48%
Thereafter	3.60% - 10.48%
Inflation	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

C. PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2015, 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 (4.79%) or 1-percentage-point higher (6.79%) than the current rate:

	1% Decrease (4.79%)	Current Discount (5.79%)	1% Increase (6.79%)
County's proportionate share of the net pension liability	$ 86,615,278	$ 65,701,380	$ 48,647,966

D. POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

Plan Description - The State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey, Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The County provides post employment health care benefits, at its cost, to various classes of employees (non union and collective bargaining units) and their spouses or surviving spouses as well as dependents. The health care benefits will be in a form consistent with that provided to all active employees of the County subject to the requirements as illustrated in Article 33 of the Personnel Agreement regarding retiree benefits. The entitlement at the minimum requires that all qualified County employees be retired through the New Jersey Division of Pensions and Benefits under the PFRS or the PERS and shall meet at least one of the following requirements: retirement on a disability pension; Retirement with 25 years or more of service credit in a state or locally-administered retirement system and at least 15 years of service with the County; retirement at age 62 or older with at least 15 years of service with the County, or retirement with 25 years or more of service credit in a state or locally-administered retirement system, provided the retiring employee was on the employment rolls of the County as of August 1, 1991.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey, Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

D. POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN (CONTINUED)

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

The State's contribution rate is based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The County of Salem did not participate in the SHBP during 2015.

On October 1, 2013, post-retirement healthcare benefits were provided through a private plan with Amerihealth HMO, Inc. See Note E for more details.

The County provides post-retirement medical health insurance benefits and prescription benefits, provided the employee qualifies for and has retired through the New Jersey Division of Pensions and Benefits under the Police and Fireman's Retirement System ("PFRS") or the Public Employees Retirement System ("PERS") and meets at least one of the following requirements:

(a) Retirement on a disability pension; or

(b) Retirement with 25 years or more of service credit in a state or locally-administered retirement system and at least 15 years of service with the County of Salem; or

(c) Retirement at age 62 or older with at least 15 years of service with the County of Salem; or Adopted 1/17/07; Revised 7/17/13.

(d) Retirement with 25 years or more of service credit in a state or locally-administered retirement system, provided the retiring employee was employed by Salem County as of August 1, 1991.

There were approximately 171 retired participants eligible at December 31, 2015,

E. GASB STATEMENT 45 FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The required disclosure information from the plan document and the December 31, 2015, actuarial valuation is as follows:

Plan Description

- The County currently maintains an unfunded single-employer post-employment benefits plan other than for pensions.
- The Plan provides eligible retirees and their dependents with prescription drug benefits.
- The Plan does not issue stand-alone financial statements and is not included in the report of another entity.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

E. GASB STATEMENT 45 FOR ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Funding Policy

- It is the County's policy at this time to fund the Plan on a pay as you go basis.

Other Required Disclosures

- The annual required contribution and OPEB cost for 2014 was $7,736,186, assuming a 30-year amortization of the actuarial accrued liability.
- During the year ended December 31, 2014, the County paid $2,449,346 to the Plan, which represents the amount of benefits paid during the period.
- The unfunded actuarial and accrued liability, which includes retirees and active employees, totaled $99,557,544 as of December 31, 2014. The County's next required actuarial valuation will be calculated as of December 31, 2016.
- The actuarial valuation date was December 31, 2014.

Actuarial Assumptions and Methods

- An assumed discount rate of 4.5% was used for purposes of developing the liabilities and annual required contribution on the basis that the Plan would not be funded.
- Health care cost trend rates were as follows:

    - Prescription ranged from 8.00% in 2014 to 5% in years 2020 and later.
    - These actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.
    - These calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation.
    - The actuarial cost method used was the entry age method.
    - The unfunded actuarial accrued liability was amortized as a level percentage of payroll using projected salary increases of 3.00%.

F. COMPENSATED ABSENCES

Under the existing policies of the County, upon retirement, employees accruing days will be compensated for one-half of their accumulated sick days up to a maximum of $15,000 and all of their accumulated vacation days. A maximum of ten vacation days may be carried over at the end of the year unless approval to carryover more is granted.

The County has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2015, the balance of the fund was $261,752. It is estimated that, at December 31, 2015, accrued benefits for compensated absences for all eligible employees who have accumulated time are valued at $2,235,996. Of this balance, $576,932 is vested and $1,659,064 is unvested portion of the compensated absences.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

G. DEFERRED COMPENSATION SALARY ACCOUNT

The County offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the County or its creditors. Since the County does not have a fiduciary relationship with the plan, the balances and activities of the plan are not reported in the County's financial statements.

H. LEASE OBLIGATIONS

At December 31, 2015, the County had various lease agreements in effect for the County Jail, office space and numerous copiers.

Future minimum lease payments (principal and interest) under capital lease agreements for the County Jail are as follows:

Year	Amount
2016	$ 1,759,075
2017	1,759,903
2018	1,912,375
2019	1,906,500
	$ 7,337,853

I. CAPITAL DEBT

Summary of Debt

	December 31, 2015	December 31, 2014	December 31, 2013
Issued			
General:			
Serial Bonds	$ 29,949,000	$ 32,694,000	$ 33,034,000
Bonds Guaranteed by the County	9,552,410	20,641,410	22,982,136
Bond Anticipation Notes	8,275,000	8,590,000	11,615,000
Loan Payable	1,300,000	1,300,000	1,300,000
Authorized but not Issued			
General:			
Bonds and Notes	5,499,364	5,499,364	2,350,000
Gross Debt	54,575,774	68,724,774	71,281,136
Deductions	14,181,342	25,296,446	25,284,272
Net Debt	$ 40,394,432	$ 43,428,328	$ 9,552,410

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

I. CAPITAL DEBT (CONTINUED)

Summary of Regulatory 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 indicated a regulatory net debt of 0.827%.

	Gross Debt	Deductions	Net Debt
General	$ 54,575,774	$ 14,181,342	$ 40,394,432

Net Debt $40,394,432 divided by the average Equal zed Valuation Basis per N.J.S.A.40A:2-2 as amended, $5,149,196,832 equals 0.784%. A revised Annual Debt Statement should be filed by the Chief Financial Officer.

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

2% of Equalized Valuation Basis (County)	$ 102,983,937
Net Debt	40,394,432
Remaining Borrowing Power	$ 62,589,505

2015 Refunding Bond Issue – Salem County Special Services District

On April 30, 2015, the County of Salem issued Bonds in the amount of $3,885,000, with interest between 1% and 3.5%, for the purpose of refunding $3,615,000 in callable Special Services District bonds from Series 2008.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year	Principal	Interest	Total
2016	$ 3,145,000	$ 1,048,525	$ 4,193,525
2017	2,825,000	946,238	3,771,238
2018	2,935,000	856,894	3,791,894
2019	2,585,000	751,600	3,336,600
2020	2,155,000	662,182	2,817,182
2021	2,230,000	592,328	2,822,328
2022	2,295,000	524,794	2,819,794
2023	2,110,000	449,450	2,559,450
2024	2,180,000	372,949	2,552,949
2025	2,225,000	283,808	2,508,808
2026	1,735,000	189,768	1,924,768
2027	1,285,000	130,538	1,415,538
2028	1,310,000	77,588	1,387,588
2029	934,000	21,425	955,425
	$ 29,949,000	$ 6,908,083	$ 36,857,083

I. CAPITAL DEBT (CONTINUED)

Schedule of Annual General Debt Service for the Principal and Interest for Loans Outstanding

Year	Principal	Interest	Total
2016	$ 31,205	$ 13,000	$ 44,205
2017	63,349	25,060	88,409
2018	64,622	23,787	88,409
2019	65,921	22,489	88,410
2020	67,246	21,164	88,410
2021	68,598	19,812	88,410
2022	69,976	18,433	88,409
2023	71,383	17,027	88,410
2024	72,818	15,592	88,410
2025	74,281	14,128	88,409
2026	75,775	12,635	88,410
2027	77,298	11,112	88,410
2028	78,851	9,558	88,409
2029	80,436	7,973	88,409
2030	82,053	6,357	88,410
2031	83,702	4,707	88,409
2032	85,385	3,025	88,410
2033	87,101	1,309	88,410
	$ 1,300,000	$ 247,168	$ 1,547,168

J. BOND ANTICIPATION NOTES

The County issues bond anticipation notes to temporarily finance various capital projects prior to the issuance of serial bonds. The terms of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid not later than the tenth anniversary of the original note. The State of New Jersey ("State") also prescribes that, on or before the third anniversary of the date of the original note, a payment of at least equal to the first legally payable installment of the bonds, in anticipation of which such notes were issued, be paid or retired. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary of the date of the original issue. At December 31, 2015, the County had bond anticipation notes totaling $8,275,000. On June 24, 2015, the County issued $8,275,000 Bond Anticipation Notes ("BANS") consisting of $7,900,000, with interest at .54% and Tax-Exempt BANS and $375,000 Federally Taxable BANS, with interest of 1.04%. These notes mature on June 24, 2016.

K. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the current fund:

	Balance December 31, 2015	2016 Budget Appropriation	Balance to Succeeding Budgets
Over expenditure of Appropriation Reserve	$ 107,925	$ 214,893	$ -
Over expenditure of Budget Appropriation	716,581	671,581	45,000
Special Emergency	68,674	68,674	-
Total	$ 893,180	$ 955,148	$ 45,000

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

L. 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 County contributions, reimbursements to the State for benefits paid, and the ending balance of the County's trust fund for the current and previous two years:

Year	County Contributions	Amount Reimbursed	Ending Balance
2015	$ 45,416	$ 45,416	$ 44
2014	95,146	95,146	44
2013	19,850	216,399	44

M. OPEN SPACE, RECREATION, FARMLAND AND HISTORIC PRESERVATION TRUST

On November 5, 2002, pursuant to P.L. 1997, c. 24 (N.J.S.A. 40:12-15.1 et seq.), the voters of the County authorized the establishment of the Salem County Open Space, Recreation, Farmland and Historic Preservation Trust Fund effective January 1, 2005, for the purpose of raising revenue for the acquisition of lands and interests in lands for the conservation of farmland and open space. The County proposed to levy a tax not to exceed two cents per one hundred dollars of equalized valuation.

Amounts raised by taxation are apportioned by the County Board of Taxation among the municipalities in accordance with N.J.S.A. 54:4-9 and are assessed, levied and collected in the same manner and at the same time as other County taxes. Future increases in the tax rate or to extend the authorization must be authorized by referendum. All revenue received is accounted for in a Trust Fund dedicated by rider (N.J.S.A. 40A:4-39) for the purpose stated. Interest earned on the investment of these funds is credited to the Salem County Open Space, Recreation, Farmland and Historic Preservation Trust Fund.

N. RISK MANAGEMENT

The County has adopted a plan of self-insurance for workers' compensation, automobile, police professional liability, and general liability insurance. Joint Insurance Fund Policy cover individual claims in excess of $250,000 for automobile, general liability claims, and workers' compensation claims.

At December 31, 2015, the estimated payable for the workers' compensation insurance was $604,371, the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported. Such liability at this time is not known.

The estimated payable for the general liability/police professional insurance was $635,133 the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported, at December 31, 2015. Such liability at this time is not known.

The estimated payable for the auto liability insurance was $0, the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported, at December 31, 2015. Such liability at this time is not known.

The estimated payable for workers' compensation, auto liability and general liability police professional insurance do not include any provision for claims incurred but not reported.

COUNTY OF SALEM, STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

N. RISK MANAGEMENT (CONTINUED)

Any additional funds required for claims in excess of the amounts reserved and recorded in trust funds below as a liability will be paid and charged to the 2015 or future budgets. At December 31, 2015, the balances of the plans were as follows:

Insurance Plan		Amount
Reserve for Workers' Compensation - Trust Fund	$	78,094
Reserve for Self Insurance - Trust Fund		1,444
Hospitalization - Trust Fund		13,500

O. SERVICE AGREEMENT

Salem County Improvement Authority - Solid Waste Landfill Division - In 1984, a service agreement was enacted between the County and the Salem County Utilities Authority. In 2009, the Salem County Utilities Authority was dissolved and all of its rights and obligations were transferred to the Salem County Improvement Authority.

Section 301 of the 1984 agreement provides "Charges may and shall at all times be such that the receipts of the Authority shall be sufficient to pay or provide for expenses of the operation, repair and maintenance of the system including insurance, renewals and replacements and the cost of all enlargements and alterations of the system not otherwise provided for to pay the principal of and interest on any and all bonds or other obligations of the Authority as the same become due, and to repay to the County any advances made by the County to meet any deficits of the Authority by any participant or any other municipality, authority, county, person, partnership, firm, public or private corporation, or from any other cause, and to provide and maintain such reserves or sinking funds for any of the foregoing purpose as may be required by the terms of any contract or other obligation of the Authority."

Section 401 provided "On or before January 15th next following the close of each fiscal year, the Authority shall make and deliver to the Board of Chosen Freeholders of the County, a certificate, signed by its Chairman or Vice-Chairman and its Registered Municipal Accountant, stating the receipts and expenses to the Authority for the current fiscal year and the estimated receipts and expenses to the Authority for the current fiscal year, and deficiency advances (if any) payable by the County to the Authority, for or with respect to the preceding and current fiscal year. Such deficiency advances shall be a sum of money equal to the excess (if any) of the expenses of the Authority for a fiscal year over the receipts of the Authority's such fiscal year.

Section 402 provides "On or before May 1st of each fiscal year, the County will pay to the Authority the deficiency advances (if any) stated in the certificate delivered to the Board of Chosen Freeholders pursuant to Section 401 of this Article."

In 1984, prior year advances to the Authority of $215,000 was repaid to the County of Salem. Subsequent to 1984 through December 31, 2015, the Authority has not requested any advances resulting from deficiencies or for any other purpose.

P. COMPARATIVE SCHEDULE OF TAX RATES

	2015	2014	2013	2012	2011
County Tax Rate	$ 0.980	$ 0.947	$ 0.946	0.922	0.875
County Open Space Tax Rate	0.020	0.020	0.020	0.020	0.020

Q. ASSESSED VALUATION

2015	$ 5,265,472,749
2014	5,339,001,530
2013	5,453,646,338
2012	5,585,235,635
2011	5,731,852,668

R. COMPARISON OF TAX LEVIES AND COLLECTIONS

Year	Tax Levy	Cash Collections	Percentage of Collection
2015	$ 51,448,093	$ 51,448,093	100.00%
2014	50,310,877	50,310,877	100.00%
2013	51,356,241	51,356,241	100.00%
2012	51,356,241	51,356,241	100.00%
2011	50,007,796	50,007,796	100.00%

S. LITIGATION

The County is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the County, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

T. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 28, 2016, which is the date that the financial statements were available to be issued.

APPENDIX C

Form of Bond Counsel Opinions

PARKER McCAY

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June ___, 2018

Board of Chosen Freeholders of
the County of Salem
110 Fifth Street
Salem, New Jersey

RE: $2,600,000 COUNTY OF SALEM, NEW JERSEY, COUNTY COLLEGE BONDS (CHAPTER 12), SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of $2,600,000 aggregate principal amount of County College Bonds (Chapter 12), Series 2018 ("Bonds"), by the County of Salem, New Jersey ("County").

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinance 2018-02 ("Bond Ordinance"), duly and finally adopted by the Board of Chosen Freeholders ("Board") and published in accordance with the requirements of the Local Bond Law; and (iii) a resolution adopted by the Board on May 2, 2018 ("Resolution").

The Bonds are dated June 20, 2018, mature on March 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rate per annum below, payable initially on March 15, 2019 and semi-annually thereafter on September 15 and March 15 in each year until maturity or earlier redemption.

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2019	$120,000	%	2027	$180,000	%
2020	145,000		2028	185,000	
2021	150,000		2029	190,000	
2022	155,000		2030	195,000	
2023	155,000		2031	205,000	
2024	160,000		2032	210,000	
2025	165,000		2033	215,000	
2026	170,000				

The Bonds are issued in fully registered book-entry-only form without coupons. The Bonds are subject to redemption prior to maturity as set forth therein.

The Bonds are being issued by the County to provide funds which will be used to: (i) permanently finance various improvements for Salem County Community College ("County College") for which obligations have been authorized, but not issued; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinions set forth below, we have examined such matters of law as we have deemed necessary including, inter alia, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinance, the Resolution, a certification of officials of the County and the County College having the responsibility for issuing the Bonds given pursuant to the Code ("Nonarbitrage Certificate") and the other certifications, instruments, documents and opinions listed in the closing agenda prepared in connection with the settlement of the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Nonarbitrage Certificates.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the County enforceable in accordance with the respective terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the County has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the County without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive "investment" income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the County that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the County to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The County has ***not*** designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Owners of the Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs 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 any changes in law or fact subsequent to the date hereof.

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

This letter is being provided solely for the benefit of the County and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

PARKER McCAY

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June ___, 2018

Board of Chosen Freeholders of
the County of Salem
110 Fifth Street
Salem, New Jersey

RE: $10,531,000 COUNTY OF SALEM, NEW JERSEY, BOND ANTICIPATION NOTES OF 2018, SERIES A

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Notes") by the County of Salem, New Jersey ("County").

The Notes are issued pursuant to and in accordance with: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 2011-04, 2012-02 and 2017-01, each duly and finally adopted by the Board of Chosen Freeholders of the County (collectively, the "Bond Ordinances"), and published in accordance with the requirements of the Local Bond Law; and (iii) a Certificate of Determination and Award executed by the Chief Financial Officer of the County on June __, 2018 ("Award Certificate").

The Notes are dated June 20, 2018 and mature on June 19, 2019. The Notes are issued in [registered book-entry only] [bearer] form without coupons and are not subject to redemption prior to maturity. The Notes are issued in anticipation of the issuance of bonds to provide funds for various capital improvements.

As the basis for the opinions set forth below, we have examined such matters of law as we have deemed necessary including, inter alia, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Award Certificate, the representations and covenants of the County given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and other Tax Matters ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Notes.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, certifications, instruments and opinions examined.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Notes are legal, valid and binding obligations of the County enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Notes, the County has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the County without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Notes will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Notes, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Notes received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Notes is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Notes received or accrued by a foreign corporation subject to the branch profits tax will be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the County that it will comply with the applicable requirements of the Code, including requirements relating to, inter alia, the use and investment of proceeds of the Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the County to comply with such covenants could result in the interest on the Notes being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that affect the tax-exempt status of the interest on the Notes.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Notes will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Notes is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Notes.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The County has ***not*** designated the Notes as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Owners of the Notes should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Notes and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Notes.

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

The opinions expressed in the numbered paragraphs 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 any changes in law or fact subsequent to the date hereof.

This letter is being provided solely for the benefit of the County and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this ___ day of June, 2018 by and between the County of Salem, New Jersey ("County") and the Dissemination Agent (as hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the County of its County College Bonds (Chapter 12), Series 2018, in the aggregate principal amount of $2,600,000 ("Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 ("Exchange Act"), as it may be amended and supplemented from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean the County's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the County or the Dissemination Agent is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean Acacia Financial Group, Inc., Mount Laurel, New Jersey, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of the Rule.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the County.

"SEC Release" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

SECTION 3. Provision of Annual Report.

(a) The County shall not later than September 15 of each year, commencing September 15, 2018 (for the calendar year ending December 31, 2017), during which any of the Bonds remain Outstanding provide to the Dissemination Agent the County's Annual Report prepared for the preceding fiscal year of the County. Each Annual Report provided to the Dissemination Agent by the County shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the County, shall submit the Annual Report received by it to the National Repository and thereafter shall file a written report with the County certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to the National Repository.

(c) If the County fails to provide the Annual Report to the Dissemination Agent by the dates required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the County advising of such failure. Whether or not such notice is given or received, if the County thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice to the National Repository in substantially the form attached as Exhibit "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean:

(a) (i) the general financial information and operating data of the County consistent with the information set forth in the Official Statement, dated June ___, 2018, prepared in connection with the sale of the Bonds ("Official Statement"); and (ii) the County's annual financial statements using the accounting standards set forth below in Subsection (b) of this Section 4 and audited by an independent certified public accountant, substantially in the form set forth in Appendix "B" to the Official Statement.

(b) The County's audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State of New Jersey statutory principles or with generally accepted accounting principles as modified by governmental accounting standards if required by New Jersey law, as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statement.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to the rights of Bondholders, if material;
(8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The County shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the County may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the County to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the County.

SECTION 6. Termination of Disclosure Agreement. This Disclosure Agreement 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) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) 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 County, 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 Bondholders. The County shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. <u>Additional Information</u>. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. <u>Default and Remedies</u>. In the event of a failure of the County to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Bondholder may (and, at the written request of Bondholders of at least twenty-five percent (25%) of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall) 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 Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance. A failure of the County to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds.

SECTION 10. <u>Notices</u>. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the County:

County of Salem
Salem County Finance Office
110 Fifth Street
Salem, New Jersey 08079
Attention: Chief Financial Officer

(ii) If to the Dissemination Agent:

Acacia Financial Group, Inc.
6000 Midlantic Drive, Suite 410 North
Mount Laurel, New Jersey 08054

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The County shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the County, or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COUNTY OF SALEM, NEW JERSEY

By: ____________________________________
JOHN WILLADSEN, Chief Financial Officer

ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent

By:____________________________________
JENNIFER G. EDWARDS, Managing Director

EXHIBIT A

NOTICE TO THE NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: County of Salem, New Jersey

Name of Bond Issues Affected: $2,600,000 County College Bonds (Chapter 12), Series 2018

Date of Issuance of the Affected Bond Issue: June __, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated June __, 2018, between the County and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by ____________________].

Dated:

ACACIA FINANCIAL GROUP, INC.,
Dissemination Agent

cc: County of Salem, New Jersey