

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2019

NEW ISSUE - BOOK-ENTRY-ONLY

RATING: Standard & Poor's: "AA"
(See "RATING" herein)

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

COUNTY OF PASSAIC

New Jersey

\$6,400,000 COUNTY COLLEGE BONDS, SERIES 2019

consisting of

\$3,200,000 COUNTY COLLEGE BONDS, SERIES 2019A

and

\$3,200,000 COUNTY COLLEGE BONDS, SERIES 2019B

(County College Bond Act, P.L. 1971, c.12)

(Non-Callable)

(Not Bank-Qualified)

Dated: Date of Delivery

Due: May 1, as shown on the inside front cover

The \$6,400,000 County College Bonds, Series 2019 of the County of Passaic, New Jersey (the "County"), consisting of the \$3,200,000 County College Bonds, Series 2019A (the "Series 2019A Bonds") and the \$3,200,000 County College Bonds, Series 2019B (County College Bond Act, P.L. 1971, c.12) (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds") will be issued in the form of one certificate for the aggregate principal amount of Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as "Securities Depository". See "THE BONDS – Book-Entry Only System" herein. Interest on the Bonds will be paid semiannually on the first day of May and November in each year until maturity, commencing on May 1, 2020. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 15 and October 15 (the "Record Dates" for the payment of interest on the Bonds).

Principal of and interest on the Bonds will be paid to the Securities Depository by the County. The Bonds will be dated the date of their delivery and will mature on May 1 in the years and in the principal amounts set forth on the inside front cover hereof. As long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of the DTC participants and the indirect participants as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturities.

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

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

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about May 15, 2019.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY

ON WEDNESDAY, MAY 1, 2019

FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,

VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM

Dated: May ____, 2019

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The County has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the County will deliver a final Official Statement within the earlier of seven business days following such sale or to accompany the purchaser's confirmations requesting payment for the Bonds.

COUNTY OF PASSAIC
New Jersey

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

SERIES 2019A BONDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2020	\$170,000	%	%		2027	\$225,000	%	%	
2021	175,000				2028	240,000			
2022	180,000				2029	255,000			
2023	185,000				2030	270,000			
2024	195,000				2031	285,000			
2025	205,000				2032	300,000			
2026	215,000				2033	300,000			

SERIES 2019B BONDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2020	\$170,000	%	%		2027	\$225,000	%	%	
2021	175,000				2028	240,000			
2022	180,000				2029	255,000			
2023	185,000				2030	270,000			
2024	195,000				2031	285,000			
2025	205,000				2032	300,000			
2026	215,000				2033	300,000			

* Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of the issuance of the Bonds and the County does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

PASSAIC COUNTY OFFICIALS

BOARD OF CHOSEN FREEHOLDERS

FREEHOLDER - DIRECTOR OF THE BOARD

John W. Bartlett

DEPUTY DIRECTOR OF THE BOARD

Sandra Lazzara

FREEHOLDERS

Theodore O. Best, Jr.

Bruce James

Assad Akhter

Pasquale Lepore

Terry Duffy

COUNTY ADMINISTRATOR

Anthony J. DeNova, III

ACTING COUNTY COUNSEL

Michael Glovin, Esq.

**CLERK TO THE BOARD/
COUNTY TREASURER**

Louis E. Imhof III

DIRECTOR OF FINANCE

Richard Cahill

COUNTY AUDITOR

Steven D. Wielkotz, C.P.A., R.M.A.

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Pompton Lakes, New Jersey

BOND COUNSEL

Archer & Greiner P.C.

Red Bank, New Jersey

No broker, dealer, salesperson or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds, 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 and such information 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 or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

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

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

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the County from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the County.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY 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 THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Neither Archer nor the Underwriter has participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT
OF THE

COUNTY OF PASSAIC
New Jersey
\$6,400,000 COUNTY COLLEGE BONDS, SERIES 2019
consisting of
\$3,200,000 County College Bonds, Series 2019A
and
\$3,200,000 County College Bonds, Series 2019B
(County College Bond Act, P.L. 1971, c.12)**

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the County of Passaic (the "County"), in the State of New Jersey (the "State"), in connection with the sale and issuance of \$6,400,000 County College Bonds, Series 2019, consisting of \$3,200,000 County College Bonds, Series 2019A (the "Series 2019A Bonds") and \$3,200,000 County College Bonds, Series 2019B (County College Bond Act, P.L. 1971, c.12) (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds"), dated the date of delivery thereof. This Official Statement has been executed by the Director of Finance of the County. This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General Description

The Bonds of each series may be purchased in book-entry only form in the amount of \$5,000 each or any integral multiple thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. The Bonds shall be dated the date of delivery thereof and will mature on May 1 in the years and in the principal amounts shown on the inside front cover page hereof. The Bonds shall bear interest from their date, payable on each May 1 and November 1, commencing May 1, 2020 (each, an "Interest Payment Date"), in each year until maturity at the rates shown on the inside front cover page hereof. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the close of business on April 15 and October 15 (the "Record Dates" for the payment of interest on the Bonds).

Security for the Bonds

The full faith and credit of the County are irrevocably pledged for the punctual payment of the principal of and the interest on the Bonds. The Bonds will be direct and general obligations of the County and the County will be obligated to levy *ad valorem* taxes upon all of the taxable property within the County for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

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

Additional Security for the Series 2019B Bonds

The Series 2019B Bonds are entitled to the benefits of the provisions of P.L. 1971, c. 12, as amended and supplemented (N.J.S.A. 18A:64A-22.1 *et seq.*) (the "Act"). Under the provisions of the Act, the State has agreed, subject to annual appropriation, to appropriate and pay annually on behalf of the County an amount equal to the amount of principal and interest due on the Series 2019B Bonds. The amounts paid by the State pursuant to the Act are paid directly to the Paying Agent for the Series 2019B Bonds and must be used for the payment of the principal of and interest on the Series 2019B Bonds. Such Series 2019B Bonds are not debts or liabilities of the State. In the event that State appropriations for the payment of the principal of and interest on the Series 2019B Bonds are not made, the County will be responsible for appropriating amounts necessary to pay such principal and interest (see "THE BONDS - Security for the Bonds" above).

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Authorizations and Purpose of the Bonds

The Bonds are authorized by and are to be issued pursuant to the laws of the State including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, Title 18A, Education of the New Jersey Statutes, Bond Ordinance 2019-04 of the County, finally adopted February 12, 2019, and a resolution duly adopted by the County Board of Chosen Freeholders on April 9, 2019.

<u>Ordinance No.</u>	<u>Description</u>	<u>Bonds to be Issued</u>
<u>Series 2019A Bonds</u>		
2019-04	Improvements to Passaic County Community College Facilities	\$3,200,000
<u>Series 2019B Bonds</u>		
2019-04	Improvements to Passaic County Community College Facilities	<u>\$3,200,000</u>
		<u>\$6,400,000</u>

Book-Entry Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds 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 concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of CEDE & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, CEDE & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds 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; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor CEDE & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds 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 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 are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments 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 the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the 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 principal and interest to CEDE & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

Discontinuance of Book-Entry-Only System

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial or Sinking Fund installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the County are general full faith and credit obligations.

The authorized bonded indebtedness of the County for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 2.00% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of County, as annually determined by the State Director of Taxation is \$46,381,905,730.

The County has not exceeded its statutory debt limit. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation was .705%. As noted above, the statutory limit is 2.00%.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

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 if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the County to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The County may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year’s budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAPS” appropriations nor can transfers be made between excluded from “CAP” appropriations.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

The tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. A table detailing tax title liens is included in Appendix “A”.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, municipalities must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’ “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, and 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 for the County is on file with the Clerk and is available for review during business hours.

GENERAL INFORMATION ON THE COUNTY

Early History

The County was organized under an act of the New Jersey Legislature on February 7, 1837, more than 150 years after the first Dutch pioneers settled in the region. The creation of the County from parts of Bergen and Essex Counties ended a 15-year feud between Hackensack and Paterson residents and merchants. Paterson merchants disliked the idea of having to travel to the County Seat of Hackensack. These merchants petitioned the legislature for the establishment of a new county.

The local dispute between Paterson and Hackensack erupted on a Statewide level. Southern New Jersey legislators hesitated to create a new county that would give northern counties additional representation in the legislature. Finally, a compromise was reached by creating another southern county at the same time, and the County of Passaic became a reality.

The County is replete with legends, history and heroes of the Revolutionary Age: General Washington's Headquarters in 1780 still stands on the grounds of a County park where it was built in 1709; the exploits of the dashing General "Mad" Anthony Wayne for whom the Township of Wayne is named, are legendary; and the Great Falls of Paterson cascade daily in tribute to Alexander Hamilton, who fathered American industry through the creation of the Society of Useful Manufacturers, which harnessed the power of these great falls for sale to the manufacturers of the time.

Governmental Structure

Since 1798, counties in New Jersey have operated under the Freeholder form of County government. Originally, each municipality in the County was entitled to one Freeholder to represent it at the County level. Changes in the original law were made in 1918, which reduced the number of Passaic County Freeholders to a total of seven, elected at large.

The Freeholders, complemented by a County Administrator, function through committees and possess executive and legislative powers.

The responsibilities of the Freeholders encompass, in addition to linking the municipalities with state and other local governments, fiscal administration, the County judiciary system, law enforcement, recreation, road and bridge maintenance and construction, the County correctional and penal system, health and welfare, education and a myriad of other responsibilities.

Geographic Location

The County is located in northern New Jersey within the New York-New Jersey metropolitan area. The County borders New York State on the north and is surrounded by Sussex, Morris, Essex and Bergen Counties.

The County is shaped like a bent hourglass with the area above the neck running generally north and south and that portion below, east and west. The contrast between the two areas is striking. The upper half of the County is characterized by large lakes and watersheds and possesses a stunning topography. The lower half of the County contains more than 90% of the population in a third of the land area.

The highest point in the County is Bearfort Mountain in West Milford Township with an elevation of 1,484 feet. The County's lowest area is the tidal land along the Passaic River in Clifton and Passaic.

Within its 197.05 square miles there are 40 lakes and ponds, three state parks and two state forests.

Population of the County of Passaic

2017	512,607
2016	507,945
2015	510,916
2014	508,856
2013	505,672
2012	504,245
2011	503,508
2010	501,226
2000	490,377
1990	470,864
1980	447,585
1970	460,782
1960	406,618
1950	337,093

Source: United States Bureau of the Census.

<http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

Industry and Economy

During the past four decades, the economy of the County has undergone a tremendous change from its position as one of the leading textile and apparel centers of the world. The County has changed its former economic dependence upon this narrow base of employment to an economy of considerable diversification and growth with companies manufacturing food products, components for the aerospace industry, chemicals and fabricated metal products.

It should be recognized that the growth of non-manufacturing jobs in the service, retail and wholesale industries, as well as in finance and insurance, has more than made up for the loss of manufacturing employment. This growth has seen the change in the County's economy from blue collar to white collar. The labor force was 249,700 in August 2015 and the unemployment rate was 6.9% in August 2015. The labor force was 249,900 in 2016 and the unemployment rate was 6.8% in August 2016.

County of Passaic Labor Force Estimates

(000's Omitted)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2016*	249.9	323.9	17.0	6.8%
2015	249.7	232.5	17.1	6.9
2014	248.4	228.3	20.2	8.1
2013	241.4	217.4	24.0	9.9
2012	243.3	216.1	27.2	11.2
2011	246.0	216.7	27.3	11.1
2010	243.0	215.7	27.3	11.3
2009	243.8	217.0	27.5	11.0
2008	240.4	224.1	16.4	6.8
2007	238.0	225.3	12.7	5.3

Source: New Jersey Department of Labor and Workforce Development, Office of Research and Information, - Annual Averages for all Years

*2016 data from August 2016 http://lwd.dol.state.nj.us/labor/lpa/employ/uirate/lfest_index.html

**Statistics of Income 2015: New Jersey Income Tax Returns for 2015
Summarized by County**

<u>Rank</u>	<u>County</u>	<u>Total Income (000's)</u>	<u>Total Average Income</u>
1	Bergen	\$46,011,761.00	\$107,512
4	Essex	30,620,801.40	90,272
2	Monmouth	29,447,812.90	99,415
3	Morris	28,873,900.00	122,761
5	Middlesex	27,508,909.70	73,141
6	Union	20,829,418.50	82,753
8	Hudson	19,282,152.80	64,326
7	Somerset	19,216,923.20	124,035
9	Ocean	15,896,701.80	61,695
10	Burlington	15,439,231.70	76,301
11	Mercer	14,884,553.90	92,392
12	Camden	14,283,144.40	63,696
13	PASSAIC	13,200,038.70	56,646
14	Gloucester	8,824,895.80	69,246
15	Hunterdon	7,219,874.00	52,623
16	Atlantic	6,808,885.00	120,478
17	Sussex	5,475,670.30	79,835
18	Warren	3,389,667.10	68,693
19	Cumberland	2,963,751.20	46,258
20	Cape May	2,651,111.10	58,164
21	Salem	1,686,678.40	59,415
	County Unknown	<u>611,097.70</u>	<u>122,440</u>
	State Totals	<u>\$335,126,980.60</u>	<u>\$1,792,097.00</u>

Source: State of New Jersey Department of the Treasury, Division of Taxation, Statistics of Income, 2015, Table 4.6:
Income Tax Return Amounts Summarized by County for Full Year Residents.
<http://www.state.nj.us/treasury/taxation/soiintro.shtml>

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Authorized Permits for New Construction - 2014 to 2018

<u>Authorized Permits and Construction Value</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Housing Units: New Construction	332	299	437	345	305
Office: Authorized Square Feet	112,301	239,108	232,600	472,240	381,567
Retail: Authorized Square Feet	254,294	177,368	13,455	6,863	39,614
Other Non-Residential Uses: Authorized Square Feet	2,297,335	514,681	1,355,001	941,364	1,262,016
Estimated Cost of Construction Authorized by Building Permits	\$351,061,314	\$419,113,340	\$449,486,746	\$549,167,993	475,530,410

Source: NJ Department of Community Affairs, Building Permits Yearly Data: 2018, 2017, 2016, 2015 and 2014.
http://www.state.nj.us/dca/divisions/codes/reporter/building_permits.html#2

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Economic Outlook

According to the New Jersey Department of Labor and Workforce Development, Passaic County's 2015 annual average labor force totaled 249,700 with an unemployment rate of 6.9% and as of August 2016 the labor force rose to 249,900 with an unemployment rate of 6.8 %, significantly lower than the 2013 unemployment number at 9.9%. The economy is highly diversified with no particular industry or sector accounting for a large percentage of the employment in the County.

Major areas of employment in 2015 included: retail trade (18%); healthcare and social assistance (18%); manufacturing (13%); wholesale trade (6%); construction (5.5%); administrative and waste services (7.5%); accommodation and food services (7.4%); professional and technical services (5%); other services, excluding public administration (5%); and finance and insurance (3%).

New York financial technology company SmartAsset evaluated the Gross Domestic Product (GDP) of New Jersey counties by measuring the change in the local GDP over a four year period. Passaic County ranked number nine compared to all 21 counties in the state by experiencing strong growth and investment

The study captured the places around the country that are receiving the most incoming investments in business, real estate, government and the local economy as a whole. SmartAsset looked at four factors: business establishment growth, GDP growth, new building permits and municipal bond investment. Every county in the study was scored on these four factors, weighting each factor equally. Passaic County received a high ranking due to its business growth, \$813 million in business investment, number of building permits and municipal bond activity.

According to the NJ Department of Labor and Workforce Development, Key Industries in Passaic County, NJ, published February 2016, between 2012 to 2022, employment in Passaic County is projected to rise by 13,150 or 7.4 percent, compared to the state's rate of 7.5 percent. Healthcare and Social Services is expected to add the most jobs (+4,500) and grow at a rate of 18.1 percent between 2012 and 2022. Professional, Scientific and Technical Services are projected to grow by 1,100 jobs or 15.1% between 2012 and 2022.

For decades, financial companies have been migrating from New York City's Lower Manhattan historic financial district to new areas such as New Jersey which remains the largest data center market in the country, according to Sean Brady, Senior Director, Cushman & Wakefield. Many of these data centers have located in Passaic County. This pattern continues with the data center built for Credit Suisse at the 284,000 square foot Hudson Communication Center located in Clifton, and the 126,000 square foot Russo Development Data Center in Totowa, NJ. In addition, Digital Totowa has broken ground on a 457,117 square foot data center along Union Boulevard, Totowa, NJ. In addition, Mountain Development Corporation has completed their Financial Data Center at 2 Peekay Drive, Clifton, NJ to house Telx Group, Inc. This 215,000 square foot, 3 story data center is a flagship site for Telx, providing cloud computing services, high-speed connections to financial exchanges and space for back-up data storage. Telx has subsequently purchased this site from Mountain Development Corporation.

The educational and health services industry, continues to be robust and able to withstand economic shifts, and will continue to see gains in the coming year. Star Academy, Clifton plans to debut a new hospitality/food service curriculum. The area's demand for services by the aging baby boom population cohort continues to grow necessitating home health care services. Social assistance jobs may also grow due to increased need for child care facilities.

In commercial construction, Passaic County has demonstrated a particular strength in generating new construction permits. Permits for the new construction of housing totaled 437 units in 2016. New construction permits for office space totaled 232,600 square feet and retail permits totaled 13,455 square feet in 2016. The estimated Cost of Construction authorized by building permits totaled \$449,486,746 in 2016, up by 7.25%.

Grow New Jersey Assistance Program

On September 18, 2013, the State established the Grow New Jersey Assistance Program (GrowNJ) which provides corporate business tax credits as financial incentives for the relocation and expansion of companies in the State. For each year of incentives (up to maximum of 10 years), the business must commit to maintaining the project with the minimum number of full-time job positions for 1.5 times the length of the incentive award period. The Passaic County cities of Paterson and Passaic have been designated as Garden State Growth Zones which greatly increases benefits under GrowNJ. In addition, the City of Clifton is also designated as a special location, receiving enhanced benefits.

As a result of GrowNJ, the following companies have invested in Passaic County. **Better Team USA** has located their 16,500 square foot manufacturing plant in Clifton, NJ from Hong Kong, due to the receipt of a \$11,250,000 incentive grant, the company invested \$2,230,000 and created 150 new jobs. **Jimmy's Cookies** relocated their 87,280 square foot manufacturing facility to Clifton, NJ after the receipt of a \$7,537,500 GrowNJ incentive grant, creating 79 jobs and retaining 43. **Metropolitan Foods aka Driscoll Foods**, received a \$18,487,500 GrowNJ incentive and will invest \$67,600,000 as the company expands into a 562,000 square foot facility in Wayne, NJ, creating 139 jobs and retaining 215 employees. **Accurate Box Company** received a \$39,875,000 GrowNJ incentive award to fuel their expansion in Paterson, NJ renovating and expanding their 365,000 square foot manufacturing plant as they plan to invest \$19,807,551 in new construction and the creation of 51 new jobs and the retention of 229 employees. **Sandy Alexander**, Clifton, NJ received a \$12,740,000 incentive due to their planned investment of \$2,800,000 and the creation of 74 jobs and retention of 216 in their 134,000 square foot facility. **Patella Woodworking** received a \$10,325,000 GrowNJ incentive for their investment of \$5,856,884 in their new facility in the City of Passaic, relocating from Orangeburg, NY, fueling the creation of 70 new jobs in their 79,784 square foot facility. In addition, **MGP Manufacturing** in Paterson received an award of \$3,797,500 as they invested \$295,000 in their 12,400 square foot facility creating 31 new jobs. **Seton Hall – Hackensack School of Medicine** received a GrowNJ incentive of \$16,937,500, for their new facility located along Route 3 East in Clifton, NJ. This new medical school will employ over 271, and will invest a total capital investment of \$55,158,000 in their 238,576 square feet facility. In addition, **Coronet, Inc.** will expand in Paterson, NJ into a 67,484 square foot facility and received an incentive of \$17,760,000 and plans to invest \$5,982,644 in the new facility, employing 148.

In addition, Maquet Cardiovascular LLC, a global leader in manufacturing medical devices, added new employees at its United States headquarters in Wayne (Passaic County). The Maquet Company relocated manufacturing facilities from Puerto Rico and brought 350 jobs to augment its existing New Jersey workforce of 1,100. The company has invested approximately \$40 million for the construction of state-of-the-art manufacturing, education and training facilities. Kontos Foods in Paterson, NJ has purchased a new 41,000 square foot facility and is manufacturing crepes, employing an additional 40.

UPS relocated their data processing center comprised of 650 employees from Morris County to Wayne, NJ and is considering another expansion of its Paramus data center into a Rifle Camp Road office building in Woodland Park, bringing 1,000 jobs to Passaic County.

Area employment in retail trade will post gains in the coming months. One positive development is the completely leased 160,000 square feet Promenade Shops with exclusive retail space and over 17 major retailers from Chico's to La Fitness and Coldwater Creek and Joseph A. Bank and Stew Leonard's Wines. In addition, a new 28,000 square foot retail site has been completed along Route 3 in Clifton, Clifton Towne Center, which is occupied by Trader Joe's and Ulta Cosmetics retailers. Plaza 46 West also added 20,000 square feet of new retail space along the corridor. Another positive sign for the industry is that more than 85 percent of the space is leased in the Paterson Center City Mall. Current tenants include The Children's Place, Marshall's, Shoe Factory, AT&T, Sprint, T-Mobile and The New Fabian Theater. When the remaining space is fully leased and occupied, it is estimated that 600 new jobs will be added at this location. In addition, the Willowbrook Mall, the Wayne retail Power Center has increased their retail capacity by approximately 250,000 square feet for new restaurants and retailers.

A number of major commercial and industrial projects have broken ground, completed construction or have been initiated throughout Passaic County. Examples of these projects include, but are not limited to:

- Within Bloomingdale, Avalon Bay constructed a 174 unit residential expansion. In addition, companies have continued to reinvest along Main Street with the opening of River of Beer, a new tavern/restaurant and Kings Corner, a convenience store and restaurant for local residents.
- Within the City of Clifton, Prism Development has purchased the former 116-acre Hoffmann La Roche site at which it will construct a new medical center and a residential/commercial development along Route 3 East. In addition, the Main Mews, a 4- story mixed-use commercial and residential development located at 998 Main Avenue, Clifton will be constructed with 3,388 square feet of retail space.
- The City of Paterson, home of the Great Falls, is the home of a successful \$200 million downtown development project Center City Mall. The Center City Partners has built a 320,000 square foot building including retail, office and parking uses, with the potential to expand development to 600,000 square feet. Lowe's has constructed a 136,000 square foot building in Paterson along Route 20 and a Pep Boys and Micro Computer Store also occupy an additional 50,000 square feet in the complex. A Home Depot opened a 117,953 square foot site located along Route 20 in Paterson between 4th and 5th Avenues.

- In addition, MGP Manufacturing in Paterson moved its new company into Paterson investing \$295,000 in their 12,400 square foot facility creating 31 new jobs. Accurate Box Company just completed phase I of their extensive renovation and expansion of their 365,000 square foot manufacturing plant as they plan to invest \$19,807,551 in new construction and the creation of 51 new jobs and the retention of 229 employees.
- Riverside Village has completed its new construction along Route 20 in Paterson, tenants include a McDonald's, Spanish restaurant and bank. Additional projects in Paterson include: Kessler Properties has substantially renovated a 88,375 square foot property located at 431-455 Madison Avenue and has leased space to 6 new companies; and AM Realty Associates has completed construction on a 24,633 square foot retail strip mall on Chamberlain Avenue for a Valley National Bank and a Rite-Aid Drug Store.
- St. Joseph's Hospital Regional Medical Center in Paterson has completed the \$250 million expansion of their new 173,798 square foot Critical Care Facility and building renovations and has proceeded to begin construction of a new medical arts building, hotel and 1,122 car parking deck. A retail complex has been constructed totaling 20,000 square feet for a pharmacy and related retail stores.
- Medical Missions for Children, headquartered at St. Joseph's Regional Medical Center, and The Hampshire Group, based in Morristown, received a \$105 million Urban Transit Hub Tax Credit from the NJ Economic Development Authority.
- A tower will be built on the corner of Main and Levine Streets to house the New York Medical College Regional Branch Campus at St. Joseph's and physicians' office building. The seven-story, 105,000-square-foot building will provide space for expansion of the instructional programs for the medical school as well as the allied health professions programs of Touro College and University. In addition, the physician practices will have ideal proximity to St. Joseph's Regional Medical Center and St. Joseph's Children's Hospital.
- The expansion of the hospital has encouraged many other developments in the area including a 46,928 square foot retail/apartment complex at Buffalo and Main Avenues; a 54,977 square foot office building on Main Street by Straight Street Properties; a 15,703 square foot Walgreen's Pharmacy opened on Main Street; and a 20,913 square foot medical arts building will be developed by Abby 2012, LLC.
- Two retail facilities have also opened in Paterson by Paramount Assets on Straight Street (12,800 square feet) and on East 18th Street (13,468 square feet).
- The former Barnert Hospital has been redeveloped into a 200,000 square foot medical arts facility on Broadway in Paterson, with several of the medical offices purchasing their space as condominiums.
- Additional construction projects in Wayne include, but are not limited to: Driscoll Foods who purchased the former Bayer Pharmaceutical property and will be completing a 562,000 square foot warehouse distribution center and create/retain approximately 350 jobs; the former Drake's Bakery property has been purchased and redeveloped as a warehouse distribution facility; Bimbo Bakeries have constructed a 55,456 square foot warehouse/distribution facility along Riverview Drive, Hajjar Medical Office Building constructed a 30,975 square foot medical arts building along Hamburg Turnpike; Quick Chek constructed a 13,186 square foot convenience store along Hamburg Turnpike, Walgreens will construct a 12,500 square foot pharmacy along Paterson Hamburg Turnpike, BD Investment Properties constructed a 24,053 square foot office building; the First Jersey Credit Union completed their new 18,644 square foot corporate headquarters building; and 68 Colfax Associates constructed a 30,949 square foot office and warehouse/distribution center in Wayne. The Atrium at Wayne has completed a 28,500 square foot addition on Alps Road. The Hilton Garden Inn has constructed a new 92,477 square foot hotel on Valley Road, Wayne, NJ. In addition, a recent approval will permit the construction of a 150 bed assisted living facility in a 251,552 square foot building in Wayne. Additional projects include the construction by Millbrook Development of a 14,318 square foot development located at 20 Mansard Court, Wayne and an expansion of the warehouse located at 75 Demarest Drive, Wayne adding 154,682 square feet of distribution space.
- Projects in Hawthorne include the completion of the environmental remediation of a 10-acre tract located along Wagaraw Road. Proposals for residential and retail development are now being considered. In addition, Kohler Distribution has expanded its facility by 49,000 square feet.

- In Haledon, Patriot Pickle has expanded into 15,000 square feet of warehouse and distribution space.
- Development has continued in Little Falls with John Soldovari constructing a 30,000 square foot office building; and Direct Depot has completed construction on a 25,000 square foot New Jersey Kitchen and Bath Design Center. Within the Township of Little Falls a new three-story mixed use commercial and retail facility will be constructed at 36 Main Street, Little Falls, NJ.
- In West Milford, the 649,044 square foot Shoprite Shopping Center added a new major retailer TJ MAXX.
- Within Woodland Park, Berkeley College expanded by 19,250 square feet; and 1225 McBride Avenue associates has restructured their 153,182 medical arts facility.
- Expansion projects in Totowa include: ADT Security Services, Inc. who have relocated to a 46,300 square foot office and warehouse space in the Totowa Business Center located along Riverview Drive. Kari-Out, a packaging manufacturing facility, has expanded its manufacturing facility by an additional 49,580 square feet, the third time this company has expanded at its Totowa location.
- The City of Passaic is also experiencing significant development interest through the activities of their Redevelopment Agency. The City of Passaic Redevelopment Agency has designated 4 redevelopment areas for a total of 125 acres and 2 scattered sites including 585 Main Avenue and 663 Main Avenue. Passaic County Community College has opened its 43,640 square foot nursing school in the City of Passaic. In addition, 585 Main LLC has completed construction on a 43,500 square foot residential and retail development. Patella Woodworking has relocated from Orangeburg, NY into a 79,784 square facility and will create approximately 70 new jobs. In addition, a new 3- story mixed-use commercial and residential development will be constructed at 883 Main Avenue, Passaic with 2,560 square feet of retail space.
- West Milford, Twins Realty Group has increased its concrete manufacturing company by 46,433 square feet, manufacturing concrete for bridges and roads.

The cities of **Paterson and Passaic** are designated as Urban Enterprise Zones (UEZ) by the State of New Jersey, providing significant financial incentives to companies locating or expanding in those cities. Incentives include:

Employee Tax Credits: A one-time tax credit of \$1,500 per new employee to qualifying firms subject to the Corporation Business Tax.

Sales and Use Tax: Exemptions from State sales taxes on the purchase of taxable tangible personal property and taxable services; on the sale of materials, supplies or services to a contractor, sub-contractor or repair person erecting buildings on or making improvements to the real property of a qualified business.

Reduced Sales Taxes: Retail sales of tangible personal property within the zone are reduced by up to 50% of the current rate, effectively reducing the sales tax rate to 3% in Paterson and Passaic.

Unemployment Insurance Awards: Based on the amount of unemployment insurance paid by a firm within the zone for new employees. Awards can range from 50% of an employers' unemployment insurance payment for the first four years to 10% in Year 20.

Energy Sales Tax Exemptions for Manufacturers: Sales and Use Tax Exemptions on the final sale of electricity and natural gas and their transport sales tax exemption for retail energy purchases are available for manufacturers located in an Urban Enterprise Zone. Manufacturers must have 500 or more employees, half of which must be directly employed in the manufacturing process or be a vertically integrated combination of businesses manufacturing a single product, that employ at least 500 people. Manufacturers must have a UEZ certificate.

GOVERNMENTAL SERVICES

Road and Transportation

The following major highways serve the County:

Garden State Parkway
Federal Interstate Route No. 80
Federal Interstate Route No. 287
New Jersey Highway Route No. 208
New Jersey Highway Route No. 19

U.S. Route 46
New Jersey Highway Route No. 21
New Jersey Highway Route No. 23
New Jersey Highway Route No. 3
New Jersey Highway Route No. 20

Within minutes of the County border are the New Jersey Turnpike, New York State Thruway and New Jersey Highway Routes No. 17 and 4.

There are approximately 236 miles of County roads crisscrossing the County.

Construction work to close a 2.1-mile gap on Route 21 was completed in 2000 linking the cities of Paterson and Passaic. This final segment provided a nine-mile freeway linking I-80 with I-280 and I-78 in Newark, and improving access to the regional highway network in lower Passaic County.

A recently completed improvement to the I-80/Route 23/Route 46 interchange has expanded capacity for the heavy traffic movement between Route 46 westbound and Route 23 northbound, greatly alleviating this chronic congestion spot. This improvement also vastly improves accessibility to a more redevelopment area immediately to the north.

The recently completed West Beltway provides a new alternate roadway link between Riverview Drive and Route 23, allowing motorists the ability to bypass the Route 46/Riverview Drive Interchange.

Projects currently being designed include improvements to the roadways, ramps & bridge decks, as well as modernization of signs and lighting at the interchange of I-80, Route 23 and Route 46; and improvements to the Route 46 interchanges at Browertown Road, Union Boulevard and Van Houten Avenue.

The Secaucus Rail Transfer Station was recently completed, providing direct accessibility to and from Passaic County and the five existing Main Line stations, permitting commuters on North Jersey rail lines to easily transfer to trains traveling directly to midtown Manhattan, New York and other destinations. In addition, the Paterson Rail Station and the Montclair Rail Connection Project were completed, linking the Boonton Line with the Morris and Essex Lines Montclair Branch, and extending electrification on this reconfigured line to the Great Notch Station in Little Falls. These improvements have vastly improved service to New York and provide a new connection to Newark.

Major improvements currently under construction include the Route 3/Route 46 interchange. Other proposals include establishing a public/private partnership to create a Bergen-Passaic Cross County Light Rail transit Service and restoring commuter service on the NYS&W Railroad Line north of Hawthorne.

Freight service is provided by the Norfolk Southern Railroad, and the New York Susquehanna and Western Railroad on the Boonton and Main lines. Rail passenger service is provided by New Jersey Transit.

All the major airports, Newark International, Kennedy, LaGuardia, and Teterboro as well as New York and New Jersey ports are highly accessible to Passaic County.

THE PASSAIC COUNTY UTILITIES AUTHORITY

General

The Passaic County Utilities Authority (the "Authority") is a public body corporate and politic constituting a political subdivision of the State established as an instrumentality exercising public and essential governmental functions to provide for the public health and welfare of the citizens of the County. The County created the Authority pursuant to the Municipal and County Utilities Authority Law (N.J.S.A. 40:14B-1 et seq.; the "Act") as a county utilities authority via resolution of the Board of Chosen Freeholders of the County adopted on March 18, 1987.

The Authority has perpetual succession and has the requisite power to acquire, construct, maintain and operate facilities for the collection, treatment, recycling and disposal of solid waste in an environmentally sound manner. The Authority has, among others, the following powers under the Act: to sue and be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and the rights of holders thereof under a resolution; to charge and collect service charges for the use of its facilities and to revise such service charges when necessary or desirable, such that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses including reserves, insurance, extensions and replacements; to pay punctually the principal or accreted amounts of and interest on any bonds and maintain reserves and sinking funds therefor as may be required by the terms of any contracts with bondholders; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority is governed by a nine-member board, each of whom is appointed by the Board of Chosen Freeholders of the County. Successor members each shall serve a term of five years. The Authority selects officers annually. Upon the expiration of a member's term, such member continues his service until a successor has been appointed and qualified. The names of the members of the Authority, and their respective terms of office, are as follows:

<u>Member and Office</u>	<u>Membership Term</u> <u>Expires</u>	<u>Officer Term</u> <u>Expires</u>
Gary Marchese - Chairman	2/01/19	2/01/20
Michael Hanrahan, Vice Chairman	2/01/15*	2/01/20
Catherine Kazan, Secretary/Treasurer	2/01/18*	2/01/20
Teofilo Javier	2/01/17*	
Clark Okun	2/01/15*	
Haresh Shah	2/01/19	
Mohammad Qudah - Alternate	2/01/16*	

*Serving until a successor is appointed.

The Authority maintains offices at 401 Grand Street, Room 123, Paterson, New Jersey 07505.

Debt of the Authority

As of December 31, 2018, the Authority had issued and outstanding the principal amount of \$48,950,000 of solid waste indebtedness that has been issued from time to time for the purpose of financing the costs relating to its Solid Waste System. The May 1, 1997 opinion and order of the Third Circuit Court of Appeals in Atlantic Coast Demolition and Recycling Co., Inc. v. Board of Chosen Freeholders of Atlantic County, 112 F. 3rd 652 (1997), ultimately resulted in the demise of the County system of regulatory waste flow controls. The Authority subsequently ceased to operate the solid waste system. As a result, all constituent municipalities within the County have independently procured solid waste collection and disposal services.

Solid Waste Indebtedness Currently Secured by the County Landfill Agreement

The Authority has outstanding debt at December 31, 2018 of the below listed series of bonds that are secured by the County Landfill Agreement (the "Secured Bonds").

- \$33,015,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012 (the "2012 Refunding Bonds") outstanding in the amount of \$27,000,000 consisting of \$13,850,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012A and \$13,150,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012B (Federally Taxable).

- \$14,930,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2018 outstanding in the amount of \$14,930,000.

- \$8,270,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2014B - Taxable outstanding in the amount of \$7,020,000.

Local Authorities Fiscal Control Law

The Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.) became effective on November 24, 1983. This law provides for "State review of project financings of local authorities and for State supervision over the financial operations of local authorities".

The Local Finance Board prescribes the procedures for adoption and execution of annual budgets by local authorities, and Local Finance Board approval must be obtained prior to a budget's adoption. Such budget shall also comply with the terms and provisions of any bond resolutions. On granting approval of a budget, the reasonableness and accuracy of revenue estimates shall be considered. Such revenue must be sufficient to meet all expenses, including debt service. An annual audit of each local authority shall be made and completed within four months of the close of a fiscal year by a registered municipal accountant or certified public accountant licensed in the State.

Each local authority financing program must be submitted to the Local Finance Board for a hearing and review prior to implementation. Such review generally focuses on the nature, purpose and scope of the financing, engineering or feasibility studies, terms and provisions of service contracts, bond resolutions and proposed terms and conditions of negotiated sales, and proposed or maximum debt service and operational funding requirements. Bond anticipation notes or project notes may be issued and renewed by local authorities pursuant to the provisions of the Local Authorities Fiscal Control Law.

A local authority may not be created unless the Local Finance Board so approves and a local authority may not be dissolved without providing for payment of all outstanding obligations and without approval by the Local Finance Board.

County Landfill Agreement

The County and the Authority have entered into an agreement dated as of September 1, 1987 entitled the "1987 County Landfill Agreement", as amended and restated as of May 1, 1996 (the "1996 Amended and Restated County Landfill Agreement"), as further amended as of June 1, 1999 (the "1999 County Landfill Agreement Amendment") and as further amended as of February 15, 2004 (the "2004 County Landfill Agreement Amendment" and collectively referred to as the "County Landfill Agreement"). Pursuant to the County Landfill Agreement, the County has agreed to pay to the Authority, within the Agreement Cap (as hereinafter defined), such sums of money as may be required to provide for monetary deficits of the Authority relating to: (a) the debt service on the Authority's bonds, (b) maintaining reserve requirements under the Landfill Bond Resolution, and (c) paying the Authority's administrative expenses pertaining to the Project (as defined in the County Landfill Agreement).

The County and the Authority have determined that the County Landfill Agreement is in the best interest of the County taxpayers, residents and ratepayers to assure the payment of debt service on the Secured Bonds (as defined in the County Landfill Agreement).

The following is a summary of certain provisions of the County Landfill Agreement that relate to the Secured Bonds and is not a complete restatement of the County Landfill Agreement as it currently exists. Such information is qualified in its entirety by reference to the County Landfill Agreement, as amended, copies of which are on file with the Authority and the Trustee and which should be read in full for a complete understanding of all terms and provisions thereof.

County Financial Assistance

The County entered into the County Landfill Agreement in order to provide financial assistance to the Authority. Such assistance will be rendered upon the Authority's inability to pay debt service on the Secured Bonds, in amounts designed to assure the Authority will have sufficient moneys to, among other things, meet its obligations to pay the principal of and interest on the Secured Bonds.

2004 Amendment to the County Landfill Agreement

Pursuant to the 1996 Amended and Restated County Landfill Agreement, the initial maximum aggregate principal amount of Secured Bonds may not exceed \$61,000,000 (the "Initial Agreement Cap"). In connection with the issuance of the Tax-Exempt 2004A Bonds and the Taxable 2004B Bonds, the County adopted a resolution on February 10, 2004, entitled, "Resolution of the County of Passaic Authorizing the 2004 Amendment to the 1987 Amended and Restated County Landfill Agreement By and Between the County of Passaic, New Jersey and the Passaic County Utilities Authority" authorizing the "2004 Amendment to the Amended and Restated 1987 County Landfill Agreement Between the County of Passaic and the Passaic County Utilities Authority" (the "2004 Amendment"), in order to ensure said bonds would be Secured Bonds pursuant to the requirements of the County Landfill Agreement. The 2004 Amendment, in part, increased the Initial Agreement Cap to \$69,500,000 (the "2004 Agreement Cap"). Under the 2004 Agreement Cap, the Secured Bonds are fully secured by the County Landfill Agreement.

Method of Payment

The County Landfill Agreement provides that if the Authority has insufficient funds to meet its financial obligations during the next year, the Authority will make and deliver to the County a certificate (the "Certificate") stating: (a) the Authority will be unable to provide for the payments due of principal and interest on the Secured Bonds; and (b) the amount of the Authority's expected shortfall (the "Annual Charges"). The Certificate must be delivered by the Authority or the Trustee to the County on or before December 15 of each fiscal year. The County shall pay the amount of annual charges set forth in such Certificate on or before the subsequent February 15.

The County will make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the County to the Authority of the amount stated in the Certificate delivered by the Authority as described above.

Breach of County Landfill Agreement by Authority Not to Affect County Payments Thereunder

The County Landfill Agreement provides that failure on the part of the Authority in any instance or under any circumstance to observe or fully perform any obligation assumed by or imposed on it by the County Landfill Agreement or by law, shall not relieve the County from making any payment or fully performing any other obligation required of it under the County Landfill Agreement, nor make the Authority liable in damages to the County, but the County may have and pursue any and all other remedies provided by law for compelling performance by the Authority of said obligation assumed by or imposed upon the Authority.

No Delegation

The County may not delegate its duties under the County Landfill Agreement.

Enforcement of County's Obligation to Pay Annual Charges

Every obligation assumed by or imposed upon the County by the County Landfill Agreement shall be enforceable by the Authority by appropriate action or proceeding, and the Authority may have and pursue any and all remedies provided by law for the enforcement of such obligation, including the remedies and processes provided by the Act.

County's Unconditional and Unqualified Obligation to Pay Annual Charges

Pursuant to the County Landfill Agreement, the County's obligation to pay the deficiency in the debt service on the Secured Bonds as and when due to the Authority is an unconditional and unqualified obligation of the County, independent of any other obligation of the County.

Property Tax Act

The legislature of the State of New Jersey has enacted P.L. 2010, c.44, effective July 13, 2010 (the "Property Tax Levy Cap"), which imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection districts, with certain exceptions and subject to a number of adjustments. One of the exceptions to the Property Tax Levy Cap's 2% limitation is the

"increases required to be raised for capital expenditures, including debt service." There is no specific reference within the enumerated exceptions to payments made by a municipality or county pursuant to a service agreement with an authority used to pay debt service on authority obligations secured by such service agreement. Consequently, there is no specific exception from the 2% cap for Annual Charges payable by a local unit under the service contracts pursuant to the Property Tax Levy Cap.

However, the LFB issued Local Finance Notice 2011-36, dated December 12, 2011, which provides that amounts, if any, required to be paid by the County to the Authority pursuant to service contracts, such as the County Landfill Agreement, and necessary for the Authority to meet its debt service obligations in a timely fashion will be treated as an automatic exclusion from the 2% cap under the Property Tax Levy Cap. Consequently, the Annual Charges payable by the County under the County Landfill Agreement for debt service on the Secured Bonds, will be considered exempt from the limitations of the 2% cap imposed by the Property Tax Levy Cap.

Additional Bonds or Project Notes

The Landfill Resolution does authorize the issuance of Additional Bonds entitled to the security of the Landfill Resolution which would rank equally as to security and payment with the Secured Bonds, for the purposes and upon satisfaction of the conditions precedent to the issuance of such bonds as set forth in the Landfill Resolution.

The Authority currently does not intend to issue additional bonds or additional project notes under the Landfill Resolution.

PASSAIC COUNTY IMPROVEMENT AUTHORITY

The Passaic County Improvement Authority (PCIA) was formed in December 2002 by virtue of an approval from the Local Finance Board. The Authority is made up of five Commissioners with staggered terms of up to three years. Fourteen projects have been financed by the PCIA. The first was a co-venture with the Paterson Parking Authority which the PCIA issued \$18,370,000 of its revenue bonds (of which \$8,000,000 was the County's Chapter 12 Bonds) to construct a parking garage in the City of Paterson secured by a lease agreement with the Paterson Parking Authority and by revenue to be generated by the new parking facility, which closed on June 1, 2005. The second project was the construction of an addition to Preakness Healthcare Facility, to renovate the existing facility and the PCIA issued \$65,000,000 of Healthcare Facility Lease Revenue Bonds secured by a general obligation lease with the County of Passaic. These financings closed in May and June, 2005, respectively. A third project was to acquire a building for the Passaic County Prosecutor. The PCIA issued \$6,000,000 of revenue bonds on December 9, 2005. A fourth project was a supplemental issue of \$22,960,000 to construct an addition to the Preakness Healthcare Facility, which closed on July 28, 2006. A fifth project was to make loans to the Boroughs of Haledon and Ringwood to refinance certain of the outstanding bond anticipation notes of each Borough and the PCIA issued \$8,587,000 of County Guaranteed Governmental Loan Revenue Bonds in January 2009 to effectuate same. A sixth project was to make a loan to 200 Hospital Plaza Corporation for the construction of a mixed-use parking/retail structure adjacent to the St. Joseph's Regional Medical Center in Paterson and the PCIA issued \$29,620,000 County Guaranteed Parking Revenue Bonds (200 Hospital Plaza Corporation Project), Series 2010 on October 22, 2010 to effectuate same. A seventh project was a refunding of the 2005 Preakness Healthcare Facility Lease Revenue Bonds where the Authority issued \$57,425,000 Lease Revenue Refunding Bonds, Series 2012 to advance refund all bonds maturing after May 1, 2015, which closed on August 29, 2012. An eighth project was a refunding of the (a) 2005 Prosecutor's Office Building Improvements Project Lease Revenue Bonds where the Authority issued \$3,510,000 Lease Revenue Refunding Bonds, Series 2015 to advance refund all bonds maturing on and after December 15, 2016 and the (b) 2006 Preakness Healthcare Center Expansion Project Lease Revenue Bonds where the Authority issued \$19,550,000 Lease Revenue Refunding Bonds, Series 2015 to advance refund all bonds maturing on and after May 1, 2017, which closed on June 16, 2015. A ninth project was to make a loan to the City of Paterson for the refunding of certain short term notes and the PCIA issued \$24,785,000 County Guaranteed Governmental Loan Revenue Bonds, Series 2015 on December 2, 2015. A tenth project was to make a loan to the City of Paterson for the issuance of short term notes and the PCIA issued \$14,340,000 Governmental Loan Revenue Bond Anticipation Notes, Series 2016 on June 29, 2016. An eleventh project was to make a loan to the City of Paterson for the issuance of short term notes and the PCIA issued \$9,058,340 Governmental Loan Revenue Bond Anticipation Notes, Series 2017 on February 16, 2017. A twelfth project was to make a loan to the City of Paterson for the refunding of certain short term notes and the financing of capital projects and workers' compensation and litigation settlements and the PCIA issued \$33,835,000 Governmental Loan Revenue Bonds, Series 2017 on June 20, 2017. A thirteenth project was to refund the County Guaranteed Parking Revenue Bonds (200 Hospital Plaza Corporation Project), Series 2010 through the issuance by the PCIA of \$24,650,000 of County Guaranteed Parking Revenue Refunding Bonds (200 Hospital Plaza Corporation Project), Series 2017 on December 29, 2017. A fourteenth project was the construction of a new County DPW Building and the PCIA issued \$14,530,000 of County General Obligation Lease Revenue Bonds (DPW Building Project), Series 2018 on July 18, 2018 secured by a general obligation lease with the County of Passaic. A fifteenth project was to make a loan to the City of Paterson for the issuance of short term notes and the PCIA issued \$15,605,000 Governmental Loan Revenue Bond Anticipation Notes, Series 2018 (Passaic County Guaranteed) (City of Paterson Project) on September 27, 2018.

COUNTY AND OVERLAPPING INDEBTEDNESS

Overlapping Government Units

In addition to the various municipalities and school districts within the County, the following exist within the County to provide certain governmental services: Butler-Bloomingdale Sewer Department, City of Passaic Municipal Utilities Authority, City of Paterson Municipal Utilities Authority, City of Paterson Parking Authority, Pompton Lakes Municipal Utilities Authority, Borough of Ringwood Sewerage Authority, Wanaque Municipal Utilities Authority, West Milford Municipal Utilities Authority, North Jersey District Water Supply Commission, Passaic Valley Sewerage Commission, Passaic Valley Water Commission, Passaic County Improvement Authority and the Passaic County Utilities Authority. No actual or contingent liability exists on the part of the County for the debt of these entities except as is expressly set forth herein or with respect to the Passaic County Utilities Authority. In addition, the County has guaranteed debt issued by the Passaic County Improvement Authority for other entities in the amount of \$119,419,394 as of December 31, 2018. This amount is includable in gross debt and excludable in calculating net debt.

Purposes of County Debt

The following table breaks down by purpose all direct general obligation bond and loan indebtedness of the County, for the payment of the principal and interest on which the County has pledged its full faith and credit as of December 31, 2018.

Schedule of Bond, Notes and Loan Indebtedness as of December 31, 2018

Notes	\$90,725,000
Loans	143,559
General County Purposes	172,576,000
Community College	30,916,000
Vocational and Special Needs School	<u>47,759,000</u>
Gross Bond and Loan Debt	<u>\$342,119,559</u>

Debt Incurring Capacity as of December 31, 2018

Equalized Valuation Basis (last 3 years average)	\$48,253,133,268
2% Borrowing Margin (1)	965,062,665
Net Debt Issued, Outstanding and Authorized	<u>340,314,345</u>
Remaining Borrowing Capacity	<u>\$624,748,320</u>

(1) Limited by Local Bond Law, N.J.S.A. 40A:2-1 et seq. to 2% of average equalized valuation.

Debt History

The following table shows certain ratios relating to the County's gross and net direct general obligation indebtedness.

History of Bonded Debt Ratios As of December 31,

<u>Year</u>	<u>Average Equalized Valuation(1)</u>	<u>Gross Debt (Issued and Authorized But Not Issued)</u>	<u>Gross Debt Per Capita(2)</u>	<u>Percentage of Gross Debt to Equalized Valuation</u>	<u>Net Debt</u>	<u>Net Debt Per Capita(2)</u>	<u>Percentage of Net Debt to Equalized Valuation</u>
2018	\$48,253,133,268	\$378,935,938	\$756.18	.79%	\$340,314,345	\$678.96	.71%
2017	46,998,163,852	380,976,832	760.08	.81	356,654,874	711.56	.76
2016	46,381,905,730	393,489,975	785.05	.85	361,427,569	721.08	.78
2015	46,259,325,806	384,601,557	767.32	.83	345,384,061	689.08	.75
2014	46,620,974,629	412,850,980	823.68	.89	383,548,769	765.22	.82

Source: Annual Debt Statements filed with the Division of Local Government Services, New Jersey Department of Community Affairs.

(1) Represents average equalized valuation for the three fiscal years ending in the corresponding year set forth in this table.

(2) Based upon 2010 population of 501,226.

The following table shows the principal of all direct general obligation bond indebtedness and bond anticipation note indebtedness of the County for the last five fiscal years.

**County of Passaic
Schedule of Comparative Net Debt
as of December 31**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bonds and Notes Issued and Outstanding:					
Bonds	\$251,251,000	\$252,479,000	\$234,825,000	\$231,964,000	\$254,396,000
Notes	90,725,000	78,775,000	108,950,000	80,930,000	64,488,000
Loans	<u>143,559</u>	<u>189,538</u>	<u>234,612</u>	<u>278,798</u>	<u>322,113</u>
Total Issued	342,119,559	331,443,538	344,009,612	313,172,798	319,206,113
Bonds and Notes Authorized But Not Issued	<u>36,816,379</u>	<u>49,533,294</u>	<u>49,480,363</u>	<u>71,428,759</u>	<u>93,644,867</u>
	378,935,938	380,976,832	393,489,975	384,601,557	412,850,980
Less: Statutory Deductions	<u>38,621,593</u>	<u>24,321,958</u>	<u>32,062,406</u>	<u>39,217,496</u>	<u>29,302,211</u>
Total Issued and Authorized But Not Issued	<u>\$340,314,345</u>	<u>\$356,654,874</u>	<u>\$361,427,569</u>	<u>\$345,384,061</u>	<u>\$383,548,769</u>

Source: Passaic County Audit Reports

**Statement of Indebtedness
As of December 31, 2018**

GROSS DEBT

Bonds, Notes and Other Loans Issued and Outstanding	
Bonds	\$251,251,000
Loans	143,559
Notes	<u>90,725,000</u>
	342,119,559
Bonds and Notes Authorized But Not Issued	<u>36,816,379</u>
TOTAL GROSS DEBT	378,935,938
Statutory Deductions(1)	<u>38,621,593</u>
TOTAL NET DEBT	<u>\$340,314,345</u>

OVERLAPPING DEBT

Passaic County Utilities Authority(2)	<u>\$48,950,000</u>
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GROSS DEBT

Per Capita (2010 Census - 501,226)	\$756.01
Percent of Average Equalized Valuation (\$48,253,133,268)	.79%

NET DEBT

Per Capita (2010 Census - 501,226)	\$678.96
Percent of Average Equalized Valuation (\$48,253,133,268)	.71%

OVERALL DEBT (GROSS AND OVERLAPPING)

Per Capita (2010 Census - 501,226)	\$853.68
Percent of Average Equalized Valuation (\$48,253,133,268)	.89%

Source: County Records

- (1) Statutory deductions are used to determine the legal borrowing capacity of the County. The County, however, is obligated under law to repay the full amount of its gross debt.
- (2) Reflects debt outstanding of the Passaic County Utilities Authority as of December 31, 2018 which is covered by a County Deficiency Agreement.

County of Passaic
Combined Principal and Interest Requirements
Outstanding Bonds and Loans of the County
As of December 31, 2018

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$37,450,643.60	\$28,699,000.00	\$8,751,643.60
2020	33,019,463.95	25,292,000.00	7,727,463.95
2021	29,660,855.00	22,903,000.00	6,757,855.00
2022	28,513,053.00	22,570,000.00	5,943,053.00
2023	26,369,542.00	21,200,000.00	5,169,542.00
2024	26,444,529.50	22,058,000.00	4,386,529.50
2025	23,191,838.30	19,581,000.00	3,610,838.30
2026	23,103,926.20	20,254,000.00	2,849,926.20
2027	18,167,724.60	15,982,000.00	2,185,724.60
2028	16,488,120.00	14,880,000.00	1,608,120.00
2029	9,617,870.00	8,385,000.00	1,232,870.00
2030	7,544,820.00	6,590,000.00	954,820.00
2031	7,408,057.50	6,680,000.00	728,057.50
2032	3,886,970.00	3,390,000.00	496,970.00
2033	3,842,395.00	3,452,000.00	390,395.00
2034	2,475,050.00	2,195,000.00	280,050.00
2035	2,599,200.00	2,385,000.00	214,200.00
2036	2,512,650.00	2,370,000.00	142,650.00
2037	<u>2,456,550.00</u>	<u>2,385,000.00</u>	<u>71,550.00</u>
	<u>\$304,753,258.65</u>	<u>\$251,251,000.00</u>	<u>\$53,502,258.65</u>

Source: Passaic County Audit Reports

Anticipated Financings Involving County Credit

The County has in the past obligated itself to pay the principal and interest on certain debt issued by certain entities of the County. See "The Passaic County Utilities Authority" and "Passaic County Improvement Authority" above.

THE COUNTY BUDGET

Status of County Budget

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.), every county in the State is required to adopt a balanced budget. See "Budget Requirements" and "Budget Process" herein. The County's budget for 2019 was adopted on March 12, 2019.

Budget Requirements

No County budget may be adopted without the approval of the Director. The Director approves the budget once he has determined that the budget meets all the requirements of the Local Budget Law (N.J.S.A. 40A:4-1 et seq.), and all regulations of the Board.

The Local Budget Law imposes various restrictions on the formulation of the County budget, the more important of which pertain to anticipation of revenues and review of adequacy of appropriations. Among other restrictions, the Local Budget Law requires that the budget be balanced and that the Director examine the Budget with reference to all estimates of revenue and the following appropriations: (a) administration, operation and maintenance of each office, department, institution or other agency of the County, (b) contingent expenses in an amount not more than 3% of the total referred to in clause (a) of this paragraph, (c) payment of interest and debt redemption charges, (d) deferred charges and statutory expenditures, (e) cash deficit of preceding year, (f) reserve for uncollected taxes and other reserves and nondisbursement items deemed advisable by the Board of Chosen Freeholders, and (g) the payment of all judgments not for capital purposes and for which bonds or notes cannot be lawfully issued. Anticipated tax revenues are limited to the same proportions as actual cash collections bore to the total levy in the previous year and a reserve amount must be factored into the budget to make up for the expected shortfall in amounts actually realized the previous year unless the Director certifies a higher figure.

A further statute limits the amount of increases in the State budget exclusive of State aid which may be appropriated to counties, municipalities and school districts. The maximum expenditure of the State cannot exceed the amount determined by multiplying the annual percentage increase in State per capita personal income by the appropriations of the State in the year prior to the current fiscal year. Adjustments are made should a transfer of functions or services occur between the State and counties or municipalities. Statewide referenda are required to authorize additional expenditures.

Anticipated non-tax revenues of the County are limited to the amount actually realized the previous year unless the Director authorizes a higher figure. Tax anticipation notes are limited in amount by law and must be paid off not later than June 30 of the succeeding fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions which focus on anticipated revenues serve to protect the solvency of the County. The County budget, by law and regulation of the Division, must be in balance and is a "cash basis" budget.

Pursuant to the Local Budget Law, miscellaneous revenues shall include such amounts as may reasonably be expected to be realized in cash during the fiscal year from known and regular sources or sources reasonably capable of anticipation and lawfully applicable to the appropriations made in the budget. The County's miscellaneous revenues generally consist of surplus, operating surplus from prior years, County purpose tax, State and Federal aid, interest on investments, user fees, license fees and permits.

Budget Process

Primary responsibility for the County's budget process lies with the Administrator. As prescribed by the Local Budget Law, adoption should occur by the end of February, however, an extension may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the County operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's modified budget. Upon adoption of an annual operating budget by the Freeholders, the Board of Taxation computes a tax rate for County purposes and apportions County Purpose Tax requirements to be paid by each municipality. The tax rate for each municipality includes County tax requirements.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the County budget and determination of the tax rate may be authorized by the Freeholders with the approval of the Director. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

Budget Transfers

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

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

A verified statement of the financial condition of the County (the "Annual Financial Statement") for the fiscal year must be filed with the Division on or before January 26, of the succeeding year. This financial statement is filed by the Chief Financial Officer of the County; it reflects the results of operations for the year of the Current Fund. If there is a cash deficit in the fund, it must be included in full in the succeeding year's budget.

While the Annual Financial Statement is not audited, the variance, if any, between the Annual Financial Statement fund balance and audited fund balance is usually immaterial.

Annual Audit

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey Statutes, regulates the nonbudgetary financial activities of the County. An annual audit of the County's books, accounts and financial transactions for the previous year must be performed by a licensed Registered Municipal Accountant or by qualified employees of the Bureau of Financial Regulations and Assistance in the State Department of Treasury. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the County's financial procedures and must be filed with the Director of the Division within six months after the close of each fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days after receipt thereof by the Clerk of the County.

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**Comparative Summary of Adopted 2019, 2018, 2017, 2016 and 2015
County of Passaic County Budgets**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:					
Surplus Anticipated	\$19,000,000	\$19,000,000	\$18,000,000	\$18,000,000	\$17,000,000
State and Federal Grant Programs	6,088,953	5,315,838	4,224,919	6,258,129	7,341,941
State Assumption of Costs of County	1,324,788	4,921,935	4,801,098	32,460,079	30,744,608
Miscellaneous Revenues	60,436,841	59,097,000	56,906,000	57,634,000	66,508,348
Interest on Investments	1,000,000	750,000	100,000	18,000	18,000
Amount to be Raised by Taxation - County Purpose Tax	<u>347,570,634</u>	<u>347,570,634</u>	<u>341,186,222</u>	<u>341,186,222</u>	<u>335,617,867</u>
	<u>\$435,421,216</u>	<u>\$436,655,407</u>	<u>\$425,218,239</u>	<u>\$455,556,430</u>	<u>\$457,230,764</u>
Appropriations:					
General Government	\$127,567,992	\$133,219,589	\$128,062,795	\$119,586,472	\$112,941,996
Regulation	31,815,334	17,147,817	17,520,941	18,666,121	17,865,131
Roads and Bridges	4,155,050	3,860,500	3,558,500	3,110,109	3,050,168
Correctional and Penal	48,083,925	61,315,655	61,029,241	58,785,111	59,597,502
Health and Welfare	69,968,097	72,861,516	72,457,404	100,398,546	98,823,412
Educational	22,504,129	22,068,840	21,794,650	21,389,973	21,154,703
Recreational	5,194,885	4,519,349	4,636,684	3,476,062	3,495,549
Unclassified	11,009,319	11,203,951	10,814,989	11,743,941	12,250,990
Other Public and Private Programs	9,073,766	8,293,151	7,202,232	9,235,442	10,337,511
Contingent	50,000	50,000	50,000	50,000	50,000
Capital Improvement Fund	2,000,000	700,000	700,000	700,000	700,000
Debt Service	53,878,159	52,800,550	51,000,000	61,169,550	62,239,550
Deferred Charges and Statutory Expenditures	<u>50,120,560</u>	<u>48,614,489</u>	<u>46,390,804</u>	<u>47,245,103</u>	<u>54,724,252</u>
	<u>\$435,421,216</u>	<u>\$436,655,407</u>	<u>\$425,218,240</u>	<u>\$455,556,430</u>	<u>\$457,230,764</u>

Capital Improvement Program

The capital budget and improvement program of the County is designed to function as a planning tool for legislators, County officials and administrators. It allows County officials to evaluate alternatives and determine priorities for projects and programs in relation to available and projected financial resources. A carefully organized program and project schedule can avoid costly improper decisions or ill-timed action in a project involving the allocation of scarce capital resources.

A capital budget is the first proposal of the financial allocation described in the six year capital improvement program. The main purpose of the capital budget is to initiate planning for ultimate authorization of capital projects for the first year of the six year plan/program. The Capital Budget (2019) and Capital Program (2019-2024) do not represent actual authorization of projects, but rather conceptual recognition of the needs of specific capital improvements.

With restrictions on current spending and new financial resources becoming limited, it is imperative that capital planning and budgeting become more responsive to public needs, both present and long range. In addition to the cost of the selection process, the impact of each project on future operating budgets must be considered. In prioritizing capital projects, a major element for recommendation of investment is the degree to which a facility will either generate revenues or significantly reduce costs.

The following schedule depicts the County Capital Plan for 2019-2024. This plan does not provide an appropriation for the purposes outlined, nor does it commit the Board of Chosen Freeholders to the project or amounts listed. The Board of Chosen Freeholders will make determinations, on a priority basis, as each program is proposed, as to the need for and method of financing.

Six Year Capital Program (2019-2024)
Anticipated Project Schedule and Funding Requirements

<u>Project</u>	<u>Total Cost</u>
Bridge Replacement and Repairs	\$6,800,000
Drainage Projects	2,500,000
Road Improvement Projects	16,400,000
General Parks/Recreation	8,625,000
Traffic Safety Program	1,900,000
Intersection Improvements	1,600,000
Road Resurfacing Program	6,860,000
Facility Improvements	11,926,395
Acquisition of Equipment	7,388,605
County College Improvements	<u>32,388,035</u>
	<u>\$96,388,035</u>

<u>Year</u>	<u>Amount</u>
2019	\$19,788,035
2020	14,700,000
2021	15,500,000
2022	17,400,000
2023	14,600,000
2024	<u>14,400,000</u>
	<u>\$96,388,035</u>

Source: 2019 Capital Budget of the County

TAX INFORMATION ON THE COUNTY

County Tax Rates

County taxes are apportioned based on equalized valuations in the County. The following table sets forth the valuations on which County taxes are apportioned.

Valuation of Real Property, Personal Property
Net Valuation Taxable and County Tax Rate Base

<u>Year</u>	<u>Assessed Valuation of Real Property</u>	<u>Assessed Valuation of Personal Property</u>	<u>Net Valuation Taxable</u>	<u>County Tax Rate Base</u>	
				<u>Valuation of Real and Personal Property</u>	<u>General Tax Rate Per \$100</u>
2018	\$35,236,616,300	\$41,167,235	\$35,277,783,535	\$48,221,396,964	\$.7279
2017	34,522,068,100	43,627,615	34,565,695,715	47,208,882,135	.7305
2016	34,617,289,618	43,757,319	34,661,046,937	46,597,274,203	.7407
2015	32,786,310,200	34,040,195	32,820,350,395	45,505,119,344	.7510
2014	35,280,703,902	33,890,547	35,314,594,449	46,694,641,422	.6968

Source: Passaic County Board of Taxation, Abstract of Ratables.

Equalized Valuation of Property of Constituent Municipalities

<u>Municipality</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018 General Rate(1)</u>
Bloomingtondale	\$862,528,807	\$843,411,170	\$808,108,186	\$796,502,271	\$784,384,124	4.295%
Clifton	9,786,938,176	9,662,113,780	9,430,462,733	9,558,441,489	9,877,196,508	5.423
Haledon	554,816,917	537,152,256	521,501,461	538,282,439	532,576,389	4.620
Hawthorne	2,390,851,332	2,363,975,373	2,309,138,687	2,309,625,963	2,266,709,734	5.847
Little Falls	1,625,631,202	1,627,535,576	1,639,768,448	1,648,964,705	1,663,010,478	3.160
North Haledon	1,345,819,792	1,315,477,970	1,296,451,026	1,302,643,635	1,291,749,483	2.864
Passaic	3,582,302,080	3,430,959,275	3,334,909,672	3,089,652,409	3,248,963,982	3.598
Paterson	6,675,093,403	6,091,931,422	6,431,924,413	5,925,172,890	6,646,031,755	4.326
Pompton Lakes	1,179,575,268	1,125,987,876	1,111,388,901	1,125,411,927	1,131,012,786	3.605
Prospect Park	300,355,505	282,294,785	274,276,948	264,717,261	267,990,846	5.125
Ringwood	1,657,689,641	1,632,305,507	1,644,909,923	1,638,586,197	1,631,134,925	3.740
Totowa	2,153,693,606	2,128,007,043	2,227,658,560	2,167,694,622	1,983,700,064	2.383
Wanaque	1,295,067,936	1,262,422,911	1,245,557,989	1,257,130,277	1,289,326,322	3.830
Wayne	9,979,704,094	10,104,904,128	9,520,997,642	9,285,439,839	9,450,966,399	5.465
West Milford	2,984,770,664	2,997,893,718	3,060,085,223	2,907,269,303	2,981,390,799	3.686
Woodland Park	<u>1,846,558,541</u>	<u>1,802,509,345</u>	<u>1,740,134,391</u>	<u>1,689,584,117</u>	<u>1,648,496,828</u>	3.161
	<u>\$48,221,396,964</u>	<u>\$47,208,882,135</u>	<u>\$46,597,274,203</u>	<u>\$45,505,119,344</u>	<u>\$46,694,641,422</u>	
County Rate Per \$100	\$72.79	\$73.05	\$74.07	\$75.10	\$69.68	

Source: Passaic County Board of Taxation, Abstract of Ratables
(1) Includes Municipal, School and County Tax Rates - Per \$100

Ten Largest Assessed Valuations in the County - 2018

<u>Name</u>	<u>Assessed Valuation</u>	<u>Percent of Tax Base (1)</u>
Willow Brook Mall	\$187,500,000	.005
St. Joseph's Hospital & Medical Center	158,954,400	.005
West Belt Fee Owners	81,600,000	.002
Inwood Owners, Inc.	61,650,000	.002
North Jersey District Water Supply	49,045,900	.002
Rose Manor Estates	58,294,100	.002
Totowa VF LLC, c/o Vornado Rlty Trust	54,000,000	.002
Theta Holdings Co., LLP	50,055,000	.001
201 Main Ave LLC	48,000,000	.001
Fidelity Syn.	46,000,000	.001

Source: Passaic County Board of Taxation
(1) Total Taxable Value for 2018 - \$35,277,783,535

Ten Largest Employers in the County - 2019

<u>Employer</u>	<u>Number of Employees</u>
St. Joseph's Hospital	3,700
Passaic County Administration	2,500
International Specialty Products	2,200
City of Paterson	1,600
U.S. Postal Service	1,500
BAE Systems	1,400
St. Mary's General Hospital	1,220
William Paterson University	1,000
Communication Worker's of America	700
Giant Tire Service	600

Source: Passaic County Economic Development Department

Tax Collection Record

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2018(1)	\$347,570,634	\$347,570,634	100%
2017	341,186,222	341,186,222	100
2016	341,186,222	341,186,222	100
2015	335,617,867	335,617,867	100
2014	319,796,781	319,796,781	100

Source: County Records

(1) Unaudited

County Taxes

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

Each municipality is required to pay to the County Treasurer its share of the County Purpose tax on the fifteenth day of February, May, August and November of each year. The County gets its share of the taxes collected from the first taxes collected by each municipality. This assures the County of 100% collection.

Tax Appeals

The Passaic County Board of Taxation (the "Taxation Board") processes all appeals of county tax assessments. The appeal process is described below:

The taxpayer remits the full payment (including any disputed amount) to the municipal tax collector. The municipality then remits the amount of county tax assessed against the municipality to the County Treasurer.

The taxpayer files an appeal with the Taxation Board, which conducts a hearing. If the appeal is granted, the municipality remits payments to the taxpayer. The county tax assessed to the municipality for the succeeding year is then reduced by the total amount of appeals granted. Therefore, the County does not remit payment to the taxpayer or the municipality for appeals granted.

If the Taxation Board does not grant the appeal or if the taxpayer is not satisfied with the amount granted, the taxpayer has a right to a hearing before the New Jersey Tax Court.

TAX MATTERS

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

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

Assuming the County observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the County, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

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

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

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

Not Bank Qualification

The Bonds do not constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3)(B) of the Code.

Additional Federal Income Tax Consequences of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

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

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

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

Other Tax Consequences

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

See Appendix B for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

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

LITIGATION

To the knowledge of the Acting County Counsel, Michael Glovin, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Obligations, or the levy or the collection of any taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Moreover, to the knowledge of the County Counsel, no litigation is presently pending or threatened that, in the opinion of the County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided.

MUNICIPAL BANKRUPTCY

The undertakings of the County should be considered with reference to Chapter IX of the Bankruptcy Act, 11 United States Code Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit a State, political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt; directs such a petitioner to file with the court a list of petitioners' creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding

against the petitioner; grants priority to debt owed for services or materials actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides the Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a county must follow in order to take advantage of the provisions of the Bankruptcy Act.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Obligations are not exempt from the Rule and provided that the Obligations are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Obligations remain outstanding (unless the Obligations have been wholly defeased), the County shall provide:

(a) For the benefit of the holders of the Bonds and the beneficial owners thereof, not later than October 1 of each fiscal year, beginning after fiscal year ending December 31, 2018, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (the "MSRB"), annual financial information with respect to the County consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the County and certain financial information and operating data consisting of (i) County indebtedness including a schedule of outstanding debt issued by the County, (ii) property valuation information and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB. Notwithstanding the foregoing, if the fiscal year is not a calendar year then the County shall provide financial information and operating data relating to the County by not later than the first day of the tenth month of each fiscal year;

(b) For the benefit of the holders of the Obligations and the beneficial owners thereof, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Obligations (herein "Disclosure 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 security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(c) For the benefit of the holders of the Bonds and the beneficial owners thereof, in a timely manner to the MSRB, notice of failure of the County to provide required annual financial information on or before the date specified above.

The undertaking may be amended by the County from time to time, without the consent of the holder of the Obligations or the beneficial owners of the Obligations, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

There can be no assurance that there will be a secondary market for the sale or purchase of the Obligations. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the County may affect the future liquidity of the Obligations.

In the event that the County fails to comply with the above-described undertaking and covenants, the County shall not be liable for any monetary damages, remedy of the beneficial owners of the Obligations being specifically limited in the undertaking to specific performance of the covenants.

The County has entered into prior undertakings to provide continuing disclosure for certain outstanding debt issues. In connection with such debt issues, the County failed to timely file its audited financial statements and operating data for the fiscal year ended December 31, 2013. In addition, the County failed to timely file notices with respect to such late filings and event notices with respect to certain rating changes. The County has engaged the services of Digital Assurance Certification, L.L.C. to assist with the County's continuing disclosure obligations.

UNDERWRITING

The Bonds have been purchased from the County at a public sale by _____ (the "Bonds Underwriter") at a price of \$ _____ (consisting of the par amount of the Bonds, plus an original issue premium in the amount of \$ _____).

The Underwriters intend to offer the Obligations to the public initially at the offering yields set forth on the inside front cover page of this Official Statement with respect to the Bonds, 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 Obligations to the public. The Underwriters may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) at yields higher than the public offering yield set forth on the inside front cover page and front cover page, and such public offering yields may be changed, from time to time, by the Underwriters without prior notice.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned its rating of "AA" to the Bonds. An explanation of the significance of such credit rating may be obtained from S&P, 55 Water Street, New York, New York 10041. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The County hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by certificates signed by the Freeholder-Director of the Board and the Director of Finance, that to their knowledge such descriptions and statements, as of the date of the Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The firm of Ferraioli, Wielkottz, Cerullo & Cuva, P.A., Pompton Lakes, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement. All other information has been obtained from sources which Ferraioli, Wielkottz, Cerullo & Cuva, P.A., considers to be reliable, but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained therein, may be directed to Anthony J. DeNova, County Administrator, telephone (973) 881-4405, or Richard Cahill, Director of Finance, telephone (973) 881-4440, County Administration Building, 401 Grand Street, Paterson, New Jersey 07505-2023.

MISCELLANEOUS

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

By: _____
Richard Cahill
Director of Finance

Dated: May ____, 2019

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2017 AND SELECTED
FINANCIAL INFORMATION FOR YEARS
ENDED DECEMBER 31, 2018-2014**

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Chosen Freeholders
County of Passaic
Paterson, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the County of Passaic in the State of New Jersey, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the 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 basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Grant Fund as of December 31, 2017 and 2016 which represents 8.7 percent and 13.1 percent, respectively, of the assets of the Trust Fund for the years then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Community Development Grant Fund, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community

Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 policies 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 opinions.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Passaic's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

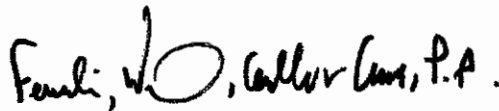
The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the County of Passaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Passaic's internal control over financial reporting and compliance.



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

June 4, 2018

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 83,248,588	80,514,757
Investments	A-4	4,000,000	
Change Fund	A-5	675	675
Cash - Fiscal Agent for Health Benefits		<u>3,531,708</u>	<u>3,245,302</u>
		<u>90,780,971</u>	<u>83,760,734</u>
Receivables and Other Assets with Full Reserves:			
Revenue Accounts Receivable	A-8	740,414	740,414
Interfunds Accounts Receivable	A-9	<u>1,665,856</u>	
		<u>2,406,270</u>	<u>740,414</u>
		<u>93,187,241</u>	<u>84,501,148</u>
Federal and State Grant Fund:			
Grants Receivable	A-7	66,609,433	59,619,754
Due from Current Fund	A-18	<u> </u>	<u>1,640,993</u>
		<u>66,609,433</u>	<u>61,260,747</u>
Total Assets		<u>\$ 159,796,674</u>	<u>145,761,895</u>

COUNTY OF PASSAIC
Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-10 \$	25,666,054	23,854,963
Accounts Payable	A-11	2,736,008	2,482,010
Encumbrances Payable	A-12	10,649,076	7,236,001
Prepaid Revenues	A-15	51,376	33,056
Interfunds Accounts Payable	A-9		4,009,172
Miscellaneous Reserves	A-16	1,622,211	1,129,280
		<u>40,724,725</u>	<u>38,744,482</u>
Reserve for Receivables	Contra	2,406,270	740,414
Fund Balance	A-1	50,056,246	45,016,252
		<u>93,187,241</u>	<u>84,501,148</u>
Federal and State Grant Fund:			
Amount Due to Current Fund	A-18	1,665,856	
h Commitments Payable	A-13	9,559,289	14,963,815
Reserve for State and Federal Grants - Appropriated	A-14	55,384,288	46,241,932
Reserve for State and Federal Grants - Unappropriated	A-17		55,000
		<u>66,609,433</u>	<u>61,260,747</u>
Total Liabilities, Reserves and Fund Balance	\$	<u>159,796,674</u>	<u>145,761,895</u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC

Comparative Statement of Operations and Changes in Fund Balance-Regulatory Basis

Current Fund

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues and Other Income:		
Fund Balance Utilized	\$ 18,000,000	18,000,000
Miscellaneous Revenue Anticipated	113,358,777	154,293,557
Receipts from Current Taxes	341,186,221	341,186,223
Non-Budget Revenue	4,460,983	4,361,145
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	9,260,151	8,832,278
Prior Year Interfunds Returned		833
Cancellation of Accounts Payable	122,959	
Prior Year Adjustments	148,011	
Cancellation of Appropriated Grants	1,046,175	10,990,653
Additional Working Capital - Horizon Blue Cross Blue Shield	286,406	2,675,302
Total Revenues and Other Income	<u>487,869,683</u>	<u>540,339,991</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	138,806,963	137,464,822
Other Expenses	224,739,279	261,094,017
Capital Improvement Fund	699,210	755,000
Debt Service	51,162,800	55,416,549
Deferred Charges and Statutory Expenditures	46,687,973	47,364,577
Interfunds and Receivables Originating in Current Fund	1,665,856	61,752
Grant Receivables Canceled	889,646	9,301,613
Refunds	177,962	229,599
Total Expenditures	<u>464,829,689</u>	<u>511,687,929</u>
Statutory Excess to Surplus	23,039,994	28,652,062
Fund Balance, January 1,	<u>45,016,252</u>	<u>34,364,190</u>
	68,056,246	63,016,252
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>18,000,000</u>	<u>18,000,000</u>
Fund Balance, December 31,	<u>\$ 50,056,246</u>	<u>45,016,252</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis
Current Fund
Year Ended December 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 18,000,000	18,000,000	
Miscellaneous Revenues:			
County Clerk	792,565	1,251,899	459,334
Register	2,632,093	3,886,399	1,254,306
Surrogate	390,000	394,429	4,429
Sheriff	997,494	3,546,701	2,549,207
Interest on Investments and Deposits	100,000	1,330,071	1,230,071
Road Opening Permits	275,000	818,733	543,733
Rental Income	268,000	333,116	65,116
State Aid - County College Bonds (N.J.S.A. 18A:64-22.6)	1,960,000	2,175,446	215,446
Division of Youth and Family Services	3,685,316	3,685,316	
Supplemental Social Security Income	1,115,782	1,021,780	(94,002)
County Patients - State Hospital		555	555
Casino Revenue	752,225	752,225	
Area Plan Grant - Aging Area Nutrition	1,274,024	1,274,024	
Area Plan Grant	1,363,065	1,363,065	
Family Court Services	278,149	278,149	
State Community Partnership	500,656	500,656	
PC Summer Concert Series	1,800	1,800	
Emergency Management	55,000	55,000	
Homeland Security (SHSP-Local Share)	353,237	353,237	
Insurance Fraud	250,000	250,000	
STOP Violence Against Women Act	32,572	32,572	
Child Advocacy Center Competitive	83,390	83,390	
LIHEAP Weatherization 2017	342,913	342,913	
Heating Improvement 2017	279,111	279,111	
2015 Spruce St Bridge	173,130	173,130	
Alcohol/Drug Abuse Grant	1,000,000	1,000,000	
17BERN	746,406	746,406	
Division of Child Behavioral Health Services	350,746	350,746	
Juvenile Detention Alternatives Innocations Funding	158,456	158,456	
Social Services for the Homeless	124,000	124,000	
PC Housing First 2008	125,000	125,000	
PC Housing First 2008	267,391	267,391	
PC Housing First 2008	81,260	81,260	
PC Housing First 2008	94,592	94,592	
PC Housing First 2008	404,509	404,509	
PC Housing First 2008	78,729	78,729	
Passaic CoC Planning Grant	119,137	119,137	
Eva's Village Apartments	118,815	118,815	
PC Housing First Collaborative II 2009	362,951	362,951	
PC Housing First Collaborative III 2010	75,679	75,679	
Paterson Park Apartments	147,917	147,917	
Housing First Pilot	329,213	329,213	
St. Joes CDC	47,187	47,187	
St. Paul's CDC	47,187	47,187	

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis
Current Fund
Year Ended December 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
U Drive U Text U Pay	40,000	40,000	
LEOTEF	45,033	45,033	
MRC Challenge Award Grant	13,000	13,000	
Radon Awareness Program (RAP)	2,000	2,000	
Preakness Gero-Psych Program	338,210	338,210	
2016-2017 Local Safety Program - High Friction Surface Treatment	27,011	27,011	
2016-2017 Local Safety Program - Center Rumble Strips	30,455	30,455	
Heating Improvement 2017	208,682	208,682	
Social Services For the Homeless	150,000	150,000	
County Aid - Resurfacing 2017	3,649,000	3,649,000	
Child Advocacy Center Upgrades	132,591	132,591	
Municipal Alliance Program	512,024	512,024	
Sexual Assault Nurse Examiner (SART/FNE)	95,250	95,250	
2017 State Health Insurance Program (SHIP) Grant	32,000	32,000	
JOB ACCESS & REVERSE COMMUTE (JARC)	200,000	200,000	
Social Services For the Homeless	552,510	552,510	
TRANSPORTATION & TIP	202,457	202,457	
Recycling Enhancement Act Entitlement	508,786	508,786	
CSBG NON-DISCRETIONARY	62,528	62,528	
LIHEAP Weatherization 2017	250,000	250,000	
PHLP LINGS 2018 (old BT grant)	526,569	526,569	
Subregional Transportation Program (STP) Grant	132,048	132,048	
Aging Area Nutrition	698,856	698,856	
Aging Area Plan Grant	476,155	476,155	
Loves Pets Grant	1,500	1,500	
Fema Grant Operator	438,908	438,908	
Temporary Assistance for Needy Families	4,078,976	4,078,976	
General Assistance/Supplemental Nutrition Assistance Program	1,645,011	1,645,011	
Drive Sober Or Get Pulled Over	5,500	5,500	
Workforce Innovation Opportunity Act Adult	1,654,646	1,654,646	
Workforce Innovation Opportunity Act Dislocated Worker	1,532,764	1,532,764	
Workforce Innovation Opportunity Act Youth	1,878,579	1,878,579	
Temporary Assistance for Needy Families	15,000	15,000	
General Assistance/Supplemental Nutrition Assistance Program	2,000	2,000	
Workforce Learning Link Program	333,000	333,000	
WIC/Senior Farmers Market Nutrition Program Mini 2017	1,000	1,000	
Heating Improvement 2017	162,695	162,695	
LIHEAP Weatherization 2017	171,289	171,289	
DOE Weatherization 2018	214,390	214,390	
Right to Know 2017 (2018-RTK-LOA)	15,213	15,213	
Click It or Ticket MOB-CIOT-2017-Passaic County-00078	5,500	5,500	
LIHEAP Assistance 2018	721,935	721,935	
Universal Service Fund 2018	461,565	461,565	
Community Development Block Grant (CDBG)	788,241	788,241	
Morris Canal Greenway Browertown Road Project	291,000	291,000	
Pedestrian Safety Grant	15,000	15,000	
Justice Assistance Program	26,534	26,534	

COUNTY OF PASSAIC

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Cnty Gang, Gun, & Narcotic Task Force Grant	167,818	167,818	
CSBG Non-Discretionary	26,765	26,765	
SmartSTEPS	8,025	8,025	
Heating Improvement 2017	400,000	400,000	
DOE Weatherization 2018	163,389	163,389	
Aging Area Nutrition	727	727	
Aging Area Plan Grant	407	407	
Body Armor PCPO	6,606	6,606	
Passaic County Film Festival	2,200	2,200	
Peckman River Crossing Project	700,000	700,000	
UASI Local Share	300,000	300,000	
Homeland Security (SHSP-Local Share)	345,473	345,473	
Victim Witness Advocacy	407,809	407,809	
Garret Mountain Improvements	1,375,000	1,375,000	
Weasel Brook Park Improvements	600,000	600,000	
Body Armor PCSD	44,690	44,690	
Green Acres 2006	750,000	750,000	
Green Acres 2011	1,125,000	1,125,000	
Green Acres 2012	750,000	750,000	
Clean Communities Entitlement	80,299	80,299	
CSBG Non-Discretionary	29,659	29,659	
Added and Omitted Taxes	900,000	887,682	(12,318)
Board Inmates at County-State	87,000	92,219	5,219
Title IV D Parent Locator Program	1,100,000	1,268,507	168,507
Fringe Benefits	12,000,000	12,713,528	713,528
Indirect Costs - Grants	1,500,000	2,028,667	528,667
Preakness Hospital - Medicaid Reimbursements	29,000,000	30,890,087	1,890,087
Maintenance in Lieu of Rent - Martin Luther King - Soc. Serv.	130,000	150,723	20,723
State School Building Aid (Chapter 12)	50,000	250,621	200,621
Park Fees	1,700,000	2,406,796	706,796
Telephone Commissions		25,045	25,045
Site Plan Fees	54,000	78,668	24,668
Radio Tower Rental	32,000	36,216	4,216
Rental Revenue - Quarry	750,000	750,000	
Reserve for Payment of Bonds	500,000	500,000	
Due From OSTF - Court House Renovation	200,000	200,000	
County Clerk P.L. 2001 C370	107,435	107,435	
Register P.L. 2001 C370	1,167,907	1,167,907	
Surrogate P.L. 2001 C370	110,000	110,000	
Sheriff P.L. 2001 C370	202,506	202,506	
Total Miscellaneous Revenues	<u>102,854,823</u>	<u>113,358,777</u>	<u>10,503,954</u>
Amount to be Raised by Taxation - County Purpose Tax	<u>341,186,222</u>	<u>341,186,221</u>	<u>(1)</u>
Total Budget Revenues	<u>\$ 462,041,045</u>	<u>472,544,998</u>	<u>10,503,953</u>
Nonbudget Revenue		<u>4,460,983</u>	
		<u>\$ 477,005,981</u>	

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis
Current Fund
Year Ended December 31, 2017

Miscellaneous Revenue Not Anticipated:	
Election Expense Reimbursements	\$ 194,951
State of New Jersey	403,885
Sale of Equipment	50,991
Bid Spec Fees	9,415
Duplication of Records	2,614
Vending Machine Commissions	22,063
Prior Year Fringe Benefits	1,292,112
SLAP Fees	78,436
PILOT County Share	266,483
ID Bureau	18,132
P/R Deduction Fees	6,137
Construction Board of Appeals	11,669
Bail Processing Fees	1,400
Bail Bond Forfeitures	104,971
Consumer Affairs	2,662
Fiber Optics Fees	15,000
Health Services	33,000
Refunds	158,246
DEA Newark Reimbursements	4,211
Gasoline Reimbursement	92,279
Inspector Salary Reimbursements	14,921
Access Secure Commissions	22,854
Insurance Recoveries	398,683
Discovery Fees Patrol	158,619
Keefe Commissions	66,760
ATM Fees	5,281
Off Duty Administrative Fees	247,712
OT Reimbursements	35,450
Police Academy Registration & Fees	147,676
PCIA Fees	2,128
PCPO Restitution	9,261
Sheriff Resource Officer	92,704
Pension Refund Bonds - PCTI	119,673
Prosecutors Salary	73,810
Towing and Impound Fees	12,943
Petroleum Gross Receipts Tax	60,906
Subrogation Loss Recoveries	71,084
TD Wealth IRS Subsidy	78,615
Other Miscellaneous	73,246
	<u>\$ 4,460,983</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS:					
Administration Executive					
Board of Freeholders					
Salaries and Wages	360,000	360,000	333,299	26,701	
Other Expenses	75,000	75,000	54,645	20,355	
Contribution to Public Access Libraries	70,000	70,000	70,000		
County Administrator					
Salaries and Wages	581,611	562,611	517,108	45,503	
Other Expenses	327,053	327,053	325,181	1,872	
Finance Section					
Finance Department					
Salaries and Wages	1,187,000	1,187,000	1,155,321	31,679	
Other Expenses	395,160	395,160	364,629	30,531	
Postage	200,000	200,000	198,283	1,717	
Audit	105,500	105,500	105,000	500	
Payroll Processing-Other Expenses	250,000	250,000	216,906	33,094	
Legal Department					
County Counsel					
Salaries and Wages	1,212,481	1,183,481	1,118,263	65,218	
Other Expenses	76,100	76,100	58,378	17,722	
Other Expenses Ethics	10,000	10,000		10,000	
County Adjuster					
Salaries and Wages	272,000	218,000	126,445	91,555	
Other Expenses	83,100	83,100	81,713	1,387	
Clerk of the Board					
Salaries and Wages	401,100	401,100	367,623	33,477	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Other Expenses	31,075	31,075	18,027	13,048	
Personnel					
Salaries and Wages	461,800	436,800	418,883	17,917	
Other Expenses	77,670	77,670	71,921	5,749	
State and National Association of County Officials	11,150	11,150	11,148	2	
County Clerk					
Salaries and Wages	944,611	914,611	634,450	280,161	
Other Expenses	22,232	52,232	16,046	36,186	
Other Expenses - Elections	300,000	300,000	287,456	12,544	
County Register					
Salaries and Wages	1,268,490	1,268,490	1,167,421	101,069	
Other Expense	154,935	154,935	126,345	28,590	
Prosecutor's Office					
Salaries and Wages	18,782,050	18,782,050	17,689,626	1,092,424	
Salaries and Wages-Spec.					
Other Expenses	667,933	667,933	634,222	33,711	
Countywide Police Radio	85,000	85,000	80,763	4,237	
Purchasing Department					
Salaries and Wages	826,600	801,600	727,458	74,142	
Other Expenses	34,725	34,725	26,492	8,233	
Other Expenses-Bulk Purchasing	86,550	86,550	(989)	87,539	
MIS Department (Finance Department)					
Other Expenses	976,563	994,563	984,671	9,892	
Building and Grounds					
Salaries and Wages	6,620,000	6,420,000	6,008,254	411,746	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Other Expenses	3,864,189	4,064,189	3,872,860	191,329	
Other Expenses-Parking	375,000	375,000	372,420	2,580	
Other Expenses-Preakness Health Center	127,000	127,000	83,602	43,398	
Other Expenses-Welfare Board	52,250	52,250	44,672	7,578	
Photostat					
Other Expenses	35,493	35,493	29,921	5,572	
Surrogate					
Salaries and Wages	1,170,197	1,170,197	1,031,426	138,771	
Other Expenses	60,177	60,177	57,186	2,991	
Insurances: Group Hospitalization, Medical					
Surgical, Major Med. for Employees	58,000,000	58,000,000	51,265,073	6,734,927	
Group Life Insurance for Employee	40,000	40,000	12,000	28,000	
Surety Bond Premium	6,000	6,000	4,743	1,257	
Worker's Compensation	2,000,000	2,000,000	2,000,000		
Disability Insurance	2,000,000	2,000,000	2,000,000		
Other Insurance	500,000	500,000	412,689	87,311	
Drug Plan	22,000,000	22,000,000	16,865,293	5,134,707	
Dental Plan	875,000	875,000	85,792	789,208	
REGULATION					
Sheriff's Office					
Salaries and Wages	11,136,761	11,136,761	10,015,225	1,121,536	
Other Expenses	299,235	299,235	262,634	36,601	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Weights and Measures					
Salaries and Wages	446,100	446,100	391,017	55,083	
Other Expenses	9,000	9,000	4,056	4,944	
Board of Taxation					
Salaries and Wages	386,000	386,000	373,223	12,777	
Office Expenses	14,400	14,400	14,255	145	
Medical Examiner					
Other Expenses-Contractual State of NJ	1,530,000	1,530,000	1,245,951	284,049	
Indigent Burials	50,000	50,000	19,915	30,085	
Board of Elections					
Salaries and Wages	737,951	842,951	840,599	2,352	
Other Expenses	151,700	46,700	(32,190)	78,890	
Superintendent of Elections					
Salaries and Wages	1,516,561	1,588,561	1,583,868	4,693	
Other Expenses	502,500	430,500	345,981	84,519	
Elections-County Clerk					
County Emergency Management					
Salaries and Wages	196,010	196,010	148,890	47,120	
Other Expenses	18,000	18,000	9,561	8,439	
Planning Board (NJS 40:273)					
Salaries and Wages	306,767	306,767	294,637	12,130	
Other Expenses	36,550	36,550	29,622	6,928	
Economic Development					
Salaries and Wages	163,856	163,856	163,769	87	
Other Expenses	15,950	15,950	15,916	34	
Construction Board of Appeals	3,600	3,600		3,600	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
ROADS & BRIDGES DEPT.					
Roads and Bridges Dept.					
Salaries and Wages-Roads	775,000	775,000	703,802	71,198	
Salaries and Wages-Mosquito	706,352	676,352	656,063	20,289	
Other Expenses-Roads	1,858,400	1,858,400	1,794,056	64,344	
Other Expenses-Mosquito	60,500	60,500	47,799	12,701	
Engineering					
Salaries and Wages	908,000	912,000	909,550	2,450	
Other Expenses	17,100	17,100	9,570	7,530	
CORRECTIONAL AND PENAL					
Jail and Workhouse					
Salaries and Wages - Jail	37,804,536	37,804,536	37,784,740	19,796	
Salaries and Wages - Patrol	13,943,941	13,943,941	10,252,256	3,691,685	
Other Expenses	3,977,661	3,977,661	3,598,037	379,624	
Other Expenses-Medical Expenses	5,103,103	5,103,103	4,816,408	286,695	
Other Expenses-Re-Entry Program	200,000	200,000	172,032	27,968	
HEALTH AND WELFARE					
Crippled Children	36,000	36,000	36,000		
Mental Health Board (30:9A-3)					
Salaries and Wages	227,990	227,990	223,680	4,310	
Mental Health Program (40:5-29)					
Contractual	744,300	744,300	744,300		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Aid to Bergen-Passaic Unit for the Mentally Retarded (NJS 40:23-8.11)	54,000	54,000	54,000		
Alcohol and Drugs					
Addition Program Contractual-Salaries and Wages	28,445	28,445	28,445		
Addition Program Contractual-Other Expenses	163,555	163,555	152,824	10,731	
Maintenance of Patients in State Institutions:					
Mentally Diseased and Mentally Retarded	4,064,004	4,143,004	4,121,426	21,578	
Welfare Board-Administration	12,417,927	12,117,927	12,117,927		
Administration-Fringe Benefits	5,700,000	5,700,000	5,700,000		
Supplement Security Income	1,115,782	1,415,782	1,415,782		
Aid to Dependent Children (NJS 44:10-1 ST Seq	1,017,506	1,017,506	1,017,506		
New Jersey Bureau of Children's Services	3,800,000	3,800,000	3,685,316	114,684	
Department of Youth Services					
Salaries and Wages	220,000	220,000	208,703	11,297	
Other Expenses-Shared Services Essex County	2,200,000	2,200,000	2,163,628	36,372	
Other Expenses-Education	524,084	524,084	402,625	121,459	
Other Expenses-Shelter Beds	265,000	265,000	265,000		
Other Expenses-Medical	563,030	563,030	562,429	601	
Other Expenses	21,000	21,000	17,358	3,642	
Preakness Hospital					
Salaries and Wages	30,488,785	28,952,785	28,139,532	813,253	
Other Expenses	6,805,280	7,905,280	7,807,717	97,563	
Camp Hope (40:23-6. 1 to 16)					
Salaries and Wages	426,055	426,055	414,627	11,428	
Other Expenses	58,709	58,709	55,766	2,943	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Div. of Senior Services, Disabilities, & Vets Affairs, Etc.					
Salaries and Wages	202,687	202,687	154,843	47,844	
Other Expenses	23,113	23,113	21,373	1,740	
County Health Dept. Chapter 329 PL 1975					
Salaries and Wages	499,600	529,600	521,982	7,618	
Other Expenses	23,700	23,700	18,797	4,903	
EDUCATIONAL					
Office of County Superintendent of Schools					
Salaries and Wages	494,100	494,100	486,640	7,460	
Other Expenses	24,962	24,962	15,830	9,132	
Passaic County Vocational School	7,044,585	7,044,585	7,044,585		
County Extension Services					
Salaries and Wages	61,300	61,300	61,129	171	
Other Expenses	145,953	145,953	105,408	40,545	
Passaic County Community College	13,848,750	13,848,750	13,848,750		
Reimbursement for Residents Attending Out of County Two Year College (NJS18:A:64A-23)	175,000	175,000	147,441	27,559	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
RECREATIONAL					
Park and Recreational Department					
Salaries and Wages-Parks	2,480,560	2,094,560	1,752,086	342,474	
Salaries and Wages-Golf Course	1,171,000	1,396,000	1,264,063	131,937	
Other Expenses-Parks	281,147	331,147	312,005	19,142	
Other Expenses-Golf Course	492,192	528,192	509,870	18,322	
Passaic County Historical Society (NJS 40:32-6)	25,000	25,000	25,000		
Cultural and Historical Affairs					
Salaries and Wages	144,885	147,885	145,890	1,995	
Other Expenses	41,900	41,900	40,732	1,168	
UNCLASSIFIED					
Passaic County Volunteer Fire Academy					
Equipment, Office, Car, Other	75,000	75,000	75,000		
Sick Leave Payment	300,000	330,000	305,438	24,562	
Matching Funds for Grants	250,000	250,000	33,012	216,988	
Aid to Children Care Coordination Committee					
(4CS) (NJS 40:23)	22,500	22,500	22,500		
Aid to Women's Haven NJSA 30:14-11	15,750	15,750	15,750		
Aid to D.I.A.L. (40:23-811)	54,000	54,000	54,000		
Para-Transit					
Salaries and Wages	81,600	81,600	67,141	14,459	
Other Expenses - Vehicle Maint	50,000	50,000	18,549	31,451	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Police Academy					
Salaries and Wages	647,000	647,000	586,015	60,985	
Other Expenses	96,958	96,958	83,250	13,708	
Aid to Health & Welfare Councils (NJS 40-23-8.28)	485,000	485,000	485,000		
Salaries and Wage Adjustment	82,181	82,181		82,181	
Utilities (40A:4-45 4H)					
Gasoline	1,000,000	1,000,000	814,251	185,749	
Telephone and Telegraph	800,000	800,000	691,182	108,818	
Natural Gas & Electric	5,000,000	5,000,000	4,983,494	16,506	
Street Lighting	450,000	450,000	425,773	24,227	
Heating Oil	90,000	40,000		40,000	
Water	825,000	1,000,000	963,752	36,248	
Garbage	350,000	350,000	248,146	101,854	
Debt Service Fees	50,000	50,000	29,501	20,499	
Aid to Housing First	90,000	90,000	2,868	87,132	
PUBLIC AND PRIVATE PROGRAMS OFFSET					
BY REVENUES					
County Match					
Aging Area Plan	1,900,000	1,900,000	1,900,000		
Casino Revenue Grant	1,077,313	1,077,313	1,077,313		
SANE/SART Program					
Homeland Security (SHSP-Local Share)	353,237	353,237	353,237		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Insurance Fraud	250,000	250,000	250,000		
STOP Violence Against Women Act	32,572	32,572	32,572		
Child Advocacy Center Competitive	83,390	83,390	83,390		
LIHEAP Weatherization 2017	342,913	342,913	342,913		
Heating Improvement 2017	279,111	279,111	279,111		
2015 Spruce St Bridge	173,130	173,130	173,130		
Alcohol/Drug Abuse Grant	1,000,000	1,000,000	1,000,000		
17BERN	746,406	746,406	746,406		
Division of Child Behavioral Health Services	350,746	350,746	350,746		
Juvenile Detention Alternatives Innocations Funding	158,456	158,456	158,456		
Social Services for the Homeless	124,000	124,000	124,000		
PC Housing First 2008	125,000	125,000	125,000		
PC Housing First 2008	267,391	267,391	267,391		
PC Housing First 2008	81,260	81,260	81,260		
PC Housing First 2008	94,592	94,592	94,592		
PC Housing First 2008	404,509	404,509	404,509		
PC Housing First 2008	78,729	78,729	78,729		
Passaic CoC Planning Grant	119,137	119,137	119,137		
Eva's Village Apartments	118,815	118,815	118,815		
PC Housing First Collaborative II 2009	362,951	362,951	362,951		
PC Housing First Collaborative III 2010	75,679	75,679	75,679		
Paterson Park Apartments	147,917	147,917	147,917		
Housing First Pilot	329,213	329,213	329,213		
St. Joes CDC	47,187	47,187	47,187		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
St. Paul's CDC	47,187	47,187	47,187		
U Drive U Text U Pay	40,000	40,000	40,000		
LEOTEF	45,033	45,033	45,033		
MRC Challenge Award Grant	13,000	13,000	13,000		
Radon Awareness Program (RAP)	2,000	2,000	2,000		
Preakness Gero-Psych Program	338,210	338,210	338,210		
2016-2017 Local Safety Program - High Friction Surface Treatmen	27,011	27,011	27,011		
2016-2017 Local Safety Program - Center Rumble Strips	30,455	30,455	30,455		
Heating Improvement 2017	208,682	208,682	208,682		
Social Services For the Homeless	150,000	150,000	150,000		
County Aid - Resurfacing 2017	3,649,000	3,649,000	3,649,000		
Child Advocacy Center Upgrades	132,591	132,591	132,591		
Municipal Alliance Program	512,024	512,024	512,024		
Sexual Assault Nurse Examiner (SART/FNE)	95,250	95,250	95,250		
2017 State Health Insurance Program (SHIP) Grant	32,000	32,000	32,000		
JOB ACCESS & REVERSE COMMUTE (JARC)	200,000	200,000	200,000		
Social Services For the Homeless	552,510	552,510	552,510		
TRANSPORTATION & TIP	202,457	202,457	202,457		
Recycling Enhancement Act Entitlement	508,786	508,786	508,786		
CSBG NON-DISCRETIONARY	62,528	62,528	62,528		
LIHEAP Weatherization 2017	250,000	250,000	250,000		
PHLP LINC'S 2018 (old BT grant)	526,569	526,569	526,569		
Subregional Transportation Program (STP) Grant	132,048	132,048	132,048		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Aging Area Nutrition	698,856	698,856	698,856		
Aging Area Plan Grant	476,155	476,155	476,155		
Loves Pets Grant	1,500	1,500	1,500		
Fema Grant Operator	438,908	438,908	438,908		
Temporary Assistance for Needy Families	4,078,976	4,078,976	4,078,976		
General Assistance/Supplemental Nutrition Assistance Program	1,645,011	1,645,011	1,645,011		
Drive Sober Or Get Pulled Over	5,500	5,500	5,500		
Workforce Innovation Opportunity Act Adult	1,654,646	1,654,646	1,654,646		
Workforce Innovation Opportunity Act Dislocated Worker	1,532,764	1,532,764	1,532,764		
Workforce Innovation Opportunity Act Youth	1,878,579	1,878,579	1,878,579		
Temporary Assistance for Needy Families	15,000	15,000	15,000		
General Assistance/Supplemental Nutrition Assistance Program	2,000	2,000	2,000		
Workforce Learning Link Program	333,000	333,000	333,000		
WIC/Senior Farmers Market Nutrition Program Mini 2017	1,000	1,000	1,000		
Heating Improvement 2017	162,695	162,695	162,695		
LIHEAP Weatherization 2017	171,289	171,289	171,289		
DOE Weatherization 2018	214,390	214,390	214,390		
Right to Know 2017 (2018-RTK-LOA)	15,213	15,213	15,213		
Click It or Ticket MOB-CIOT-2017-Passaic County-00078	5,500	5,500	5,500		
LIHEAP Assistance 2018	721,935	721,935	721,935		
Universal Service Fund 2018	461,565	461,565	461,565		
Community Development Block Grant (CDBG)	788,241	788,241	788,241		
Morris Canal Greenway Browertown Road Project	291,000	291,000	291,000		
Pedestrian Safety Grant	15,000	15,000	15,000		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Justice Assistance Program	26,534	26,534	26,534		
Cnty Gang, Gun, & Narcotic Task Force Grant	167,818	167,818	167,818		
CSBG Non-Discretionary	26,765	26,765	26,765		
SmartSTEPS	8,025	8,025	8,025		
Heating Improvement 2017	400,000	400,000	400,000		
DOE Weatherization 2018	163,389	163,389	163,389		
Aging Area Nutrition	727	727	727		
Aging Area Plan Grant	407	407	407		
Body Armor PCPO	6,606	6,606	6,606		
Passaic County Film Festival	2,200	2,200	2,200		
Peckman River Crossing Project	700,000	700,000	700,000		
UASI Local Share	300,000	300,000	300,000		
Homeland Security (SHSP-Local Share)	345,473	345,473	345,473		
Victim Witness Advocacy	407,809	407,809	407,809		
Garret Mountain Improvements	1,375,000	1,375,000	1,375,000		
Weasel Brook Park Improvements	600,000	600,000	600,000		
Body Armor PCSD	44,690	44,690	44,690		
Green Acres 2006	750,000	750,000	750,000		
Green Acres 2011	1,125,000	1,125,000	1,125,000		
Green Acres 2012	750,000	750,000	750,000		
Clean Communities Entitlement	80,299	80,299	80,299		
CSBG Non-Discretionary	29,659	29,659	29,659		
Casino Revenue	752,225	752,225	752,225		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Area Plan Grant-Aging Area Nutrition	1,274,024	1,274,024	1,274,024		
Area Plan Grant	1,363,065	1,363,065	1,363,065		
Family Court Services	278,149	278,149	278,149		
Emergency Management Grant	55,000	55,000	55,000		
State Community Partnership	500,656	500,656	500,656		
PC Summer Concert Series	1,800	1,800	1,800		
Total Operation (item 8(A))	363,900,242	363,496,242	338,344,582	25,151,660	
Contingent	50,000	50,000		50,000	
Total Operation Including Contingent	363,950,242	363,546,242	338,344,582	25,201,660	
Detail:					
Salaries and Wages	140,671,963	138,806,963	129,773,430	9,033,533	
Other Expenses (Including Contingent)	223,278,279	224,739,279	208,571,152	16,168,127	
Capital Improvement					
Capital Improvement Fund	500,000	500,000	500,000		
Acquisition of Various Equipment	200,000	200,000	199,211		789
Total Capital Improvements	700,000	700,000	699,211		789

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
County Debt Service					
Payment of Bond Principal					
County College Bonds	3,700,000	4,018,000	4,018,000		
State Aid- County College Bonds (N.J.S. 18A:64A-22.6)	1,900,000	1,825,000	1,825,000		
Vocational School Bonds	800,000	950,000	950,000		
Other Bonds	23,000,000	22,957,036	22,957,036		
Payment of Bond Anticipation Notes	800,000	741,000	740,741		259
Interest on Bonds					
County College Bonds	500,000	629,281	629,281		
State Aid- County College Bonds (N.J.S. 18A:64A-22.6)	450,000	350,446	350,446		1,514
Vocational School Bonds	150,000	430,196	428,682		
Other Bonds	7,445,450	7,098,584	7,098,584		
Interest on Notes	2,000,000	2,109,847	2,109,486		361
Passaic County Utilities Authority	4,150,000	4,148,218	4,130,850		17,368
Prosecutors Building	455,000	442,850	442,850		
Preakness Healthcare Center	5,600,000	5,450,000	5,432,302		17,698
Green Trust Loan	49,550	49,542	49,542		
Total County Debt Service	<u>51,000,000</u>	<u>51,200,000</u>	<u>51,162,800</u>		<u>37,200</u>

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Deferred Charges and Statutory Expenditures					
Emergency Authorizations					
Special Emergency Authorization 5 Years - (40A:4-55)					
Overexpenditure of Appropriations					
Prior Year Bills-Summary					
Atjohuntleigh Inc.	8,095	8,095	8,095		
Camp Auto and Truck	550	550	550		
Fred Norman LLC	132	132	132		
Gaeta Recycling	1,350	1,350	1,350		
Gonzales, Zhereny	1,459	1,459	1,459		
Hogan Security Inc.	1,789	1,789	1,789		
Moore Medical LLC	73	73	73		
MMS Inc.	13,878	13,878	13,878		
NECI	269	269	269		
Parrales, Christina	30	30	30		
City of Passaic	120,000	120,000	120,000		
Pharmalink Inc.	99	99	99		
Pulse Medical Transport	56	56	56		
RMD Properties Inc.	14,077	14,077	14,077		
Smiths Detection Inc.	477	477	477		
Stone Industries	8,933	8,933	8,933		
State of New Jersey	265	265	265		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Deferred Charges to Future Taxation - Capital	1,644,804	1,644,804	1,644,804		
Due From OSTF - Court House Renovation	200,000	200,000	200,000		
Statutory Charges:					
Contribution to PERS	15,014,142	15,014,142	15,014,142		
Social Security System (O.A.S.I.)	13,000,000	13,204,000	12,784,939	419,061	
Unemployment Compensation Insurance					
(N.J.S.A. 43:21-3 et seq.)	600,000	600,000	600,000		
Police and Fire Retirement System	13,760,327	13,760,327	13,760,327		
County Pension Fund	1,900,000	1,900,000	1,900,000		
Defined Benefit Pension	100,000	100,000	54,667	45,333	
Total Deferred Charges & Statutory Expenditures	46,390,805	46,594,805	46,130,411	464,394	
Total General Appropriations	\$ 462,041,047	462,041,047	436,337,004	25,666,054	37,989
Adopted Budget		425,218,241			
Added by N.J.S.A. 40A:4-87		36,822,806			
	\$	462,041,047			
		Cash \$	384,640,203		
		Reserve for Encumbrances	10,649,076		
		Grants Appropriated	41,047,725		
		\$	436,337,004		

See accompanying notes to financial statements.

Exhibit B

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Other Trust Fund:			
Cash	B-1	\$ 39,268,365	37,704,679
Due from Current Fund	B-13		448
Due from Municipalities	B-5		40,000
Accounts Receivable - PCSD Off Duty	B-4	374,070	439,274
		<u>39,642,435</u>	<u>38,184,401</u>
Confiscated Trust Fund:			
Cash	B-1	2,581,223	2,560,675
		<u>2,581,223</u>	<u>2,560,675</u>
Self Insurance Fund:			
Cash	B-1	24,805,260	4,089,171
Due from Current Fund	B-13		2,367,731
		<u>24,805,260</u>	<u>6,456,902</u>
Community Development Grant Fund:			
Cash	B-1	6,401,962	7,136,372
		<u>6,401,962</u>	<u>7,136,372</u>
Total Assets		<u>\$ 73,430,880</u>	<u>54,338,350</u>

Exhibit B

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Other Trust Fund:			
Various Trust Deposits	B-2	\$ 1,065,284	1,079,663
Reserve for Dedicated Revenues	B-3	24,360,177	21,451,121
Reserve for Open Space Expenditures	B-6	14,216,974	7,167,448
Open Space Grant Commitments Payable	B-7		8,486,169
		<u>39,642,435</u>	<u>38,184,401</u>
Confiscated Trust Fund:			
Reserve for Confiscated Trust Fund	B-8	<u>2,581,223</u>	<u>2,560,675</u>
		<u>2,581,223</u>	<u>2,560,675</u>
Self Insurance Fund:			
Reserve for Workmen's Compensation	B-9	5,456,202	2,521,937
Reserve for Health Benefits	B-10	13,912,500	3,007,185
Reserve for Liability Insurance	B-11	<u>5,436,558</u>	<u>927,780</u>
		<u>24,805,260</u>	<u>6,456,902</u>
Community Development Grant Fund:			
Reserve for:			
Housing Voucher Program	B-12	<u>6,401,962</u>	<u>7,136,372</u>
		<u>6,401,962</u>	<u>7,136,372</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 73,430,880</u>	<u>54,338,350</u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	C-2/C-3	\$ 56,813,732	76,971,629
Grants Receivable	C-4	75,153,660	91,646,516
Deferred Charges to Future Taxation:			
Funded	C-5	327,378,538	312,699,612
Unfunded	C-6	128,113,294	158,396,104
Total Assets		<u>\$ 587,459,224</u>	<u>639,713,861</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-19	\$ 252,479,000	234,825,000
Green Trust Loans Payable	C-20	189,538	234,612
Bond Anticipation Notes	C-18	78,775,000	108,950,000
Capital Leases Payable	C-21	74,710,000	77,640,000
Improvement Authorizations:			
Funded	C-7	54,980,718	44,156,308
Unfunded	C-7	46,604,654	85,532,816
Commitments Payable	C-8	40,541,351	45,651,462
Capital Improvement Fund	C-9	58,666	2,306
Reserve for Final Payments and Litigation	C-10		160,258
Reserve for Payment of Bonds and Notes	C-11	10,121,959	7,752,146
Reserve for Salt Shed - West Milford	C-13	296,619	296,619
Reserve for Interest for Fire Academy	C-14		1,101,710
Reserve for Administration Building Settlement	C-15		9,786
Reserve for Interest for DOT Projects	C-16		12,786
Reserve for Grants Receivable	C-17	22,677,866	27,347,679
Fund Balance	C-1	6,023,853	6,040,373
Total Liabilities		<u>\$ 587,459,224</u>	<u>639,713,861</u>

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 of \$49,533,294 and \$49,480,363, respectively.

See accompanying notes to the financial statements.

COUNTY OF PASSAIC
Statement of Changes in Fund Balance-Regulatory Basis
General Capital Fund
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Balance - January 1,	\$ 6,040,373	4,582,923
Increased by:		
Premium on Bond/Note Sales	1,379,175	1,410,958
Reserve for Final Payment and Litigation Cancelled	160,258	
Improvement Authorizations Cancelled	<u>4,047,165</u>	<u>3,063,593</u>
	<u>5,586,598</u>	<u>4,474,551</u>
	11,626,971	9,057,474
Decreased by:		
Premium on Bond/Note Sales	78,649	14,086
Schedule of Receivables-Cancel Grant Balances	449,469	2,028,015
Improvement Authorizations - Ordinance 2017-07	<u>5,075,000</u>	<u>975,000</u>
	<u>5,603,118</u>	<u>3,017,101</u>
Balance - December 31,	<u>\$ 6,023,853</u>	<u>6,040,373</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>General Fixed Assets:</u>		
Land	\$ 326,979,707	326,979,707
Buildings	284,270,305	284,335,199
Equipment	66,181,106	64,541,624
Construction in Progress	<u>10,416,448</u>	<u>8,121,582</u>
	<u>\$ 687,847,566</u>	<u>683,978,112</u>
 Investment in Fixed Assets	 <u>\$ 687,847,566</u>	 <u>683,978,112</u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the County of Passaic have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the County accounts for its financial transactions through the following separate funds and account group which differ from the fund structure required by GAAP.

A. Reporting Entity

The County of Passaic (the "County") was organized under an act of the New Jersey Legislative on February 7, 1837 and operates under an elected Freeholder form of County government. The County's major operations include the County judiciary system; law enforcement, recreation, road and bridge maintenance and construction, the County correctional and penal system, health and welfare, education and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the counties in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the County does not include the operations of the autonomous agencies including the Passaic County Utilities Authority, Passaic County Community College, Vocational-Technical High School, Employees Retirement System, Welfare Board and the Private Industry Council of Passaic County which are considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The County uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain County functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those funds.

The County has the following funds and account group:

Current Fund - This fund is used to account for the resources and expenditures for governmental operations of a general nature, including Federal and State grants for operations.

Trust Funds - Trust funds are used to account for assets held by the government in a trustee capacity. Funds held by the County as an agent for individual, private organizations or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the County as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits and deposited funds with the County as collateral.

Confiscated Trust Fund - This fund is created to account for assets seized by local and county law enforcement agencies. Any seized assets forfeited are allocated to the respective agencies or returned upon the conclusion of each legal case filed.

Self-Insurance Fund - This fund is used to account for expenditures for Worker's Compensation and General Liability insurance claims and premiums.

Community Development Grant Fund - This fund is used to account for grant proceeds and related expenditures for Housing and Urban Development Grant Entitlements.

General Capital Fund - This fund is used to account for the receipts and disbursements of funds used for the acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group - To account for all fixed assets of the County. The County's infrastructure is not reported in the group.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the County of Passaic. Under this method of accounting revenues are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units.

Property Tax Revenues - Real property taxes are assessed to each municipality within the County, based upon a County wide assessment at true equalized value. Taxes are payable in four quarterly installments on February 15, May 15, August 15 and November 15. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the municipality for the preceding year. The installment due the third and fourth quarters is determined by taking the full tax as levied for the current year against the municipality, less the amount previously charged as the first and second installments, the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 6% per annum. In accordance with the accounting principles prescribed by the State of New Jersey, taxes receivable are realized as revenue when collected. Since delinquent taxes are fully reserved, no provision has been made to estimate that portion of the taxes receivable that are uncollectible. GAAP requires property tax revenues to be recognized in the account period when they become subsequent to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the County's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the County and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

The County is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund

The governing body shall introduce and approve the annual budget not later than January 26, of the fiscal year. The budget shall be adopted not later than February 25, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the County budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the County. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the years ended December 31, 2017 and 2016, the Governing Body approved additional revenues and appropriations of \$36,822,806 and \$52,331,026, respectively, in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body in 2017 and 2016.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

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

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

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

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

Inventories - 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 balance sheets.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of, or guaranteed by, the Federal Government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase.

Incurred But Not Reported (IBNR) Reserves - The County has not created a reserve for any potential unreported losses which have taken place but in which the County has not received notices or report of losses. Additionally, the County has not recorded a liability for those claims filed, but which have not been paid. GAAP requires the establishment of reserves for such potential claims.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the County establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the County may levy taxes on all taxable property within the local unit to repay the debt. Annually, the County raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

General Fixed Assets - The County of Passaic has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

Fixed assets purchased after December 31, 1989 are stated at cost.

Fixed assets purchased prior to December 31, 1989 are stated as follows:

Land	Assessed Value
Buildings	Fair Market Value (Replacement Cost at Time of Acquisition or construction Completion)
Equipment	
Acquired Prior to 12/31/85	Replacement Cost
Acquired After 12/31/85	Actual Cost Where Available or Estimated Replacement
Construction Work in Progress	Actual Cost

No depreciation has been provided for in the financial statements.

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

The County did not perform an update of its fixed assets inventory for the year ended December 31, 2017.

Use of Estimates - The preparation of financial statements requires management of the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The County does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The County does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

45. The Statement is effective for periods beginning after June 15, 2017. The County does not believe this Statement will have any effect on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The County does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The County does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The County does not believe this Statement will have any effect on future financial statements.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The County does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The County does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The County does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The County does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The County is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

C. Basic Financial Statements

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017 and 2016, \$0- of the County's bank balance of \$227,489,785 and \$222,021,754, respectively, were exposed to custodial credit risk.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Investments

Investment Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer.

NOTE 3. COUNTY DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

<u>2017</u>	<u>Balance Dec. 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2017</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General					
Obligation Debt	\$234,825,000	\$47,400,000	\$29,746,000	\$252,479,000	\$26,428,000
Capital Leases	77,640,000		2,930,000	74,710,000	310,000
Other Liabilities:					
Compensated Absences	38,518,484	533,276	20,883,033	18,168,727	
New Jersey:					
Green Trust Loans	234,612		45,074	189,538	45,980
Deferred Pension	<u>8,020,188</u>	<u> </u>	<u>625,642</u>	<u>7,394,546</u>	<u> </u>
	<u>\$359,238,284</u>	<u>\$47,933,276</u>	<u>\$54,229,749</u>	<u>\$352,941,811</u>	<u>\$26,783,980</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 3. COUNTY DEBT, (continued)

					Amounts Due
					Within
2016	Balance Dec. 31, 2015	Additions	Reductions	Balance Dec. 31, 2016	One Year
Bonds Payable - General					
Obligation Debt	\$231,964,000	\$37,675,000	\$34,814,000	\$234,825,000	\$25,266,000
Capital Leases	80,415,000		2,775,000	77,640,000	2,930,000
Other Liabilities:					
Compensated Absences	38,008,125	2,859,766	2,349,407	38,518,484	
New Jersey:					
Green Trust Loans	278,798		44,186	234,612	45,074
Deferred Pension	8,594,182		573,994	8,020,188	625,642
	<u>\$359,260,105</u>	<u>\$40,534,766</u>	<u>\$40,556,587</u>	<u>\$359,238,284</u>	<u>\$28,866,716</u>

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County are general obligation bonds, backed by the full faith and credit of the County. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

The County's debt is summarized as follows:

	2017	2016
Issued		
General		
Bonds, Notes and Loans	\$331,443,538	\$344,009,612
Bonds Authorized by Another Public Body		
Guaranteed by the County	<u>119,531,515</u>	<u>107,249,778</u>
Total Issued	<u>450,975,053</u>	<u>451,259,390</u>
Authorized But Not Issued		
General		
Bonds, Notes and Loans	<u>49,533,294</u>	<u>49,480,363</u>
Total Issued and Authorized But Not Issued	<u>500,508,347</u>	<u>500,739,753</u>
Less: Funds Temporarily Held to Pay Bonds and Notes	10,316,959	7,752,146
Receivables from Other Public Authorities	5,975,000	
Additional Borrowing for County College		11,291,000
Refunding Bonds	8,030,000	10,810,000
Bonds Authorized by Another Public Body		
Guaranteed by the County	<u>119,531,515</u>	<u>107,249,778</u>
Total Deductions	<u>143,853,474</u>	<u>137,102,924</u>
Net Debt	<u>\$356,654,873</u>	<u>\$363,636,829</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 3. COUNTY DEBT, (continued)

The summarized statement of debt condition which follows is extracted from the County's Annual Debt Statement, indicates a statutory net debt of .76% and .78% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General debt	<u>\$500,508,347</u>	<u>\$143,853,473</u>	<u>\$356,654,874</u>
<u>2016</u>			
General debt	<u>\$500,739,753</u>	<u>\$137,102,924</u>	<u>\$363,636,829</u>

The County's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
2% of equalized valuation basis (county)	\$939,963,277	\$927,638,095
Net debt	<u>356,654,874</u>	<u>363,636,829</u>
Remaining Borrowing Power	<u>\$583,308,403</u>	<u>\$564,001,266</u>

The County's long-term debt consisted of the following at December 31, 2017 and 2016:

Paid by Current Fund:

General Obligation Bonds

	<u>2017</u>	<u>2016</u>
\$30,765,000, 1998 Bonds, due in annual installments of \$1,600,000 to \$2,500,000 through Sept. 1,2020, interest at various rates from 5.88% to 6.77%	\$7,200,000	\$9,100,000
\$665,000, 1998 Bonds, due in annual installments of \$220,000 to \$225,000 through Sept. 2018-2020, interest at 6.77%	665,000	665,000
\$6,560,000 2003 Bonds, due in annual installments of \$25,000 to \$880,000 through Feb. 15, 2021, interest at various rates from 2.00% to 5.75%	165,000	1,045,000
\$12,220,000, 2004 Bonds, due in annual installments of \$1,095,000 to \$1,205,000, through May 1, 2017, interest at various rates from 3.00% to 3.375%		1,095,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT, (continued)</u>		
\$4,788,000, 2004 Bonds, due in annual installments of \$420,000 to \$488,000, through Oct. 15, 2017, interest at 3.60%	\$	\$488,000
\$3,050,000, 2006 Bonds, due in annual installments of \$270,000 to \$300,000 through Nov. 15, 2018, interest at various rates from 3.625% to 4.00%	300,000	600,000
\$3,050,000, 2006 Bonds, due in annual installments of \$270,000 to \$300,000 through Nov. 15, 2018, interest at various rates from 3.625% to 4.00%	300,000	600,000
\$5,950,000, 2007 Bonds, due in annual installments of \$525,000 to \$625,000 through Nov. 15, 2019, interest at various rates from 3.625% to 4.00%	1,240,000	1,835,000
\$5,950,000, 2007 Bonds, due in annual installments of \$525,000 to \$625,000 through Nov. 15, 2019, interest at various rates from 3.625% to 4.00%	1,240,000	1,835,000
\$48,625,000, 2008 Bonds, due in annual installments of \$2,000,000 to \$4,225,000 through May 1, 2028, interest at various rates from 4.00% to 4.50%		2,900,000
\$2,938,000, 2008 Bonds, due in annual installments of \$260,000 to \$438,000 through May 1, 2019, interest at various rates from 4.00% to 5.00%		335,000
\$8,077,000, 2008 Bonds, due in annual installments of \$660,000 to \$812,000 through May 1, 2020, interest at various rates from 4.00% to 5.00%		\$710,000
\$19,671,000, 2010 Bonds, due in annual installments of \$350,000 to \$2,796,000 through Apr. 1, 2024, interest at various rates from 2.00% to 4.00%	15,446,000	16,696,000
\$945,000, 2010 Bonds, due in annual installments of \$100,000 to \$130,000 through Apr. 1, 2019, interest at various rates from 2.00% to 3.50%	230,000	355,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT, (continued)</u>		
\$2,130,000, 2010 Bonds, due in annual installments of \$180,000 to \$240,000 through Apr. 1, 2021, interest at various rates from 2.00% to 4.00%	\$870,000	\$1,080,000
\$4,389,000, 2010 Bonds, due in annual installments of \$200,000 to \$374,000 through July 31, 2027, interest at various rates from 1.660% to 6.540%	2,970,000	3,193,000
\$1,177,000, 2010 Bonds, due in annual installments of \$95,000 to \$152,000 through Aug. 1, 2021, interest at various rates from 2.00% to 3.00%	512,000	622,000
\$1,176,000, 2010 Bonds, due in annual installments of \$95,000 to \$151,000 through Aug. 1, 2021, interest at various rates from 2.00% to 3.00%	511,000	621,000
\$26,415,000, 2011 Bonds, due in annual installments of \$735,000 to \$4,480,000 through May 1, 2020, interest at various rates from 2.00% to 5.00%	1,490,000	6,445,000
\$11,695,000, 2012 Refunding Bonds, due in annual installments of \$1,705,000 to \$2,225,000 through February 1, 2019, interest at various rates from 3.00% to 4.00%	4,350,000	6,325,000
\$23,155,000, 2012 Bonds, due in annual installments of \$1,025,000 to \$2,050,000 through Apr. 1, 2026, interest at various rates from 2.00% to 3.00%	17,155,000	18,555,000
\$13,570,000, 2012 Bonds, due in annual installments of \$1,000,000 to \$1,570,000 through Apr. 1, 2022, interest at various rates from 2.00% to 3.00%	8,020,000	9,370,000
\$4,250,000, 2012 Series A College Bonds, due in annual installments of \$375,000 to \$495,000 through June 1, 2022, interest at various rates from 1.50% to 3.00%	2,305,000	2,720,000
\$4,250,000, 2012 Series B College Bonds, due in annual installments of \$375,000 to \$495,000 through June 1, 2022, interest at various rates from 1.50% to 3.00%	2,305,000	2,720,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$10,200,000, 2012 Refunding Bonds, due in annual installments of \$550,000 to \$2,895,000 through Aug. 15, 2021, interest at various rates from 1.50% to 4.00%	\$2,290,000	\$2,890,000
\$17,650,000, 2013 Refunding Bonds, due in annual installments of \$1,265,000 to \$2,595,000 through Feb. 1, 2026, interest at various rates from 1.25% to 3.00%	16,215,000	17,480,000
\$2,875,000, 2014 Series A College Bonds, due in annual installments of \$175,000 to \$235,000 through June 15, 2028, interest at various rates from 2.00% to 5.00%	2,335,000	2,520,000
\$2,875,000 2014 Series B College Bonds, due in annual installments of \$175,000 to \$235,000 through June 15, 2028, interest at various rates from 2.00% to 5.00%	2,335,000	2,520,000
\$22,201,000, 2014 Bonds, due in annual installments of \$965,000 to \$1,921,000 through December 1, 2029, interest at various rates from 2.00% to 4.00%	19,306,000	\$20,271,000
\$979,000, 2014 Vocational School Bonds, due in annual installments of \$40,000 to \$80,000 through December 1, 2029, interest at various rates from 2.00% to 4.00%	859,000	899,000
\$2,500,000, 2014 Series A College Bonds, due in annual installments of \$325,000 to \$650,000 through December 1, 2019, interest at various rates from 2.00% to 3.00%	1,250,000	1,825,000
\$3,940,000, 2014 Series B College Bonds, due in annual installments of \$275,000 to \$515,000 through December 1, 2024, interest at various rates from 2.50% to 3.00%	3,040,000	3,365,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$36,570,000, 2015 General Obligation Refunding Bonds, due in annual installments of \$2,735,000 to \$4,050,000 through February 1, 2028, interest at various rates from 3.00% to 5.00%	\$36,570,000	\$36,570,000
\$815,000, 2015 County Vocational School Refunding Bonds, due in annual installments of \$380,000 to \$435,000 through February 1, 2019, interest at various rates from 4.00% to 5.00%	815,000	815,000
\$2,305,000, 2015 County College Refunding Bonds, due in annual installments of \$745,000 to \$790,000 through February 1, 2020, interest at various rates from 4.00% to 5.00%	2,305,000	2,305,000
\$1,600,000, 2015 County College Bonds, Series 2015A, due in annual installments of \$105,000 to \$200,000 through July 1, 2025, interest at various rates from 2.00% to 4.00%	1,380,000	1,495,000
\$1,600,000, 2015 County College Bonds, Series 2015B, due in annual installments of \$105,000 to \$200,000 through July 1, 2025, interest at various rates from 2.00% to 4.00%	1,380,000	\$1,495,000
\$11,600,000, 2015 General Improvement Bonds, due in annual installments of \$710,000 to \$1,400,000 through December 1, 2028, interest at various rates from 1.50% to 4.00%	10,160,000	10,890,000
\$2,000,000, 2015 County Vocational School Bonds, due in annual installments of \$100,000 to \$200,000 through December 1, 2027, interest at various rates from 1.50% to 4.00%	1,800,000	1,900,000
\$1,500,000, 2016 County College Bonds, Series 2016A, due in annual installments of \$105,000 to \$210,000 through July 1, 2026, interest at various rates from 1.00% to 2.00%	1,395,000	1,500,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$1,500,000, 2016 County College Bonds, Series 2016B, due in annual installments of \$105,000 to \$210,000 through July 1, 2016, interest at various rates from 1.00% to 2.00%	\$1,395,000	\$1,500,000
\$24,025,000, 2016 General Obligation Refunding Bonds, due in annual installments of \$1,030,000 to \$2,100,000 through December 1, 2031, interest at various rates from 2.00% to 5.00%	22,885,000	24,025,000
\$8,150,000, 2016 County Vocational School Bonds, due in annual installments of \$350,000 to \$700,000 through December 1, 2031, interest at various rates from 2.00% to 5.00%	7,800,000	8,150,000
\$2,500,000, 2016 County College Bonds, due in annual installments of \$210,000 to \$335,000 through December 1, 2025, interest at various rates from 2.00% to 5.00%	2,290,000	2,500,000
\$1,500,000, 2017 County College Bonds, Series 2017A, due in annual installments of \$105,000 to \$210,000 through July 1, 2027, interest at various rates from 2.00% to 3.00%	1,500,000	
\$1,500,000, 2017 County College Bonds, Series 2017B, due in annual installments of \$105,000 to \$210,000 through July 1, 2027, interest at various rates from 2.00% to 3.00%	1,500,000	
\$7,385,000, 2017 General Obligation Refunding Bonds, due in annual installments of \$405,000 to \$660,000 through December 1, 2031, interest at various rates from 2.00% to 4.00%	7,385,000	

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

	<u>2017</u>	<u>2016</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$36,000,000, 2017 County Vocational School Bonds, due in annual installments of \$1,245,000 to \$2,385,000 through December 1, 2037, interest at various rates from 2.00% to 4.00%	\$36,000,000	\$
\$1,015,000, 2017 County Vocational School Bonds, due in annual installments of \$65,000 to \$120,000 through December 1, 2037, interest at various rates from 2.00% to 4.00%	<u>1,015,000</u>	
	<u>\$252,479,000</u>	<u>\$234,825,000</u>

Intergovernmental Loans Payable

The County has entered into a loan agreement with New Jersey Department of Environmental Protection for the financing relating to the Acquisition of Sterling Forest.

	<u>2017</u>	<u>2016</u>
\$564,657 Loan, due in semi-annual installments of \$19,124 to \$24,526 through August 28, 2021, interest at 2.0%	<u>\$189,538</u>	<u>\$234,612</u>

The County's principal and interest for long-term debt issued and outstanding at December 31, 2017 is as follows:

<u>Calendar Year</u>	<u>Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$26,428,000	\$8,898,518	\$45,980	\$3,562	\$35,376,060
2019	27,104,000	7,925,241	46,904	2,638	35,078,783
2020	23,632,000	6,935,361	47,846	1,695	30,616,902
2021	21,178,000	6,005,128	48,808	733	27,232,669
2022	20,795,000	5,234,851			26,029,851
2023-2027	88,862,000	15,685,811			104,547,811
2028-2032	33,050,000	4,163,150			37,213,150
2033-2037	<u>11,430,000</u>	<u>1,051,350</u>			<u>12,481,350</u>
	<u>\$252,479,000</u>	<u>\$55,899,410</u>	<u>\$189,538</u>	<u>\$8,628</u>	<u>\$308,576,576</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 4. BOND ANTICIPATION NOTES

The County issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount 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 and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2017 and 2016, the County had \$108,950,000 and \$80,930,000, respectively, in outstanding General Capital bond anticipation notes.

The following activity related to bond anticipation notes occurred during the calendar years ended December 31, 2017 and 2016:

<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Oppenheimer & Co.	\$25,455,000	\$54,045,000	\$25,455,000	\$54,045,000
J.P. Morgan Securities LLC	83,495,000		83,495,000	0
Jefferies LLC		24,730,000		24,730,000
	<u>\$108,950,000</u>	<u>\$78,775,000</u>	<u>\$108,950,000</u>	<u>\$78,775,000</u>
 <u>2016</u>	 <u>Beginning Balance</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Ending Balance</u>
TD Securities LLC	\$66,430,000	\$	\$66,430,000	\$0
Oppenheimer & Co.	14,500,000	25,455,000	14,500,000	25,455,000
J.P. Morgan Securities LLC		83,495,000		14,500,000
	<u>\$80,930,000</u>	<u>\$108,950,000</u>	<u>\$80,930,000</u>	<u>\$108,950,000</u>

NOTE 5. CAPITAL LEASES PAYABLE

In 2005 and 2006, the County entered into two lease agreements with the Passaic County Improvement Authority to fund improvement projects at the Prosecutor's office and Preakness Healthcare Center in the amounts of \$6,000,000 and \$87,960,000, respectively. In 2012, the County entered into a \$57,425,000 refunding capital lease agreement for the Preakness Healthcare Center capital lease to take advantage of debt savings. In 2015, the County entered into a \$19,550,000 refunding capital lease agreement for the Preakness Healthcare Center capital lease and a \$3,510,000 refunding capital lease agreement for the Prosecutor's Office to take advantage of debt savings. Annual debt service requirements for these capital leases are as follows:

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 5. CAPITAL LEASES PAYABLE, (continued)

The County's principal and interest for long-term debt issued and outstanding at December 31, 2017 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$3,070,000	\$2,751,844	\$5,821,844
2019	3,195,000	2,626,344	5,821,344
2020	3,310,000	2,516,838	5,826,838
2021	3,445,000	2,380,807	5,825,807
2022	3,595,000	2,224,307	5,819,307
2023-2027	19,565,000	8,651,632	28,216,632
2028-2032	21,985,000	4,903,754	26,888,754
2033-2036	<u>16,545,000</u>	<u>1,004,095</u>	<u>17,549,095</u>
	<u>\$74,710,000</u>	<u>\$27,059,621</u>	<u>\$101,769,621</u>

NOTE 6. FIXED ASSETS

The following is a summary of the General Fixed Assets Account Group as of December 31, 2017 and 2016.

<u>2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Land	\$326,979,707	\$	\$	\$326,979,707
Buildings and Building Improvements	284,355,199	94,828	179,722	284,270,305
Machinery and Equipment	64,541,624	1,826,990	187,508	66,181,106
Construction in Progress	<u>8,121,582</u>	<u>2,294,866</u>		<u>10,416,448</u>
	<u>\$683,998,112</u>	<u>\$4,216,684</u>	<u>\$367,230</u>	<u>\$687,847,566</u>

<u>2016</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Land	\$326,979,707	\$	\$	\$326,979,707
Buildings and Building Improvements	280,609,199	3,746,000		284,355,199
Machinery and Equipment	61,800,381	2,956,549	215,306	64,541,624
Construction in Progress	<u>8,121,582</u>			<u>8,121,582</u>
	<u>\$677,510,869</u>	<u>\$6,702,549</u>	<u>\$215,306</u>	<u>\$683,998,112</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 7. INTERFUND BALANCES AND ACTIVITIES

All interfunds were liquidated during the fiscal year.

NOTE 8. FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	<u>\$19,000,000</u>	<u>\$18,000,000</u>

NOTE 9. ACCUMULATED VACATION AND SICK PAY (UNAUDITED)

Under the existing policies of the county, certain employees are allowed to accumulate (with certain restrictions) unused vacation and sick pay over the life of their working careers and to redeem such unused leave time in cash upon retirement or by extended absence immediately preceding retirement.

The maximum sick leave benefits an employee is entitled to at retirement is \$15,000. Employees are entitled to carryover one year vacation time (with certain exceptions).

It is estimated that the current cost of such unpaid compensation, which was not audited by us would approximate \$18,168,727 and \$38,518,484 at December 31, 2017 and 2016, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 10. EMPLOYEE RETIREMENT SYSTEM

Description of Plans:

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Description of Plans:

Public Employees' Retirement System (PERS), (continued)

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Police and Firemens' Retirement System (PFRS)

Plan Description

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

Description of Plans:

Police and Firemens' Retirement System (PFRS), (continued)

Benefits Provided

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The County's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2017	\$15,014,142	\$13,760,327	\$54,667
2016	14,201,186	14,558,198	60,113
2015	14,236,973	18,653,632	53,946

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements. The following pension information is as of June 30, 2016 which is the latest information available. This information is eighteen months prior to December 31, 2017. GASB Statement No. 68 requires that the information be no more than twelve months prior to the employer's fiscal year end.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2017, the County had a liability of \$246,614,789 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the County's proportion was 1.0594146189 percent, which was an increase/(decrease) of 0.0082691737 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$17,384,990. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$5,806,927	\$
Changes of assumptions	49,684,381	49,502,229
Net difference between projected and actual earnings on pension plan investments	1,679,280	
Changes in proportion and differences between the County's contributions and proportionate share of contributions	<u>4,414,021</u>	<u>4,261,410</u>
Total	<u>\$61,584,609</u>	<u>\$53,763,639</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$5,805,551
2019	8,760,717
2020	5,308,547
2021	(7,060,381)
2022	(5,146,075)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
County's Proportion	1.0594146189%	1.0511454452%

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

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

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement 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 plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

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).

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

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

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

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

	June 30, 2017		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
County's proportionate share of the pension liability	\$295,878,213	\$246,614,789	\$205,625,420

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2017, the County had a liability of \$228,546,897 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the County's proportion was 1.4804308183 percent, which was an increase/(decrease) of (0.054578613) percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$13,760,327. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$1,482,698	\$1,341,398
Changes of assumptions	28,182,749	37,429,791
Net difference between projected and actual earnings on pension plan investments	4,361,268	
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>1,923,616</u>	<u>18,235,714</u>
Total	<u>\$35,950,331</u>	<u>\$57,006,903</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$2,781,053
2019	7,531,948
2020	1,536
2021	(10,438,361)
2022	(4,620,650)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53 and 6.17 years for 2017, 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$2,941,952,753	\$4,547,316,543
Collective deferred inflows of resources	3,262,432,093	688,197,590
Collective net pension liability	17,167,260,198	20,706,699,056
County's Proportion	1.4804308183%	1.5350094313%

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Actuarial Assumptions

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

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

Mortality Rates

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 on 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. Post-retirement mortality rates for female service retirements and beneficiaries are based on 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.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	June 30, 2017		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.14%</u>	<u>6.14%</u>	<u>7.14%</u>
County's proportionate share of the pension liability	\$301,129,358	\$228,546,897	\$169,058,594

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

County's Employee's Retirement System (Est. 1949)

The System's designated purpose is to provide retirement allowances and other benefits to its members. The County of Passaic Employees' Retirement System was established on January 1, 1949 under Chapter 310, P.L. 1948 until 1966 when it became subject to Chapter 210, P.L. 1966. The Plan is a defined benefit plan covering employees of the County employed by the County prior to July 1, 1967. The System's Board of Commissioners is responsible for its organization and administration.

Vesting and Benefit Provisions - Participants are eligible to receive normal retirement benefits upon completion of 20 years of service and attainment of age 55, or upon completion of 35 years of service regardless of age. Benefits under the plan are calculated on the basis of 50% of salary. In addition, a member who has completed 25 years of service and attained age 55 is entitled to an additional 1% salary for each year of service over 25 years up to age 70.

Pension benefits partially vest after 20 years of credited service. If a member has completed 20 years of credited service and is separated from service either voluntarily or involuntarily prior to age 55, the member may elect to receive 100% of his/her total employee contribution without interest, or

- (i) A deferred pension commencing at age 55 equal to 50% of salary times the ratio of his/her service divided by the service he/she would have accrued at age 55.
- (ii) A pension to commence immediately equal to 50% of salary reduced on an actuarial equivalent basis for commencement prior to age 55.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

If an active member dies, an annual survivorship benefit is payable to the member's surviving spouse, as long as he/she remains unmarried or to any minor children up to age 18. The death benefit payable is equal to 2 ½% of salary multiplied by the number of years of service. However, in no event will such annual survivorship benefit exceed 25% of the member's final compensation at the time of death, except for a \$2,500 minimum annual benefit. For members who were members of certain prior retirement systems, the annual survivorship benefit is equal to 50% of salary.

If a retired member dies, 50% of the member's pension (normal or disability) will be continued to the member's surviving spouse, as long as he/she remains unmarried, or to any minor children up to age 18. However, in no event will such survivorship benefit exceed 25% of the member's final compensation at the time of retirement, except for a \$2,500 minimum annual benefit. For members who were members of certain prior retirement systems, the annual survivorship benefit is equal to 50% of the member's final compensation at the time of retirement.

A surviving spouse will qualify for a death benefit if he/she married the employee before the member's retirement. Also, he/she must have married the employee before the member attained age 50 unless the employee continues in the employment of the County for at least five years after such marriage.

If an active member becomes permanently and totally disabled he/she is entitled to retire and receive a pension equal to 2 ½% of salary multiplied by the number of years of service up to a maximum of 20 years. However, if the disability is the result of injury, accident or sickness arising out of and in the course of employment, the pension will be equal to 50% of salary regardless of the amount of service. For members who were transferred from certain prior retirement systems, the pension is equal to 50% of salary regardless of the reason for the disability.

Contribution Policy - Each active member is required to contribute 6% of salary per annum. The County is required to contribute 10% of each active member's salary per annum, plus an addition 1% per annum in each succeeding fiscal year (cumulative) after 1966 until the actuary of the Plan certified to the County that the County's contributions, together with the contribution of the members and all Plan earnings, are sufficient to meet the liabilities of the Retirement System on a fully funded reserve basis. Pension payments to retirement employees and beneficiaries are adjusted each year by a percentage equal to 60% of the change in the Consumer Price Index. These pension increases are not to be included with the benefits that are refunded under this System, but rather are to be funded by the County by annual appropriations.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Benefit Obligations

The actuarial present value of accumulated plan benefits, is that amount that results from applying actuarial assumptions, to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions underlying the actuarial present value of accumulated plan benefits at December 31, 2015 are as follows:

Actuarial Assumptions

Interest Rate	5.0% compounded annually for pre and post retirement.
Mortality	RP2000 Gender specific table projected to the valuation year using scale AA (post retirement only)
Salary Scale	It is assumed that salaries will increase at 2.5% per year.
Cost of Living	Pension payments are assumed to increase 2% per year.
Load for Ancillary Benefits	None

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial valuation was performed as of December 31, 2016. Plan assets, as reported by the independent auditor's were \$212,186, while the liabilities were \$17,721,300, producing a deficit of (\$17,509,114) as of that date.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

The valuation results are summarized below:

Number of Plan Members:		
Actives		\$ 1
Retired Members & Beneficiaries		<u>66</u>
Total		<u>67</u>
Present Value of Benefits:		
Active Members	\$967,642	
Retired Members	<u>16,753,658</u>	
Total		\$17,721,300
Plan Assets		<u>212,186</u>
		<u>(\$17,509,114)</u>
Excess (deficiency) of assets over liabilities		

Annual pension payments to retirees totaled \$2,096,439. The average payment was \$31,764. The additional potential payment to the one active member was \$96,930. Pension payments are increased annually (after the first three years of retirement). The rate of increase is provided by the State Retirement Bureau. We have assumed an annual increase of 2.00% in our valuation. The aggregate total of future pension payments will decrease as a result of the death of any retirees or beneficiaries currently in pay status. The average age of the pensioners was 84.

Based on current and projected annual payments, it is recommended that the fund maintain at least \$2.276 million in liquid assets for the next five years.

The valuation was based on an assumed rate of return of 5.00%. The mortality assumption was changed from the 1994 GAR table to the RP2000 Gender specific table to account for mortality improvements. In our opinion, these assumptions are reasonable for valuation purposes.

If the assumed rate of return was 4.00%, the plan liabilities would be \$18,913,313, making the deficit (\$18,701,126). On the other hand, if the assumed rate of return was 6.00%, the liabilities would be \$16,665,132, and the deficit would be (\$16,452,946).

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 11. SELF-INSURANCE WORKMEN'S COMPENSATION PLAN

The County has established a workmens compensation plan for its employees. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$300,000 for any one accident or occurrence, with any excess benefit being reimbursed through a Re-Insurance Agreement with Continental Casualty Corporation up to \$1,000,000 for any one accident or occurrence. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2017 and 2016. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the County has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the County under existing reinsurance agreements. Exhibit B-9 summarizes the 2017 transactions of the plan.

NOTE 12. SELF-INSURANCE LIABILITY PLAN

The County has established a liability trust reserve for the purpose of funding payments that may arise from any general, auto or other liability claims against the County on a self-insured basis. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$1,000,000 for any one accident or occurrence, with any excess benefit being reimbursed through a Re-Insurance Agreement with Coregis Insurance Company up to \$5,000,000 for any one accident or occurrence. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2017 and 2016. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the county has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. Exhibit B-12 summarizes the 2017 transactions of the plan.

NOTE 13. SELF-INSURANCE HEALTH BENEFITS PLAN

The County has established a Health Benefits plan for its employees. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$150,000 per employee per year, with any excess benefit being reimbursed through a Re-Insurance Agreement with Pacific Mutual Insurance Company up to \$1,000,000 per employee per year. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2017 and 2016. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the County has not received

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 13. SELF-INSURANCE HEALTH BENEFITS PLAN, (continued)

notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the County under existing reinsurance agreements. Benefits are paid directly from current fund budget appropriations.

NOTE 14. CLAIMS AND JUDGEMENTS

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

NOTE 15. RELATED PARTY TRANSACTIONS

In March 1987, the County of Passaic organized the Passaic County Utilities Authority (the "Authority"). The purpose of the Authority is to implement the County's Solid Waste Management Plan. The following is a synopsis of the County's related party transactions with the Authority.

a. Overlapping Debt/Contingent Liability

The Authority has issued several series of bonds over the years since 1987 pursuant to a resolution of the authority adopted on August 12, 1987 and entitled, "*The Passaic County Utilities Authority General Bond Resolution Authorizing the Issuance of Solid Waste Disposal Revenue Bonds*", as amended and supplemented as necessary in connection with each bond issuance (collectively, the "Landfill Resolution").

- \$33,015,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012 (the "2012 Refunding Bonds") outstanding in the amount of \$32,500,000 consisting of \$14,480,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012A and \$18,020,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012B (Federally Taxable)

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 15. RELATED PARTY TRANSACTIONS, (continued)

On November 1, 2012 the Authority advance refunded the callable portion of the outstanding \$31,745,000 amount of its \$35,680,000 principal amount of Solid Waste Disposal Revenue Bonds (Tax Exempt Series 2004A) (the "Tax Exempt 2004A Bonds") to a March 1, 2014 call date with the proceeds of the 2012 Refunding Bonds referenced above, and such callable Tax Exempt 2004A Bonds, with the exception of the 2013 and 2014 maturities which are not callable, \$910,000 is outstanding; and

- \$9,145,000 Solid Waste Disposal Revenue Bonds (Taxable Series 2004B) (the "Taxable Series 2004B Bonds") outstanding in the amount \$8,060,000.

- \$19,270,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2008 outstanding in the amount of \$17,215,000.

NOTE 16. PRIOR YEAR DEFEASANCE DEBT

In prior years, the County defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. On May 15, 2013, August 15, 2012, February 1, 2012, May 1, 2011, June 17, 2010, September 15, 2009, September 1, 2001, May 1, 2004, September 1, 2003, March 1, 2001, September 1, 1998, September 1, 1995, February 1, 1994, September 1, 1993 and December 1, 1992, \$17,075,000, \$10,647,000, \$11,950,000, \$26,540,000, \$10,045,000, \$13,029,000, \$12,220,000, \$48,513,000, \$15,890,000, \$31,145,000, \$30,100,000, \$4,875,000, \$18,981,000, \$36,879,000 and \$17,134,000 of bonds outstanding were defeased, respectively.

NOTE 17. LITIGATION

General Litigation

In the opinion of William J. Pascrell, III, Esq., County Counsel, there is no litigation of any nature now pending or threatened restraining or enjoining the issuance or the delivery of the Obligations or the levy or the collection of any taxes to pay the interest on or the principal of the Obligations, or in any manner questioning the levy or the collection of taxes, or affecting the validity of the Obligations or the levy or the collection of taxes. Neither the authority or the proceedings for the issuance of the Obligations nor the title of any of the present officers

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

of the County to their respective offices is being contested. Neither the corporate existence or boundaries of the County is being contested; no authority or proceedings for the issuance of the Obligations has or have been repealed, revoked or rescinded; and all actions or proceedings in regard to the issuance of the Obligations taken by governing body subsequent to the adoption of the Open Public Meetings Act of New Jersey have been in compliance with said Act.

LITIGATION AFFECTING THE PASSAIC COUNTY UTILITIES AUTHORITY

A discussion of certain pending litigation that could have an adverse impact on the financial condition of the Authority is set forth below and has been provided by McManimon, Scotland & Baumann, LLC, General Counsel to the Authority.

1. **In the Matter of the Petition of the Passaic County Utilities Authority for a Ruling Regarding the Continuing Obligation of Pen Pac, Inc. to Provide Transfer Station Services and for the Establishment of Rates for Such Transfer Station Services**, DEP Docket No. SR92101003J and OAL Docket No. 00788-93N

PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2040-05 (Superior Court of New Jersey, Law Division — Passaic County) (Appellate Docket No. A-3861-06T3) (Certification Denied, New Jersey Supreme Court Docket No. 62,832); and,

PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2615-08 (Superior Court of New Jersey, Law Division — Passaic County).

Determination of Underrecovery

From December 12, 1992 to approximately November 11, 1997, PenPac, Inc. ("PenPac") provided solid waste transfer station services to the Authority pursuant to an interim rate, which was subject to eventual adjustment to account for over recovery by the Authority, or under recovery by PenPac. A Verified Petition in the administrative matter, which is the first case captioned above, was filed by the Authority on or about October 12, 1992 with DEP to establish the rates in question. Essentially, the Authority claimed that it was entitled to an over recovery in excess of \$5,000,000 from PenPac. PenPac in turn claimed that it was entitled to an under recovery in excess of \$20,000,000 (inclusive of interest) from the Authority. The administrative proceedings sought to establish a final rate for the transfer services in question for the years 1993, 1994, 1995 and 1996.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 17. LITIGATION, (continued)

Hearings before an administrative law judge commenced in November, 1996 and concluded at the end of May, 1997. On April 12, 1999, the administrative law judge hearing the matter issued her Initial Decision, awarding approximately \$8,000,000 to PenPac as an under recovery for services rendered. The Initial Decision was a recommended decision, which was submitted to the Commissioner of the DEP for consideration and the issuance of a Final Decision.

On July 5, 2000, the Commissioner of the DEP issued his Summary Order memorializing the decision of the DEP. The Summary Order reduced the award to PenPac from the recommended award of \$8,000,000 to \$3,238,792. The Summary Order further provided that there would be no further rate proceedings for years after 1996. The Summary Order did not include a full list of findings of fact and conclusions of law, which were set forth in the Commissioner's Final Decision. The Final Decision was appealed to the Appellate Division of the Superior Court by the Authority.

The Appellate Division entered a decision affirming the DEP Commissioner's Summary Order awarding PenPac \$3,238,792, plus interest in the amount of \$256,313. The Appellate Division also remanded the matter to the DEP for a determination of rate underrecovery for that portion of calendar year 1997 during which PenPac provided transfer station services, and for a determination of the overall rate of interest on the entire award¹. Certification of that decision was sought to the New Jersey Supreme Court, and ultimately denied.

Entry of August 2005 Judgment and Post-Collection Efforts (1st of 2 PenPac Judgments)

PenPac thereafter filed a Complaint in Superior Court, captioned PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-I-2040-05 (Superior Court of New Jersey, Law Division - Passaic County, the second case listed above), seeking to have the administrative

¹ On remand, the NJDEP determined that PenPac was entitled to an additional \$1.3 million of underrecovery for services rendered for portions of calendar year 1997, as well as for interest on the overall award (the "Remand Award"). The Remand Award was reduced to judgment on March 5, 2009 in the third matter listed above, PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2615-08 (Superior Court of New Jersey, Law Division - Passaic County). Post-judgment efforts are ongoing, primarily and directly, against the County of Passaic at this time, discussed *infra*. Nonetheless, the unsatisfied portion of both judgments remain obligations of the Authority, despite its financial condition and regardless of collection efforts against the County.

² As well as since the entry of the Remand Award in 2009 constituting the Second Judgment against the Authority.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

underrecovery decision, as affirmed by the Appellate Division, reduced to a judgment in the Superior Court. On August 15, 2005, the Passaic County Superior Court entered a judgment against the Authority in the amount of the Commissioner's Decision, as affirmed, plus interest (total judgment amount of \$3,495,105).

Since the entry of the August 15, 2005 judgment in PenPac's favor², PenPac has engaged in various efforts to enforce the judgment and collect upon it from the Authority (and, as of 2012, against the County of Passaic as well - see *infra*). As a result of the Authority's financial condition, including the amount of outstanding debt, its inability to generate operating revenues in the wake of the judicial rulings in Atlantic Coast Demolition & Recycling, Inc. v. Atlantic County Bd. Of Chosen Freeholders, 112 F.3d 652 (3d Cir. 1997), amended, 135 F.3d 891 (3d Cir. 1998) (the "Atlantic Coast" decisions) and its obligations to the Authority's bondholders, the Authority has consistently taken the position that its limited monetary assets are pledged to the bondholders and should be applied to reduce debt service. Therefore, the Authority has maintained that PenPac's judgment for underrecovery may not be satisfied out of the Authority's monetary assets. The Authority has argued consistently in State court that State law clearly provides that the assets of a county or municipal utilities authority are exempt from levy and execution, and are otherwise pledged to its bondholders in either event. They are not available to satisfy unsecured judgment creditors. Stated simply, the Authority has argued that its assets are pledged to the superior priority of the bondholders, and are not subject to seizure by an unsecured judgment creditor such as PenPac.

Nonetheless, PenPac, as part of its collection efforts, in the Fall of 2006 made an application to the Superior Court for mandamus relief to compel the Authority to pay the judgment from its available monetary assets, or to otherwise provide for payment. The Authority resisted that application, and opposed it for the reasons set forth in the previous paragraph, focusing largely on the pledge of monetary assets first and foremost to the Authority's bondholders. The Court granted the relief sought by PenPac as a threshold matter, and thereafter held a plenary hearing on January 3-4, 2007 to establish the extent of the Authority's known assets, and the degree to which they are pledged to bondholders as argued by the Authority, or otherwise were potentially available to pay PenPac's 2005 Judgment. The Authority argued that PenPac was precluded from levying against the assets of the Authority, or otherwise obtaining an order to compel payment of the August, 2005 judgment from those assets. After the January, 2007 hearing, during which evidence and testimony were taken with respect to the Authority's assets and financial condition, the Court reserved decision.

COUNTY OF PASSAIC, N.J.
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(continued)

NOTE 17. LITIGATION, (continued)

March 12, 2007 Order Directing Turnover and Assignment of Assets to PenPac

On March 2, 2007, the Court issued a written opinion, which ordered the implementation of mandamus relief by way of ordering the Authority to 1) turnover \$701,230.41 in Bank of New York accounts to PenPac; 2) to turnover \$1,702,220.84 in Bank of America accounts to PenPac; and 3) to assign all future income derived from the Passaic Investors mortgage receivable, held by the Authority, to PenPac. That decision was memorialized by Order entered on March 12, 2007. The March 12, 2007 Order effectively transferred all of the Authority's known monetary assets to PenPac, excepting only certain Bank of New York accounts associated with the Authority's active and outstanding 1999 and 2004 Series Bonds (as well as any account associated with an active bond issue, such as the 2008 Bonds), which the trial court found were validly pledged to the bondholders and thus not subject to turnover. The rest of the assets were found to be free and available to satisfy PenPac's Judgment.

The Authority authorized appeal of this decision first to the Superior Court Appellate Division (which affirmed), and then to the New Jersey Supreme Court. The New Jersey Supreme Court refused to grant Certification to hear the case, rendering the trial court's March 2007 determination final as of September 5, 2008. At that point, the stay of the trial court's decision was dissolved.

Compliance with the March 12, 2007 Order of the Trial Court: Turnover of Assets and Assignment of Mortgage Receivable Income

As a result of the finality of the March 12, 2007 Mandamus Order by exhaustion of available appellate review, the Authority adopted a resolution at a special meeting held on September 25, 2008 to comply with the terms of that Order, and; 1) turned over \$701,230.41 in bondholder restricted Bank of New York accounts to PenPac; 2) turned over \$1,702,220.84 in allegedly unrestricted Bank of America accounts to PenPac; and, 3) assigned all future income derived from the Passaic Investors mortgage receivable, held by the Authority, to PenPac³.

³ That Mortgage has now been paid and amortized in full.

COUNTY OF PASSAIC, N.J.
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YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

Future of PenPac Litigation - Collection Efforts directly against County of Passaic

As noted above, the Remand Award was also reduced to judgment in the amount of approximately \$1.3 million on March 5, 2009 in the third matter listed above, PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2615-08 (Superior Court of New Jersey, Law Division — Passaic County). PenPac, is still owed payment by the Authority with respect to the balance due on the 2005 judgment, and the entire 2009 Remand Award judgment. What is outstanding does not include post-judgment interest, which accrues pursuant to the New Jersey Rules of Court.

In 2010, PenPac undertook limited, additional post-judgment discovery against the Authority. However, no additional assets were discovered or found (as expected in the light of the 2008 turnover of assets), and no additional post-judgment activity has been taken against the Authority since. None is imminently anticipated.

In 2011, PenPac brought a direct legal action against the County of Passaic to collect on these Judgments.. Since the Authority has no available assets, PenPac's collection efforts naturally turned to the County of Passaic - as had been long anticipated. PenPac's lawsuit had asserted various legal theories under which it maintained the County is responsible for the Judgments - contractual debts of the Authority - despite the absence of direct contractual privity with the County. Among them was a theory that the Authority should be dissolved by *de facto* merger with the County of Passaic, and all of its debts assumed by the County - including the PenPac Judgments. That suit was captioned PenPac, Inc. v. County of Passaic, Docket No. PAS-L-2635-11, and was brought in the Superior Court in Passaic County. The County had retained outside, separate counsel to defend against that action.

After discovery, in August of 2012 both the County and PenPac moved for summary judgment. The parties fully briefed the issues in the case - including notably, the inability of the courts to independently dissolve a county utilities authority subject to State oversight, which has outstanding debt. Oral argument was heard in that case on October 23, 2012, on both summary judgment motions. On October 25, 2012, Judge Chiocca in Passaic County dismissed all Counts of PenPac's action against the County for the reasons delivered in an oral opinion.

PenPac then appealed that dismissal to the Appellate Division of the Superior Court. After a full briefing of the issues by both Parties, the Appellate Division, by written decision issued on December 27, 2013, affirmed the trial court's dismissal of the action against the County in its entirety. The Appellate Division found that there was no indication that the County had assumed the PenPac Judgments as a matter of law.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 17. LITIGATION, (continued)

On or about January 28, 2014, PenPac petitioned the New Jersey Supreme Court for a grant of certification to review the December 27, 2013 decision of the Appellate Division. That application remains pending at this time.

2. Plaintiffs v. the County of Passaic

This matter involves another convoluted episode of employment issues at the Passaic county Sheriff's Department.

The plaintiffs were laid off pursuant to the New Jersey Civil Service Act under the mass lay-off of 2008. However, they were never re-hired, for a number of reasons.

Thereafter, Civil Service ordered that the plaintiffs be reinstated, and the Department requested that they fill out re-employment applications. The plaintiffs had refused to fill out those applications, and we are not involved in litigation at the Federal Court Level.

This is a very dangerous situation, because it is a winner-take-all scenario. If the jury or a Court determines that these three individuals were not properly re-hired, they will be entitled to back wages for calendar years 2009, 2010, 2011 and 2012, which would include health benefits and pension contributions. In addition, they could possibly be entitled to additional compensatory damages as well as possibly punitive damages.

Late last year, two of the claims were settled.

Thereafter, the matter was proceeding, and the Federal District Court (Judge Salas) granted the County of Passaic to file a Notice of Motion for Summary Judgment. As such, the County of Passaic filed its Notice of Motion for Summary Judgment against the plaintiffs' Claudio Tundo and Rubin Gilgorri.

Those motions were granted by Judge Salas on or about February 20, 2018. However, the plaintiffs have filed a Notice of Motion for Appeal, which will be proceeding to the Third Circuit District Court of Appeals.

3. Plaintiff v. Passaic County Sheriff's Department

In this matter, the plaintiff was arrested by the Passaic County Sheriff's Department's warrant squad for an outstanding child support debts.

COUNTY OF PASSAIC, N.J.
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(continued)

NOTE 17. LITIGATION, (continued)

During the arrest, the plaintiff became combative, and additional criminal charges were filed against him. Plaintiff contested those criminal charges, which were dismissed in a Municipal Court. The plaintiff has instituted litigation, and has made a monetary demand for settlement.

4. Plaintiff v. County of Passaic

This matter is pre-suit and involves the plaintiff suspended by the Passaic County Sheriff's Department for criminal charges that were pending against him and filed by the Passaic County Prosecutor's Office.

By virtue of the dismissal of the said criminal charges, the plaintiff is now seeking reinstatement to the Passaic County Sheriff's Department, back-pay, back-wages and the costs of all medical care and treatment that he underwent while out of service. He also seeks legal fees.

**5. Plaintiffs v. Passaic County Superintendent of Elections and the County of Passaic
U.S. District Court, District of New Jersey**

The Plaintiffs filed a complaint against the Passaic County Superintendent of Elections, Laura B. Freytes (the "Superintendent"), and the County of Passaic, in federal district court on June 13, 2011. On December 26, 2012, Plaintiffs' federal court action was dismissed for failure to state a claim upon which relief can be granted.

Plaintiffs, thereafter, filed a complaint in state court against Defendants, Laura Freytes and the Passaic County Superintendent of Elections, on January 23, 2013. Defendants/Third-Party Plaintiffs filed an Answer and Third-Party Complaint against the Third-Party Defendants, the County and the State of New Jersey (the "State"), on or about March 11, 2013 which served on the County on March 21, 2013. In their Third-Party Complaint against the County and the State, the Superintendent Defendants asserted a claim for contribution and indemnification.

The County and the Superintendent Defendants filed motions to dismiss the Plaintiff's state court complaint before the Law Division based on, among other things, the collateral estoppel doctrine, the statute of limitations, and failure to state a claim upon which relief can be granted. The trial court granted the County's Motion to Dismiss Plaintiff's complaint on August 29, 2013. The court also dismissed the Third-Party Complaint filed by the Superintendent Defendants by order, dated December 23, 2013, due to the

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

Superintendent Defendants' pending appeal of the Attorney General's July 25, 2013 final administrative decision. Following the dismissal of their state court complaint, Plaintiffs' filed an appeal to the Appellate Division, which is currently pending.

The County filed a motion to intervene in the Superintendent's appeal of the State's administrative agency decision and a motion to consolidate that appeal with the Plaintiffs' appeal of the trial court's dismissal of their action. Both motions were granted on January 14, 2014. After multiple requests by Plaintiffs and the Superintendent for extensions of the briefing schedule, all parties' briefs were submitted to the Court by October 17, 2014. To date, the Appellate Division has not yet issued a decision on these appeals.

On February 23, 2017, the Appellate Division issued an opinion, which affirmed, in part, and reversed, in part, the trial court's dismissal of Plaintiff's complaint. The opinion affirmed the dismissal of all Plaintiff's constitutional claims as well as the CEPA claims of William Malave and Elvin Sanchez. However, it reversed the dismissal of Cedestino Malave's CEPA's claim, finding that the CEPA claim was not barred by the statute of limitations. That claim has been remanded back to the trial court.

Following a motion to reopen and extend discovery, the trial court entered an order, which set a March 16, 2018 discovery end date and a March 19, 2018 trial date. Summary judgment motions were filed by the Superintendent Defendants and the County on January 19, 2018 and are currently pending. Four other motions are also pending before the court: Plaintiff's motion to dismiss the summary judgment motions, Third Party Defendant the State of New Jersey's motion to dismiss the Third Party Complaint and the County's cross-claims and two motions to dismiss Plaintiff's complaint, which were filed by the Superintendent Defendants and the County, based on Plaintiff's failure to appear for his deposition, in violation of an order entered by the Court on January 10, 2018.

6. Plaintiff v. Preakness Healthcare Center, et al.
United States District Court, District of New Jersey

On July 13, 2015, Plaintiff filed a complaint against Preakness Healthcare Center, the County of Passaic, and various John Doe Defendants in the Superior Court of New Jersey, Passaic County. The complaint alleges discrimination and retaliation claims under the New Jersey Law Against Discrimination ("LAD") as well as interference and retaliation claims under the Family and Medical Leave Act ("FMLA"), arising from Plaintiff's termination as a licensed practical nurse at Preakness Healthcare Center.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

Based on a technical deficiency in the summons, Defendants obtained a pre-answer dismissal of the complaint without prejudice for insufficient process and lack of personal jurisdiction on January 8, 2016. Plaintiff was ordered to serve the complaint and a corrected summons on Defendants within 20 days, but failed to timely do so. Plaintiff filed a motion to reinstate the complaint and enlarge the time to serve the complaint and correct summons, which was granted on April 1, 2016. After proper service of the complaint, Defendants removed the case to federal court based on subject matter jurisdiction derived from the FMLA claim.

An initial Rule 16 scheduling conference was held on August 5, 2016 before Magistrate Judge Hammer at which time it was decided and agreed that initial discovery would be limited to settlement-target discovery only. Since then, the parties have exchanged some initial discovery pursuant to a consent scheduling order although Plaintiff has failed to produce any documents bearing upon her attempts to mitigate damages as required under the order. On October 12, 2016, Plaintiff provided an initial settlement demand of \$185,000, most of which appears to be comprised of emotional distress damages due to the fact that Plaintiff obtained employment within months of her termination from Preakness. A better assessment of Plaintiff's economic damages can be made once Plaintiff produces her outstanding discovery. A telephone status conference with the court is current scheduled for March 7, 2017.

A settlement conference was held on August 30, 2017 at which time the case was settled by the parties. A settlement agreement was executed on October 30, 2017 and settlement funds were forwarded to Plaintiff's counsel on December 20, 2017. The Court entered an Order of Dismissal with Prejudice and without costs or fees on January 8, 2018.

**7. Plaintiff v. County of Passaic and Dewberry Engineers
Superior Court of New Jersey, Passaic County**

Plaintiff filed a complaint against the County of Passaic ("County") and Dewberry Engineers ("Dewberry"), in the Superior Court of New Jersey, Passaic County, on January 30, 2017.

The claims in the Complaint arising from the County's bid for the replacement of West Brook Road Bridge over Wanaque Reservoir. Defendant Dewberry served as engineer for this project. In response to the County's bid documents, which contained the New Jersey Department of Transportation 2007 Standard Specifications for Road and Bridge

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

Construction along with Supplemental Specifications, Plaintiff NRC bid for the project. The County and NRC entered into a contract on July 23, 2013, whereby NRC could serve as general contractor. During the course of the project, Plaintiff NRS claimed that they had to engage in extra work related to additional costs it incurred related to the treatment of concrete in the drilled shaft foundations as Mass Concrete, in the amount of \$135,023.86, including overhead and profit. The County rejected this claim based upon its contention that NRC had been informed from the bid documents prior to the contract of the requirement of thermal curing treatment for the Mass Concrete.

Plaintiff also claimed it was subjected to differing site conditions in the rock foundation for the project, which it alleged as materially different than what the project plans depicted. According to Plaintiff, the Project Specifications and Plans provided insufficient information for NRC to anticipate the underwater conditions and that no bidder could have anticipated such conditions. Plaintiff claimed it had to incur additional costs associated with redesigns to address the alleged differing site conditions, and sought recovery of such costs from the County.

The contract between the County and NRC required, as a condition precedent to litigation that NRC and the County participate in non-binding arbitration on NRC's claims. The County and NRC participated in non-binding arbitration before the Hon. Peter E. Doyne (J.S.C. Ret.). On August 9, 2016, Judge Doyne rendered a decision in favor of the County and denied NRC's claim for additional monies relating to the handling of mass concrete in the construction of bridge support columns, finding that all work concerning mass concrete and thermal curing was set forth in the bid documents, construction plans and specifications. On November 30, 2016, Judge Doyne rendered a decision in favor of the County on NRC's claim of differing site conditions, finding that under the bid documents and contract, NRC had the responsibility to investigate subsurface conditions, not the County (Type I claim). As to NRC's claim that the rock formation was an unusual condition that materially differed from those ordinarily encountered or which could not have been reasonably anticipated pre-bid (Type II claim), Judge Doyne determined that based on competing expert reports and the record, he could not determine whether NRC had shown such a claim.

Based upon the aforementioned factual background, Plaintiff thereafter filed its Complaint against the County and Dewberry alleging breach of contract (County only, Count I), unjust enrichment (County only, Count II), *Quantum Meruit* (County only, Count III), and misrepresentation (Dewberry only, Count IV). Plaintiff claims that as a result of the County's and Dewberry's alleged actions, it has sustained damages in excess of three (3) million dollars.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

At the most recent Case Management Conference on February 6, 2018, the parties were ordered to commence depositions on April 1, 2018 and conclude depositions by June 30, 2018. Presently, there are about 30 individuals on the proposed deposition list; however, the County of Passaic also intends to serve R. 4:14-2 notices for the depositions of NRC corporate designees, which may serve to consolidate deponents. Once the depositions of NRC's corporate designees are taken, along with certain other depositions, the County of Passaic intends to file a Motion for Summary Judgment on the issues of Mass Concrete and Differing Site Conditions, Type I and II. Additionally, there will be multiple experts in the case which will require expert reports and depositions. Once depositions are taken, the County of Passaic will be in a better position to estimate what exposure, if any, the County may have to NRC.

8. Plaintiff v. Passaic County, et al.
United States District Court, District of New Jersey

On February 24, 2017, Plaintiff, an inmate at the Passaic County Jail, filed a complaint against Passaic County, Anthony J. DeNova III, Richard H. Berdnick, Passaic County Sheriff, Michael Tolerico, Passaic County Board of Chosen Freeholders and the Passaic County Sheriff's Office (collectively the "County Defendants"), and Corizon Health of New Jersey, in the Superior Court of New Jersey, Passaic County. The complaint alleges claims of negligence and reckless conduct under the New Jersey Tort Claims Act, as well as claims of deliberate indifference to medical care in alleged violation of the Eighth Amendment of the U.S. Constitution and Article 12 of the New Jersey Constitution. The County Defendants moved to dismiss the Plaintiff's Complaint under R. 4:6-2(e), for failure to state a claim upon which relief could be granted. The County Defendants were successful in their motion, and the Plaintiff's Complaint was dismissed without prejudice on or about October 12, 2017, by the Hon. Liliana DeAvila-Silebi, J.S.C., with leave for Plaintiff to file an amended complaint against all County Defendants except for the Passaic County Board of Chosen Freeholders and the Passaic County Sheriff's Office. Plaintiff's claims as to these town defendants were dismissed without prejudice.

Plaintiff filed an amended complaint which named as additional County Defendants, Sheriff's Officers, Richard Ashley, Joshua Rojas, Joseph Greco and Gregory DeFranco. Plaintiff also named additional Corizon defendants, Jocelyn Crus and Joseph Girone in his amended complaint. On or about November 15, 2017, the County Defendants removed the matter to federal court based on the constitutional claims asserted against them. Plaintiff then filed a second amended complaint which sought to remove constitutional claims references to the County Defendants, which the Corizon defendants removed to federal court

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

on November 30, 2017. Plaintiff proceeded to file a Third Amended Complaint in an attempt to cure the fact that he continued to make constitutional claims against the County Defendants, and moved for remand of the matter to state court. The Corizon Defendants filed a Rule 12(b)(6) motion to dismiss, and Plaintiff opposed their motion by moving for leave to file a fourth amended complaint. The County Defendants and the Corizon Defendants served Rule 26 Disclosures while awaiting guidance from the Court on the procedural status of the case.

Plaintiff's counsel has confirmed that based on the outcome of the state court's written decision on the County's motion to dismiss (the same arguments which would form the basis of a 12(b)(6) motion to dismiss in federal court), he has no intention of proceeding with any constitutional claims against the County Defendants. This would eliminate 2 out of 4 counts of the original complaint, leaving only the 2 tort claims of negligence and reckless conduct against the County Defendants. Plaintiff does intend to maintain his constitutional claims against co-defendant Corizon Health of NJ, so if Judge Waldor ends up denying his motion for remand, the case will remain in federal court, and discovery will proceed.

9. Plaintiffs vs. County of Passaic

As noted previously, plaintiffs dismissed with prejudice all federal claims arising out of their strip searches at the Passaic County Jail, dismissed with prejudice their federal court action, and instituted a state court action in November 2016 limited to state causes of action against the County of Passaic only.

In March 2017, Passaic County answered plaintiffs' state court complaint. Cornell Johnson and Dondray Goodwin were the only plaintiffs named individually in this purported class action.

Thereafter, the parties exchanged substantial written discovery in the form of interrogatories and requests for the production of documents. No depositions were taken.

Pursuant to Court order in the state court action, the parties participated in a Mediation before retired federal court judge Dennis Cavanaugh on September 27, 2017. Ten days earlier, we, and our adversary, had submitted detailed *ex parte* mediation statements and relevant documents for the Mediator's consideration and discussion at the September 27, 2017 meeting. The matter settled on September 27, 2017, subject, among other things, to approval by the Passaic County Board of Chosen Freeholders. That approval was subsequently obtained.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 17. LITIGATION, (continued)

10. Plaintiff v. County of Passaic, City of Newark

This action arises out of a Complaint filed on January 19, 2018 for personal injuries in Passaic County against the County of Passaic, City of Newark and various fictitious names and corporations.

This is a Complaint for personal injuries. Plaintiff alleges that on or about December 3, 2016 he was on his way home from work traveling northbound on Union Valley Road in West Milford Township at approximately 8:08 pm when a tree branch fell on his car passing through the windshield striking him in the forehead. Photos provided depict significant contusions to his face. He told his plastic surgeon he was driving in a "wind storm". The land adjacent to Union Valley Road from where the tree fell was owned by the City of Newark. Union Valley Road is owned/maintained by Passaic County.

Plaintiff is alleging \$1,000,000.00 in damages as per the Tort Claims Notice.

Co-Defendant City of Newark is self-insured. As you are aware, Passaic County is self-insured through the Joint Insurance Fund.

We are unaware of any performance of certain actions limitations at this time. We will learn of same once we receive Plaintiff's written discovery and take his deposition.

We filed our Answer on March 21, 2018. Co-Defendant City of Newark file their Answer on April 10, 2018. We are in the process of exchanging written discovery.

We are vigorously defending this matter as the information received to date indicates we definitely do not own the property, nor are in control of any maintenance and/or tree trimming responsibilities on the land owned by City of Newark. If the plaintiff's attorney will not provide a Stipulation of Dismissal when discovery is complete, I will file the requisite Summary Judgment motion based on lack of ownership/control and the notice requirements under Title 59. If said motion is denied, this is a case for trial.

As noted above, we are confident in a favorable outcome.

Workers' Compensation Cases

At this time, the County is defending 145 workers' compensation matters that are open and active for the County of Passaic.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 18. ARBITRAGE REBATE

The County sometimes temporarily reinvests the proceeds of its tax-exempt debt in higher yielding taxable investments which is referred to as arbitrage by the federal tax code. In certain situations, the County is permitted to keep the extra earnings that result from arbitrage. Otherwise, any excess earnings resulting from arbitrage must be rebated to the federal government. Federal law requires that arbitrage be calculated and rebated at the end of each five-year period that tax-exempt debt is outstanding.

The County engaged Public Financial Management (PFM) to perform an arbitrage rebate calculation for the period July 1, 1999 to December 31, 2003. Their report date, March 24, 2005, shows that the County owed a rebate of \$491,545 to the Federal Government.

NOTE 19. RISK MANAGEMENT

The County is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained insurance coverage to guard against these events which will provide minimum exposure to the County should they occur. During the 2017 calendar year, the County did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 20. POST RETIREMENT BENEFITS

Plan Description

The County of Passaic provides lifetime medical benefits to County employees who retire under the following conditions:

- After twenty-five years of State pension membership; or
- Upon a disability retirement

Employees who do not meet the above requirements and retire after age 60 may purchase coverage for themselves and their dependents through direct billing.

Eligible retirees are provided several medical benefit plans to select from. Their selections can be changed during open enrollment periods. Members who become Medicare eligible must enroll in both Part A and Part B in order to maintain eligibility in the County plan. For retirees with 25 years of services, Part B premiums are reimbursed by the County.

Dependents of retirees are covered until the death of the retiree, however, dependent spouses may continue coverage through direct billing upon the death of the retiree.

COUNTY OF PASSAIC, N.J.
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YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

The number of retirees receiving premium-free benefits as of December 31, 2017, the effective date of the biannual Other Post-Employment Benefit, herein referred to as "OPEB", valuation is 1,281. Of these, 753 retirees retain dependent or spousal coverage. There have been no significant changes in the number of covered retirees or type of coverage since the valuation date.

The County currently accounts for these post retirement benefits on a pay-as-you-go basis.

Actuarial Valuation Results

The Actuarial Accrued Liability for retirees is \$744,450,000, and for current active employees is \$509,991,000 for a total accrued liability of \$1,247,441,000.

Funding Policy

Summary of Principal Results for GASB 45 Accounting Purposes

1. Annual Required Contribution	\$117,846,252
2. Interest on Net OPEB Obligation	4,425,796
3. Adjustment to Annual Required Contribution	<u>(6,037,920)</u>
4. Annual OPEB Cost (Expense)	116,234,128
5. Contributions Made or Accrued	<u>(38,407,250)</u>
6. Increase in Net Obligation	<u>\$77,826,878</u>
7. Net OPEB Obligation (BOY)	98,351,014
8. Net OPEB Obligation (EOY)	176,177,892

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

Summary of Principal Results for GASB 45 Accounting Purposes, (continued)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Discount Rate</u>
12/31/2017	\$116,234,128	33.0%	\$176,177,892	4.50%

Method and Assumptions

Cost Method: Projected Unit Credit

Assumptions

The actuarial assumptions used to value the postretirement medical liabilities can be categorized into three groups:

- Economic Assumptions – the discount rate and health care cost trend rates.
- Benefit assumptions – the initial per capita cost rates for medical and prescription drug coverage.
- Demographic assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

Discount Rate:	4.50%
Mortality:	MP-2016 gender specific
Salary Scale:	3.00%
Marital Assumption:	50% are assumed married
Utilization:	Participants: Service based range from 50%-90%
	Spouses: 55% elect coverage

COUNTY OF PASSAIC, N.J.
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(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

Assumptions, (continued)

Retirement Age: As specified in the following table:

<u>Age</u>	<u>Retirement Rate</u>
55-59	11.59% per year
60-64	13.63% per year
65-69	15.60 per year%
70-74	13.89% per year
75-80	6.32% per year

Valuation of Assets: Assets are valued at market value (Plan currently not funded)

Summary of Plan Provisions

Death Benefits: The County provides for no post-retirement death benefits.

Health Benefits:

Benefits: At the age at which employee may begin to receive retirement benefits under the County's pension plan, the employee may retire and retain their health insurance coverage. Depending on age and years of service at retirement, the retirees may have to pay for some or all of the coverage. The County will contribute 100% for those individuals retired with 25 or more years of services.

NOTE 21. SUBSEQUENT EVENTS

The County has evaluated subsequent events through June 4, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

APPENDIX A

SELECTED FINANCIAL INFORMATION FOR YEARS ENDED DECEMBER 31, 2018-2014

The selected data presented on pages A-94 to A-97 under the section “Selected Financial Information” as of and for each of the years in the five year period ended December 31, 2017 are derived from the financial statements of the County of Passaic, except for December 31, 2018 which is derived from the “Unaudited” Annual Financial Statements. The excerpts from the financial statements as of December 31, 2017 and the Independent Auditor’s Report thereon are included in the previous section.

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - CURRENT FUND

	(Unaudited) Balance December 31, 2018	Balance December 31, 2017	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014
ASSETS					
Cash	125,765,977	87,249,263	80,514,757	63,465,143	44,725,219
Deposits - Health Benefits	3,531,708	3,531,708	3,245,302	570,000	570,000
	<u>129,297,685</u>	<u>90,780,971</u>	<u>83,760,059</u>	<u>64,035,143</u>	<u>45,295,219</u>
Change Fund			675	675	675
Federal and State Grants Receivable	72,121,299	66,609,433	59,619,754	43,359,116	51,005,205
	<u>201,418,984</u>	<u>157,390,404</u>	<u>143,380,488</u>	<u>107,394,934</u>	<u>96,301,099</u>
Receivables With Full Reserves					
Revenue Accounts Receivable	740,414	740,414	740,414	921,785	640,920
Due from General Capital Fund					88,010
Due Confiscated Trust Fund					2,317
Due From Net Payroll Account				250	4,941
Due From HUD Trust				503	
Due From Payroll Agency Account					112
Due from Trust Funds				79	21,271
	<u>740,414</u>	<u>740,414</u>	<u>740,414</u>	<u>922,617</u>	<u>757,571</u>
Deferred Charges					
Special Emergency Authorizations				1,129,611	2,259,222
Emergency Authorization					4,000,000
Overexpenditure of Trust Fund Reserves					36,360
Overexpenditure of Appropriations					
				<u>1,129,611</u>	<u>6,295,582</u>
Total Assets	<u>202,159,398</u>	<u>158,130,818</u>	<u>144,120,902</u>	<u>109,447,162</u>	<u>103,354,252</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	43,779,758	25,666,054	23,854,963	19,496,070	12,335,992
Accounts Payable	2,398,744	2,736,008	2,482,010	1,393,980	980,180
Encumbrances Payable	18,473,520	10,649,076	7,236,001	6,212,192	6,420,890
Reserve for Salary and Wage Adjustment	1,091,924				
Emergency Note Payable					4,000,000
Due to Other Trust Fund				1,099	585,442
Due to Self Insurance Trust fund			2,367,731		
Due to General Capital Fund				63,509	
Due to Motor Vehicle Dedicated Trust			448		
Due to Payroll Agency Fund	57,246				
Sheriff's Overtime DWI-DDEF		51,376	33,056	19,825	18,535
Miscellaneous Reserves	889,006	1,622,211	1,129,280	1,210,747	1,198,290
Reserve for State and Federal Grants					
Appropriated	68,283,223	64,943,577	61,205,747	45,381,033	47,552,416
Unappropriated	18,378		55,000	381,900	158,325
Total Liabilities	<u>134,991,799</u>	<u>105,668,302</u>	<u>98,364,236</u>	<u>74,160,355</u>	<u>73,250,070</u>
Reserve for Receivables	740,414	2,406,270	740,414	922,617	4,052,035
Fund Balance	<u>66,427,185</u>	<u>50,056,246</u>	<u>45,016,252</u>	<u>34,364,190</u>	<u>26,052,147</u>
Total Liabilities, Reserves and Fund Balance	<u>202,159,398</u>	<u>158,130,818</u>	<u>144,120,902</u>	<u>109,447,162</u>	<u>103,354,252</u>

COUNTY OF PASSAIC

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	(Unaudited) Balance December 31, 2018	Balance December 31, 2017	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	19,000,000	18,000,000	18,000,000	17,000,000	17,000,000
Miscellaneous Revenue Anticipated	129,055,704	113,358,777	154,293,557	134,282,757	134,800,582
Receipts from Current Taxes	347,570,634	341,186,221	341,186,223	335,617,867	319,796,781
Nonbudget Revenues	2,347,275	4,460,983	4,361,145	4,626,966	3,765,586
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	11,867,015	9,260,151	8,832,278	7,711,777	3,907,400
Prior Year Interfund Returned	1,665,856		833	3,411,004	10,399
Cancellation of Liabilities		1,603,551	13,665,955	2,919,087	4,159,633
Total Revenues	<u>511,506,484</u>	<u>487,869,683</u>	<u>540,339,991</u>	<u>505,569,458</u>	<u>483,440,381</u>
Expenditures					
Budget Appropriations	475,994,534	462,096,225	502,094,965	474,593,378	464,826,464
Cancellation of Federal and State Grants Receivable		889,646	9,301,613	2,551,987	2,261,202
Adjustments/Refunds	141,011	177,962	229,599	3,111,410	3,320,081
Interfunds Advanced		1,665,856	61,752	640	331,794
Total Expenditures	<u>476,135,545</u>	<u>464,829,689</u>	<u>511,687,929</u>	<u>480,257,415</u>	<u>470,739,541</u>
Excess (Deficit) in Revenue	35,370,939	23,039,994	28,652,062	25,312,043	12,700,840
Adjustment to Income Before Fund Balance Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding					<u>4,000,000</u>
Statutory Excess to Fund Balance	35,370,939	23,039,994	28,652,062	25,312,043	16,700,840
Fund Balance, January 1	<u>50,056,246</u>	<u>45,016,252</u>	<u>34,364,190</u>	<u>26,052,147</u>	<u>26,351,307</u>
	85,427,185	68,056,246	63,016,252	51,364,190	43,052,147
Decreased by:					
Utilization as Anticipated Revenue	<u>19,000,000</u>	<u>18,000,000</u>	<u>18,000,000</u>	<u>17,000,000</u>	<u>17,000,000</u>
Fund Balance, December 31	<u><u>66,427,185</u></u>	<u><u>50,056,246</u></u>	<u><u>45,016,252</u></u>	<u><u>34,364,190</u></u>	<u><u>26,052,147</u></u>

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - GENERAL CAPITAL FUND

	(Unaudited) Balance December 31, 2018	Balance December 31, 2017	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014
ASSETS					
Cash	69,304,016	56,813,732	76,971,629	36,542,805	42,414,633
Grants Receivable					
State Aid	51,381,804	75,153,660	91,646,516	103,539,223	74,347,561
Due From Current Fund				63,509	
Deferred Charges to Future Taxation					
Funded	337,564,559	327,378,538	312,699,612	312,657,798	337,463,114
Unfunded	127,541,379	128,113,294	158,396,104	151,588,274	153,607,707
Total Assets	585,791,758	587,459,224	639,713,861	604,391,609	607,833,015
LIABILITIES, RESERVES AND FUND BALANCE					
Serial Bonds	251,251,000	252,479,000	234,825,000	231,964,000	254,396,000
Loan Payable	143,559	189,538	234,612	278,798	322,113
Bond Anticipation Notes	90,725,000	78,775,000	108,950,000	80,930,000	64,488,000
Improvement Authorizations					
Funded	12,687,310	38,162,351	44,156,308	64,934,499	47,063,961
Unfunded	64,777,750	63,423,022	85,532,816	66,929,947	72,134,103
Capital leases Payable	86,170,000	74,710,000	77,640,000	80,415,000	82,745,000
Accounts Payable					
Encumbrances Payable	39,312,129	40,541,351	45,651,462	36,796,788	42,507,297
Due to Current Fund					88,010
Capital Improvement Fund	58,666	58,666	2,306	15,346	16,596
Other Reserves	33,960,821	33,096,443	36,520,726	37,384,050	39,883,950
Reserve for Final Payments and Litigation			160,258	160,258	160,258
Due to Township of Wayne					
Reserve for EFA Funding					
Fund Balance	6,705,523	6,023,853	6,040,373	4,582,923	4,027,727
Total Liabilities, Reserves and Fund Balance	585,791,758	587,459,224	639,713,861	604,391,609	607,833,015

COUNTY OF PASSAIC

COMPARATIVE STATEMENTS OF FUND BALANCE

	(Unaudited)				
	Balance December 31, 2018	Balance December 31, 2017	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014
Balance, January 1,	6,023,853	6,040,373	4,582,923	4,027,727	4,383,001
Increased by:					
Premiums on Bond/Note Sales	1,255,063	1,379,175	1,410,958	1,361,675	1,622,106
Cancellation of Improvement Authorizations	3,737,583	4,047,165	3,063,593	1,225,521	239,697
Cancellation of Outstanding Checks		160,258			
	<u>11,016,499</u>	<u>11,626,971</u>	<u>9,057,474</u>	<u>6,614,923</u>	<u>6,244,804</u>
Decreased by:					
Cancellation of Old Receivables	3,634,976	449,469	2,028,015		
Improvement Authorization Appropriation	580,000	5,075,000			
Premium/State Share	96,000	78,649	14,086	32,000	217,077
Realized as Current Fund Miscellaneous Revenue			975,000	2,000,000	2,000,000
	<u>6,705,523</u>	<u>6,023,853</u>	<u>6,040,373</u>	<u>4,582,923</u>	<u>4,027,727</u>
Balance, December 31,	<u>6,705,523</u>	<u>6,023,853</u>	<u>6,040,373</u>	<u>4,582,923</u>	<u>4,027,727</u>

APPENDIX B

FORM OF APPROVAL LEGAL OPINION OF ARCHER & GREINER P.C.



A PROFESSIONAL CORPORATION
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May __, 2019

Freeholder Director and Members of the
Board of Chosen Freeholders
of the County of Passaic
Paterson, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery \$6,400,000 County College Bonds, Series 2019, consisting of \$3,200,000 County College Bonds, Series 2019A (the "Series 2019A Bonds") and \$3,200,000 County College Bonds, Series 2019B (County College Bond Act, 1971 N.J. Laws c. 12, As Amended) (the "Series 2019B Bonds" and together with the Series 2019A Bonds, the "Bonds") of the County of Passaic (the "County"), a body politic and corporate of the State of New Jersey (the "State").

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

The Bonds are being issued to provide for the permanent financing of various capital improvements and purposes for the Passaic County Community College.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 or any integral multiple thereof (with a minimum of \$5,000). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the County as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

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

\$3,200,000 County College Bonds, Series 2019A

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$170,000		2027	\$225,000	
2021	175,000		2028	240,000	
2022	180,000		2029	255,000	
2023	185,000		2030	270,000	
2024	195,000		2031	285,000	
2025	205,000		2032	300,000	
2026	215,000		2033	300,000	

\$3,200,000 County College Bonds, Series 2019B
(County College Bond Act, 1971 N.J. Laws c. 12, as Amended)

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$170,000		2027	\$225,000	
2021	175,000		2028	240,000	
2022	180,000		2029	255,000	
2023	185,000		2030	270,000	
2024	195,000		2031	285,000	
2025	205,000		2032	300,000	
2026	215,000		2033	300,000	

The Bonds of this issue are not subject to redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were

not independently established, relied upon the aforesaid instruments, certificates and documents.

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

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Notes held by a "corporation (other than an S corporation regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings" of a corporate holder.

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

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

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

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

Freeholder Director and Members of the
Board of Chosen Freeholders of the County of Passaic
May __, 2019
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We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

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

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

Very truly yours,

ARCHER & GREINER P.C.