

CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF PASSAIC

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CITY OF PASSAIC

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Passaic
Passaic, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Passaic as of June 30, 2011 and 2010 and the related statements 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 June 30, 2011. These financial statements are the responsibility of the City of Passaic's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Passaic's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, we were unable to audit the financial activities of the General Fixed Assets Account Group because sufficient documentation was not available to support amounts reported in the financial statements - regulatory basis referred to above. We were unable to satisfy ourselves about the amounts reported by means of other auditing procedures.

INDEPENDENT AUDITOR'S REPORT (Continued)

In our opinion, because of the effects of the City preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Passaic as of June 30, 2011 and 2010, the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Assets Account Group, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds of the City of Passaic as of June 30, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year ended June 30, 2011 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 1, 2012 on our consideration of the City 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Passaic. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Passaic. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" and are also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
February 1, 2012

CURRENT FUND

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
REGULAR FUND			
Cash	A-4	\$ 3,863,353	\$ 8,878,294
Cash - Change Fund	A-7	2,600	2,600
Due From State of New Jersey - Transitional Aid	A-10	362,500	
Due From State of New Jersey - Senior Citizens and Veterans	A-12	<u>48,560</u>	<u>47,412</u>
		<u>4,277,013</u>	<u>8,928,306</u>
Receivables and Other Assets With			
Full Reserves			
Delinquent Property Tax Receivable	A-15	43,901	92,756
Tax Title Liens Receivable	A-17	170,534	10,039
Revenue Accounts Receivable	A-16	64,704	190,715
Other Accounts Receivable	A-9		653
Due from Passaic Redevelopment Authority	A-13		2,558
Due from Passaic Parking Authority	A-14	282,072	
Due from Grant Fund	A-11	146,093	
Due from Other Trust Fund	B-8	96,336	
Due from Community Development Block Grant Fund	B-19		13,683
Due from Home Investment Program Fund	B-20	<u>43,566</u>	<u>117,826</u>
		<u>847,206</u>	<u>428,230</u>
Deferred Charges			
Emergency Authorizations	A-18	23,671	
Special Emergency Authorizations	A-19	<u>600,000</u>	<u>-</u>
		<u>623,671</u>	<u>-</u>
Total Regular Fund		<u>5,747,890</u>	<u>9,356,536</u>
GRANT FUND			
Cash	A-5	357,157	165,674
Grants Receivable	A-33	7,693,613	10,779,668
Due from Current Fund	A-11		262,369
Due from Other Trust Fund	B-9	<u>977</u>	<u>-</u>
Total Grant Fund		<u>8,051,747</u>	<u>11,207,711</u>
Grand Total		<u>\$ 13,799,637</u>	<u>\$ 20,564,247</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF JUNE 30, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
REGULAR FUND			
Liabilities and Reserves			
Appropriation Reserves	A-3,A-23	\$ 1,032,349	\$ 979,817
Encumbrances Payable	A-26	937,126	1,414,198
Accounts Payable	A-28	9,476	152
Tax Overpayments	A-20	90,927	175,443
Prepaid Taxes	A-21	122,125	53,452
Fees Payable	A-30	58,111	29,937
Emergency Note Payable	A-22	600,000	-
Due to Grant Fund	A-11		262,369
Due to Animal Control Fund	B-4	32	
Due to Other Trust Fund	B-8		311,882
Due to Community Development Block Grant Fund	B-19	9,207	
Due to General Capital Fund	C-5		233,577
Due to Sewer Utility Operating Fund	D-12	57,801	436,939
Reserve for Tax Appeals	A-27	210,607	587,205
Miscellaneous Reserves	A-21	706	688,521
		<u>3,128,467</u>	<u>5,173,492</u>
Reserve for Receivables and Other Assets	A	847,206	428,230
Fund Balance	A-1	<u>1,772,217</u>	<u>3,754,814</u>
Total Regular Fund		<u>5,747,890</u>	<u>9,356,536</u>
GRANT FUND			
Due to Redevelopment Agency	A-32	2,384	2,384
Due to Current Fund	A-11	146,093	
Due to Other Trust Fund	B-9		20,856
Due to Community Development Block Grant Fund	B-17	228,900	
Due to General Capital Fund	C-14		1,234,598
Appropriated Grant Reserves	A-34	7,572,879	9,869,745
Unappropriated Grant Reserves	A-31	101,491	80,128
Total Grant Fund		<u>8,051,747</u>	<u>11,207,711</u>
Grand Total		<u>\$ 13,799,637</u>	<u>\$ 20,564,247</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUES AND OTHER INCOME REALIZED:			
Fund Balance Utilized	A-2	\$ 3,000,000	\$ 3,000,000
Miscellaneous Revenue Anticipated	A-2	27,070,833	34,699,356
Receipts from Delinquent Taxes	A-2	104,505	48,242
Receipts from Current Taxes	A-2	93,305,057	88,006,219
Non-Budget Revenues	A-2	953,946	645,416
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-23	689,461	1,273,858
Unexpended Balance of Sewer Utility Appropriation Reserves	D-12	5,784	8,466
Cancelled Appropriated Grant Reserves	A-11	52,282	
Cancelled Accounts Payable	A-1		12,868
Interfunds and Other Receivables Liquidated	A-1	-	563,394
		<u>125,181,868</u>	<u>128,257,819</u>
Total Income			
EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	40,996,887	39,689,348
Other Expenses	A-3	31,131,517	37,189,944
Deferred Charges and Statutory Expenditures	A-3	11,157,518	9,607,388
Municipal Debt Service	A-3	2,956,563	3,034,657
County Taxes	A-25	20,971,240	19,822,886
Local District School Taxes	A-24	17,140,411	15,527,672
Interfunds Created	A	434,000	76,084
Cancelled Grants Receivable	A-1	-	162,860
		<u>124,788,136</u>	<u>125,110,839</u>
Total Expenditures			
Excess in Revenue		393,732	3,146,980
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred to Budget of Succeeding Year	A-18,A-19	623,671	-
Statutory Excess to Fund Balance		1,017,403	3,146,980
Fund Balance, Beginning of Year	A-1	3,754,814	3,607,834
		4,772,217	6,754,814
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	3,000,000	3,000,000
Fund Balance, End of Year	A	<u>\$ 1,772,217</u>	<u>\$ 3,754,814</u>

See Accompanying Notes to Financial Statements

**CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Reference</u>	<u>2011 Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized in 2011</u>	<u>Excess (Deficit)</u>
Fund Balance Utilized	A-1	\$ 3,000,000	-	\$ 3,000,000	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-16	50,000		50,000	
Other	A-16	60,000		40,206	\$ (19,794)
Fees and Permits:					
Uniform Construction Code - Fees	A-16	584,000		552,262	(31,738)
Other	A-16	10,000		81,754	71,754
Fines and Costs:					
Municipal Court	A-16	2,800,000		1,923,547	(876,453)
Energy Receipts Tax	A-16	7,076,853		7,076,853	
Supplemental Energy Receipts Tax	A-16	107,457		107,457	
Consol. Municipal Property Tax Relief Aid	A-16	5,361,172		5,361,172	
Transitional Aid	A-10	1,450,000		1,450,000	
Interest and Costs on Taxes	A-16	254,000		252,038	(1,962)
Interest on Investments & Deposit	A-16	37,000		17,282	(19,718)
Police Record Bureau	A-16	25,000		17,048	(7,952)
Ambulance Billing	A-16	877,753		904,541	26,788
Board of Education - Security Watch and Resource Officers	A-16	1,612,000	\$ 250,000	1,862,000	
Fire Life Safety Registration and Permits	A-16	100,000		106,747	6,747
Agreement - Passaic Parking Authority	A-16	773,682		653,682	(120,000)
Public and Private Revenues Offset					
With Appropriations:					
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	A-33	362,938		362,938	
Drunk Driving Enforcement Fund	A-33	30,644		30,644	
Over the Limit - Under Arrest	A-33	4,400	5,000	9,400	
Recycling Tonnage Grant	A-33		87,129	87,129	
Safe & Secure Communities Grant	A-33		79,985	79,985	
Click It or Ticket	A-33		4,000	4,000	
Women, Infant & Children (WIC)	A-33		865,400	865,400	
DCA - Recreation Opportunity for Individuals with Dis.	A-33		20,000	20,000	
Ryan White Title I	A-33	176,828		176,828	
Reserve for Ryan White Title I	A-33	50		50	
Law Enforcement Block Grant	A-33		250,000	250,000	
Addiction Services	A-33	3,500	1,225	4,725	
Emergency Preparedness Grant	A-33		10,000	10,000	
Lead Intervention for Children at Risk	A-33	159,250		159,250	
Neighborhood Crime Prevention	A-33		40,578	40,578	
Municipal Alliance on Alcoholism and Drug Abuse	A-33		41,903	41,903	
NJDOA - Summer Food Program	A-33		458,147	458,147	
Reserve for Clean Communities Program	A-33	63,927		63,927	
Housing Opportunity - HOPWA	A-33	108,000		108,000	
Body Armor Fund	A-33	15,165		15,165	
Juvenile Accountability Incentive Block Grant (JAIBG) - Station House	A-33	32,000		32,000	

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Reference</u>	<u>2011 Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized in 2011</u>	<u>Excess (Deficit)</u>
Public and Private Revenues Offset					
With Appropriations: (Continued)					
Urban Enterprise Zone	A-33	\$ 391,000	\$ 807,633	\$ 1,198,633	
Multicultural Affairs	A-33		1,130	1,130	
Advanced Traffic	A-33	119,600		119,600	
Cancer Assessment-2011	A-33	65,000		65,000	
Hepatitis Inoculation	A-33	4,575		4,575	
Summer Employment	A-33	16,959	19,400	36,359	
Walk Safe Passaic	A-33	17,000		17,000	
Senior Citizens Transportation	A-33		44,982	44,982	
Special Items:					
Cable Franchise Fee	A-16	279,000		372,962	\$ 93,962
Saint Mary's Reise Corp. - In Lieu of Taxes	A-16	154,000		151,472	(2,528)
Chestnut Housing Phase I - In Lieu of Taxes	A-16	66,000		66,648	648
Jack Parker Association - In Lieu of Taxes	A-16	200,000		235,329	35,329
YMCA - In Lieu of Taxes	A-16	30,000		30,000	
Housing Authority - In Lieu of Taxes	A-16	37,776		53,109	15,333
Garden Howe - In Lieu of Taxes	A-16	36,764		40,544	3,780
Highview Terrace - In Lieu of Taxes	A-16	58,000		88,848	30,848
Housing Authority Police Program	A-16	371,800		252,824	(118,976)
Employee Group Health Insurance Contribution	A-16	395,000		395,171	171
Reserve for Disallowed Grant Costs	A-29	588,000		588,000	
Reserve for Debt Service	A-16	31,989	-	31,989	-
Total Miscellaneous Revenues		<u>24,998,082</u>	<u>2,986,512</u>	<u>27,070,833</u>	<u>(913,761)</u>
Receipts from Delinquent Taxes	A-2	<u>40,000</u>	<u>-</u>	<u>104,505</u>	<u>64,505</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2	<u>55,615,070</u>	<u>-</u>	<u>56,093,406</u>	<u>478,336</u>
Total Revenues	A-3	<u>\$ 83,653,152</u>	<u>\$ 2,986,512</u>	<u>86,268,744</u>	<u>\$ (370,920)</u>
Non-Budget Revenues	A-2			<u>953,946</u>	
				<u>\$ 87,222,690</u>	

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

	<u>Reference</u>	<u>2011</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-15	\$ 93,305,057
Allocated to School and County Taxes	A-24,A-25	<u>38,111,651</u>
Balance for Support of Municipal Budget Appropriations		55,193,406
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>900,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 56,093,406</u>
Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-15	27,512
Tax Title Liens	A-17	<u>76,993</u>
	A-2	<u>\$ 104,505</u>
<u>Analysis of Non Budget Revenue</u>		
Recreation Fees		\$ 51,145
Recycling		201,351
Motor Vehicle Inspection Fines		35,113
Sewer Connection Fees		9,833
Administrative Fees - Police Outside Duty		98,643
Board of Health/Vital Statistics Fees		89,245
City Clerk Fees		6,476
Planning/Engineering Fees		36,483
Passaic Valley Water Commission - Hydrant Inspection		68,950
Administration Fees - Senior Citizen and Veterans		4,191
Medicaid Reimbursement - RDS		25,644
Restitution		2,200
Passaic County Street Lighting Reimbursement		60,000
FEMA - Prior Year Reimbursements		96,193
Bid Specifications		3,480
Auction		1,325
Miscellaneous Reimbursements/Receipts		<u>163,674</u>
	A-2	<u>\$ 953,946</u>
Other Receivable Collected	A-9	\$ 653
Cash Receipts	A-4	<u>953,293</u>
		<u>\$ 953,946</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Office of Business Administration					
Salaries & Wages	\$ 460,479	\$ 425,479	\$ 420,367	\$ 5,112	
Other Expenses	119,000	119,000	99,307	19,693	
Human Resources					
Office of Personnel					
Salaries & Wages	135,230	135,230	133,968	1,262	
Other Expenses	5,000	5,000	3,704	1,296	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	308,752	308,752	298,743	10,009	
Other Expenses	34,000	34,000	30,455	3,545	
City Clerk					
Salaries & Wages	264,803	269,303	267,209	2,094	
Other Expenses	102,000	102,000	94,355	7,645	
Financial Administration - Treasurer's Office					
Salaries and Wages	539,838	539,838	527,887	11,951	
Other Expenses	60,000	60,000	57,292	2,708	
Annual Audit					
Other Expenses	63,000	63,000	58,000	5,000	
Revenue Administration - Tax Collector					
Salaries and Wages	182,504	185,504	185,504		
Other Expenses	25,000	26,000	24,464	1,536	
Tax Assessment Administration					
Salaries and Wages	223,572	223,572	218,479	5,093	
Other Expenses	52,000	57,000	50,213	6,787	
Legal Services					
Other Expenses	475,000	475,000	467,932	7,068	
Office of Engineer					
Salaries and Wages	136,855	136,855	135,837	1,018	
Other Expenses	10,000	10,000	7,787	2,213	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	187,954	190,454	189,965	489	
Other Expenses	3,000	3,000	1,344	1,656	
Division of Housing					
Salaries and Wages	403,243	358,243	353,652	4,591	
Other Expenses	8,000	8,000	4,454	3,546	
Redevelopment Agency	50,100	50,100	50,000	100	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	10,000	10,000	6,917	3,083	
Board of Adjustment					
Other Expenses	16,000	16,000	13,236	2,764	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	\$ 2,200	\$ 2,200	\$ 1,774	\$ 426	
Other Expenses	5,200	5,200	5,132	68	
INSURANCE					
Liability Insurance	1,275,000	955,000	954,999	1	
Workmen's Compensation	875,000	1,215,000	1,214,999	1	
Employee Group Insurance	13,052,228	12,987,228	12,912,605	74,623	
Unemployment Insurance	300,000	487,100	487,099	1	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	17,679,808	17,754,808	17,706,844	47,964	
Other Expenses	434,000	409,000	406,270	2,730	
BOE Security Watch and Res. Off.-Salaries & Wages	1,612,000	1,862,000	1,862,000		
Office of Emergency Management					
Salaries & Wages	721,565	778,565	776,467	2,098	
Other Expenses	25,000	25,000	23,729	1,271	
Fire Department					
Salaries and Wages	11,195,200	11,430,200	11,418,290	11,910	
Other Expenses	75,000	78,000	77,506	494	
Prosecutor's Office					
Other Expenses	216,900	216,900	211,800	5,100	
Fire Life Safety					
Salaries and Wages	100,000	100,000	100,000		
Municipal Court					
Salaries and Wages	1,047,612	997,612	987,042	10,570	
Other Expenses	130,000	110,000	91,675	18,325	
Public Defender (PL 1997 C.256)					
Other Expenses	51,700	51,700	51,700		
Passaic Parking Authority					
Salaries & Wages	513,974	513,974	448,987	987	\$ 64,000
Other Expenses	224,208	224,208	166,340	1,868	56,000
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	1,672,814	1,555,314	1,533,445	21,869	
Other Expenses	143,000	143,000	139,398	3,602	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	1,645,000	1,690,000	1,645,000	45,000	
Buildings and Grounds					
Salaries and Wages	644,068	644,068	638,515	5,553	
Other Expenses	144,000	144,000	134,864	9,136	
Vehicle Maintenance					
Salaries & Wages	480,850	445,850	408,113	37,737	
Other Expenses	264,000	264,000	263,440	560	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	752,306	644,806	632,088	12,718	
Other Expenses	175,000	175,000	134,203	40,797	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES (Continued)					
Animal Regulation					
Salaries and Wages	\$ 116,783	\$ 116,783	\$ 112,532	\$ 4,251	
Other Expenses	30,000	31,500	31,230	270	
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	231,293	252,293	246,265	6,028	
Other Expenses	100,000	100,000	95,570	4,430	
Senior Citizens					
Salaries and Wages	192,938	202,938	199,624	3,314	
Other Expenses	8,000	8,000	6,357	1,643	
Handicapped Recreation					
Salaries & Wages	76,385	62,385	45,523	16,862	
Other Expenses	26,000	26,000	19,208	6,792	
Maintenance of Parks					
Salaries & Wages	608,927	503,927	491,974	11,953	
Other Expenses	45,000	45,000	31,912	13,088	
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave					
Other Expenses		600,000	600,000		
Celebration of Public Events	8,500	8,500		8,500	
Retired III Employees					
Other Expenses	100	100		100	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	415,534	419,934	419,923	11	
Other Expenses	12,000	10,000	8,166	1,834	
UNCLASSIFIED:					
Utilities:					
Electricity	611,200	611,200	518,177	93,023	
Street Lighting	831,000	831,000	703,179	127,821	
Telephone and Telegraph	157,500	157,500	142,259	15,241	
Heating Oil	3,000	3,000	2,186	814	
Gasoline	370,000	370,000	364,452	5,548	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Fees	2,265,805	2,265,805	2,083,000	182,805	-
Total Operations Within "CAPS"	65,442,928	66,346,928	65,256,932	969,996	\$ 120,000
Detail:					
Salaries & Wages	40,907,487	41,060,887	40,761,017	235,870	64,000
Other Expenses	24,535,441	25,286,041	24,495,915	734,126	56,000

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
DEFERRED CHARGES					
Anticipated Deficit Sewer Utility	\$ 409,131	\$ 409,131	\$ 409,131		
STATUTORY CHARGES					
Public Employees Retirement System	1,383,555	1,383,555	1,357,062	\$ 26,493	
Social Security System (O.A.S.I.)	1,455,000	1,399,000	1,386,790	12,210	
Consolidated Police and Firemen's Pension Fund	80,000	80,000	76,519	3,481	
Pension for Widows	2,245	2,245	2,245		
Public Employees Retirement System-ERI	192,125	192,125	192,125		
Police and Fireman's Retirement System	7,687,662	7,687,662	7,679,398	8,264	
Deferred Compensation Retirement Plan	3,800	3,800	3,673	127	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>11,213,518</u>	<u>11,157,518</u>	<u>11,106,943</u>	<u>50,575</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>76,656,446</u>	<u>77,504,446</u>	<u>76,363,875</u>	<u>1,020,571</u>	<u>\$ 120,000</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,263,720	1,263,720	1,263,720		
Recycling Tax	100,000	100,000	89,051	10,949	-
Total Other Operations - Excluded From "CAPS"	<u>1,363,720</u>	<u>1,363,720</u>	<u>1,352,771</u>	<u>10,949</u>	<u>-</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Public and Private Programs Offset by Revenues					
Edward Byrne Memorial Justice Assistance					
Grant (JAG)-ARRA	\$ 362,938	\$ 362,938	\$ 362,938		
Cancer Assessment Grant	65,000	65,000	65,000		
Lead Intervention for Children at Risk	159,250	159,250	159,250		
Drunk Driving Enforcement Fund	30,644	30,644	30,644		
Law Enforcement Grant		250,000	250,000		
Over the Limit - Under Arrest	4,400	9,400	9,400		
Recreation Opportunity		20,000	20,000		
Recycling Tonnage Grant		87,129	87,129		
Hepatitis Inoculation	4,575	4,575	4,575		
Safe & Secure Communities Grant		79,985	79,985		
Women, Infant & Children (WIC)		865,400	865,400		
Ryan White Title I	176,878	176,878	176,878		
Urban Enterprise Zone	391,000	1,198,633	1,198,633		
Addiction Services	3,500	4,725	4,725		
Emergency Preparedness Grant		10,000	10,000		
Clean Communities Program	63,927	63,927	63,927		
Body Armor Fund	15,165	15,165	15,165		
Juvenile Accountability Incentive Block Grant (JAIBG) -					
Station House	32,000	32,000	32,000		
Occupant Protection Program - Click It or Ticket 2010		4,000	4,000		
Summer Employment	16,959	36,359	36,359		
Summer Food Grant		458,147	458,147		
Multicultural Affairs		1,130	1,130		
Senior Citizen Transportation		44,982	44,982		
Matching Funds for Grants	204,737	230,408	229,579	\$ 829	
Pedestrian Safety Grant	17,000	17,000	17,000		
Neighborhood Crime Prevention		40,578	40,578		
Municipal Alliance on Alcoholism and Drug Abuse		41,903	41,903		
Advanced Traffic Grant	119,600	119,600	119,600		
Housing Opportunity HOPWA Grant	108,000	108,000	108,000	-	-
Total Public and Private Program					
Offset by Revenues	1,775,573	4,537,756	4,536,927	829	-
Total Operations - Excluded from "CAPS"	3,139,293	5,901,476	5,889,698	11,778	-
Detail:					
Salaries & Wages					
Other Expenses	3,139,293	5,901,476	5,889,698	11,778	-

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 1,939,420	\$ 1,939,420	\$ 1,939,240		\$ 180
Interest on Bonds	694,408	694,408	694,408		
Interest on Notes	239,953	239,953	239,286		667
Payment of DEP Loan Principal	83,632	83,632	83,629	-	3
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,957,413</u>	<u>2,957,413</u>	<u>2,956,563</u>	<u>-</u>	<u>850</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,096,706</u>	<u>8,858,889</u>	<u>8,846,261</u>	<u>\$ 11,778</u>	<u>850</u>
Subtotal General Appropriations	82,753,152	86,363,335	85,210,136	1,032,349	120,850
Reserve for Uncollected Taxes	900,000	900,000	900,000	-	-
Total General Appropriations	<u>\$ 83,653,152</u>	<u>\$ 87,263,335</u>	<u>\$ 86,110,136</u>	<u>\$ 1,032,349</u>	<u>\$ 120,850</u>
	A-2	A-3	A-1	A,A-1	
	<u>Reference</u>				
Budget	A-2	\$ 83,653,152			
Emergency Appropriations	A-18	23,671			
Special Emergency Appropriation	A-19	600,000			
Appropriation (40A:4-87)	A-2	<u>2,986,512</u>			
	A-3	<u>\$ 87,263,335</u>			
Cash Disbursed	A-4		\$ 75,985,311		
Encumbrances Payable	A-26		937,126		
Due to Redevelopment Agency	A-13		50,000		
Due to Grant Fund	A-11		4,536,927		
Due to Other Trust Fund	B-8		3,278,224		
Due to Community Development Block Grant Fund	B-19		13,417		
Due to Sewer Utility Operating Fund	D-12		409,131		
Reserve for Uncollected Taxes	A-2		<u>900,000</u>		
	A-3		<u>\$ 86,110,136</u>		

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 34,832	\$ 19,892
Due from Current Fund	B-4	32	
Due from Other Trust Fund	B-5	<u>1,501</u>	<u>1,501</u>
		<u>36,365</u>	<u>21,393</u>
OTHER TRUST FUND			
Cash	B-1	4,608,110	1,767,939
Other Receivables	B-7	19,416	19,416
Due from Current Fund	B-8		311,882
Due from Grant Fund	B-9		20,856
Due from Sewer Utility Operating Fund	D-13	<u>200,000</u>	<u>1,300,000</u>
		<u>4,827,526</u>	<u>3,420,093</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Cash	B-1	6,301	10,581
Due from HUD	B-12	1,358,388	1,236,087
Other Receivables	B-15	155,454	155,454
Due from Current Fund	B-19	9,207	
Due from Grant Fund	B-17	<u>228,900</u>	<u>-</u>
		<u>1,758,250</u>	<u>1,402,122</u>
HOME INVESTMENT PROGRAM FUND			
Cash	B-1	14,752	59,019
Due from HUD	B-14	549,128	174,860
Mortgage Receivable	B-16	<u>441,849</u>	<u>437,473</u>
		<u>1,005,729</u>	<u>671,352</u>
Total Assets		<u>\$ 7,627,870</u>	<u>\$ 5,514,960</u>

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due State of New Jersey	B-2	\$ 101	\$ 118
Encumbrances Payable	B-6	2,699	3,325
Reserve for Animal Control Expenditures	B-3	<u>33,565</u>	<u>17,950</u>
		<u>36,365</u>	<u>21,393</u>
OTHER TRUST FUND			
Due to Current Fund	B-8	96,336	
Due to Grant Fund	B-9	977	
Due to Animal Control Fund	B-5	1,501	1,501
Due to State of New Jersey - Unemployment	B-10	39,501	38,359
Miscellaneous Reserves and Deposits	B-11	<u>4,689,211</u>	<u>3,380,233</u>
		<u>4,827,526</u>	<u>3,420,093</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Due to Current Fund	B-19		13,683
Reserve for Program Expenditures - UDAG	B-18	8,122	8,122
Reserve for Program Expenditures - CDBG	B-13	<u>1,750,128</u>	<u>1,380,317</u>
		<u>1,758,250</u>	<u>1,402,122</u>
HOME INVESTMENT PROGRAM FUND			
Due to Current Fund	B-20	43,566	117,826
Reserve for Loan Receivable	B-16	441,849	437,473
Reserve for Home Investment Program	B-21	<u>520,314</u>	<u>116,053</u>
		<u>1,005,729</u>	<u>671,352</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 7,627,870</u>	<u>\$ 5,514,960</u>

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	C-2,C-3	\$ 2,308,806	\$ 706,625
Grants and Loans Receivable	C-4	1,500,000	250,000
Due from Grant Fund	C-14		1,234,598
Due from Current Fund	C-5		233,577
Deferred Charges to Future Taxation			
Funded	C-6	19,319,924	14,074,236
Unfunded	C-7	<u>871,508</u>	<u>7,489,008</u>
Total Assets		<u>\$ 24,000,238</u>	<u>\$ 23,988,044</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-12	\$ 13,308,164	\$ 6,843,404
Fiscal Year Adjustment Bonds	C-12		585,000
Pension Refunding Bonds	C-12	5,105,000	5,675,000
Green Acres Loans Payable	C-13	906,760	970,832
Bond Anticipation Notes	C-11		6,855,792
Encumbrances Payable	C-9	56,509	104,664
Improvement Authorizations			
Funded	C-10	2,566,922	470,503
Unfunded	C-10	869,351	2,019,828
Capital Improvement Fund	C-8	7,749	13,999
Reserve for Curb and Sidewalk Improvements	C-15	5,000	5,000
Reserve for Payment of Debt Service	C-16	341,480	360,719
Reserve for Loans Receivable	C-4	750,000	
Fund Balance	C-1	<u>83,303</u>	<u>83,303</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 24,000,238</u>	<u>\$ 23,988,044</u>

There were Bonds and Notes Authorized But Not Issued on June 30, 2011 and 2010 of \$871,508 and \$645,966 , respectively, (See Exhibit C-17).

CITY OF PASSAIC
 COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
 GENERAL CAPITAL FUND
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Fund Balance, Beginning of Year	C	\$ 83,303	\$ 41,222
Increased by:			
Due from Current Fund - Premium on BAN's	C-1	<u>-</u>	<u>42,081</u>
Fund Balance, End of Year	C	<u>\$ 83,303</u>	<u>\$ 83,303</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF JUNE 30, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 91,051	\$ 920,594
Due from PVWC	D-8		66,714
Due from Current Fund	D-12	57,801	436,939
Due from Sewer Utility Capital Fund	D-15	20,824	20,824
		<u>169,676</u>	<u>1,445,071</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	622,182	1,108,484
Other Accounts Receivable	D-7a	272,800	-
		<u>894,982</u>	<u>1,108,484</u>
Deferred Charges			
Operating Deficit	D-9	217,364	-
		<u>217,364</u>	<u>-</u>
Total Operating Fund		<u>1,282,022</u>	<u>2,553,555</u>
CAPITAL FUND			
Cash	D-5,D-6	26,840	42,262
Fixed Capital	D-10	5,209,460	4,948,145
Fixed Capital Authorized and Uncompleted	D-11	35,214	296,529
Total Capital Fund		<u>5,271,514</u>	<u>5,286,936</u>
		<u>\$ 6,553,536</u>	<u>\$ 7,840,491</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-17	\$ 35,292	\$ 9,536
Encumbrances Payable	D-18	7,000	7,000
Accounts Payable	D-19	21,610	21,610
Accrued Interest on Bonds and Notes	D-24	31,781	54,081
Prepaid Sewer Rents	D-14	38,513	
Due to Other Trust Fund	D-13	200,000	1,300,000
		<u>334,196</u>	<u>1,392,227</u>
Reserve for Receivables	D	894,982	1,108,484
Fund Balance	D-1	52,844	52,844
Total Operating Fund		<u>1,282,022</u>	<u>2,553,555</u>
CAPITAL FUND			
Serial Bonds	D-25	1,920,836	960,596
Bond Anticipation Notes	D-26		1,044,208
Encumbrances Payable	D-20		18,367
Due to Sewer Utility Operating Fund	D-15	20,824	20,824
Improvement Authorizations			
Funded	D-16	35,006	
Unfunded	D-16	208	254,061
Reserve for Amortization	D-22	3,244,624	2,931,888
Reserve for Deferred Amortization	D-23	35,006	42,000
Fund Balance	D-2	15,010	14,992
Total Capital Fund		<u>5,271,514</u>	<u>5,286,936</u>
		<u>\$ 6,553,536</u>	<u>\$ 7,840,491</u>

There were Bonds and Notes Authorized But Not Issued on June 30, 2011 and 2010 of \$44,208 and \$266,000 , respectively, (See Exhibit D-27).

CITY OF PASSAIC
 COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
 REGULATORY BASIS
 SEWER UTILITY OPERATING FUND
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUES AND OTHER INCOME REALIZED			
Sewer Rents	D-3	\$ 4,891,912	\$ 5,480,146
Non-Budget Revenues	D-3	<u>298</u>	<u>2,046</u>
Total Income		<u>4,892,210</u>	<u>5,482,192</u>
EXPENDITURES			
Operating	D-4	5,139,543	5,269,200
Capital Improvement Fund	D-4		14,000
Debt Service	D-4	379,162	402,561
Deficit in Operations in Prior Years	D-1	<u>-</u>	<u>154,587</u>
Total Expenditures		<u>5,518,705</u>	<u>5,840,348</u>
Deficit in Revenue		(626,495)	(358,156)
Adjustments to Income before Fund Balance:			
Realized from Current Fund Budget for Anticipated Deficit	D-3	<u>409,131</u>	<u>358,156</u>
Operating Deficit to be Raised in Budget of Succeeding Year	D,D-9	<u>\$ (217,364)</u>	-
Fund Balance, Beginning of Year,	D	<u>52,844</u>	<u>52,844</u>
Fund Balance, End of Year,	D	<u>\$ 52,844</u>	<u>\$ 52,844</u>

CITY OF PASSAIC
 COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
 SEWER UTILITY CAPITAL FUND
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Fund Balance, Beginning of Year	D	\$ 14,992	\$ 8,583
Increased by:			
Premium on Bond Anticipation Notes Issued	D-2		6,409
Transfer from Reserve for Amortization	D-22	<u>18</u>	<u>-</u>
Fund Balance, End of Year	D	<u>\$ 15,010</u>	<u>\$ 14,992</u>

CITY OF PASSAIC
 STATEMENT OF REVENUES - REGULATORY BASIS
 SEWER UTILITY OPERATING FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Sewer Rents and Charges	D-7	\$ 5,413,432	\$ 4,891,912	\$ (521,520)
Deficit - Current Fund Budget	D-12	<u>409,131</u>	<u>409,131</u>	<u>-</u>
	D-4	<u>\$ 5,822,563</u>	5,301,043	<u>\$ (521,520)</u>
Non-Budget Revenue	D-2		<u>298</u>	
			<u>\$ 5,301,341</u>	
Analysis of Non-Budget Revenue				
Interest on Investments			<u>\$ 298</u>	
	D-5		<u>\$ 298</u>	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Other Expenses	\$ 100,000	\$ 87,380	\$ 58,775	\$ 28,605	
Sewer Treatment Expenses	4,880,543	4,880,543	4,573,919	6,624	\$ 300,000
Sewer Maintenance Fee - Contractual	459,000	471,620	471,557	63	-
Total Operating	5,439,543	5,439,543	5,104,251	35,292	300,000
DEBT SERVICE					
Payment of Bond Principal	305,760	305,760	305,760		
Interest on Bonds	73,455	73,455	69,708		3,747
Interest on Notes	3,805	3,805	3,694	-	111
Total Debt Service	383,020	383,020	379,162	-	3,858
	<u>\$ 5,822,563</u>	<u>\$ 5,822,563</u>	<u>\$ 5,483,413</u>	<u>\$ 35,292</u>	<u>\$ 303,858</u>
	<u>Reference</u>	<u>D-3</u>	<u>D-4</u>	<u>D-1</u>	<u>D,D-1</u>
Disbursed		D-5		\$ 5,001,539	
Accrued Interest on Bonds and Notes		D-24		73,402	
Encumbrances Payable		D-18		7,000	
Due to Current Fund		D-12		401,472	
				<u>\$ 5,483,413</u>	

CITY OF PASSAIC
 COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
 GENERAL FIXED ASSETS ACCOUNT GROUP
 AS OF JUNE 30, 2011 AND 2010
 (UNAUDITED)

	<u>2011</u>	<u>2010</u>
ASSETS		
Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>
LIABILITIES		
Investments in General Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Passaic have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 City accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements 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 municipalities 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.

A. Reporting Entity

The City of Passaic (the "City") was incorporated in 1917 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the City do not include the Passaic Library, Redevelopment Agency, Passaic Enterprise Zone Development Corporation and Passaic Parking Authority which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

The City 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 City functions or activities. The City also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

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

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

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

Community Development Block Grant Fund - This fund is used to account for grant proceeds and related expenditures for Block grant entitlements.

Home Investment Program Fund – This fund is used to account for grant proceeds, program income and related expenditures for the Home Investment Partnership Program.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the City's sanitary sewerage system and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City, other than those accounted for in the sewer utility fund. The City's infrastructure is not reported in the account group.

The City of Passaic follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Tax Revenues - Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed semi-annually in June of the preceding fiscal year and October of the current fiscal year for that fiscal year's levy. Taxes are payable in four quarterly installments on August 1, November 1, February 1, and May 1. The amount due for the August 1 and November 1 installments are determined based upon the estimated taxes levied for municipal purposes in the current municipal fiscal year, less the amount charged as the February 1 and May 1 installments for municipal purposes of the previous fiscal year; plus the full tax levied for the current tax year (calendar year) for county and school taxes, less the amount charged as the February 1 and May 1 installments for county and school purposes of the previous fiscal year. The amounts due for the February 1 and May 1 installments are determined as the full tax levied for municipal purposes for the current fiscal year less the amounts charged for municipal purposes as the August 1 and November 1 installments of the current fiscal year, plus one half of the total tax levied for county and school purposes in the preceding tax year (calendar year). If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on August 15, November 15, February 15 and May 15 to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on October first in the fiscal year following the fiscal year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the City. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible 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 City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Rents - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the City's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 City and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

Trust Funds
General Capital Fund
Sewer Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than August 10, of the fiscal year. The budget is required to be adopted no later than September 20, 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 municipal 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. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. 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 Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011 and 2010 the City Council increased the original budget by \$3,610,183 and \$9,305,370, respectively. The increases were funded by additional aid allotted to the City during 2001 and 2010, and emergency appropriations in 2011 for terminal leave pay and matching funds for grants. In addition, the governing body approved several budget transfers during 2011 and 2010.

Expenditures - 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 June 30, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at June 30, are reported as expenditures through the establishment of appropriation reserves unless cancelled 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, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at June 30, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating Deficits – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of operating deficits at year end.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. 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 are recorded as a long-term obligation in the government-wide financial statements.

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 for interfunds and, therefore, does not recognize income in the year liquidated.

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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The City has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the City has not received notices or report of losses (i.e. IBNR). Additionally, the City has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). 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 potential claims are recorded as a long-term obligation in the government-wide financial statements.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - Fixed assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. 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 are not capitalized.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the sewer utility fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the City 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 accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the June 30, 2010 balances to conform to the June 30, 2011 presentation.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The City 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 reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The City is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2011 and 2010, the book value of the City's deposits were \$11,313,802 and \$12,573,480 and bank and brokerage firm balances of the City's deposits amounted to \$12,453,287 and \$12,831,043, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	\$ 12,453,287	\$ 12,831,043

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 City does not have a formal policy for custodial credit risk. As of June 30, 2011 and 2010, none of the City's bank balances were exposed to custodial credit risk.

Investments

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of June 30, 2011 and 2010 the City had no outstanding investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at June 30, 2011 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2011</u>			
Property Taxes	\$ 43,901		\$ 43,901
Tax Title Liens	170,534		170,534
Utility Rents	-	\$ 622,182	622,182
	<u>\$ 214,435</u>	<u>\$ 622,182</u>	<u>\$ 836,617</u>

In 2011, the City collected \$104,505 and \$1,108,484 from delinquent taxes and utility rents, which represented 100% and 100% of the delinquent tax and sewer charges receivable at June 30, 2010.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE (Continued)

Receivables at June 30, 2010 consisted of the following:

	<u>Current</u>	<u>Utility</u>	<u>Total</u>
<u>2010</u>			
Property Taxes	\$ 92,756		\$ 92,756
Tax Title Liens	10,039		10,039
Utility Rents	-	\$ 1,108,484	1,108,484
	<u>\$ 102,795</u>	<u>\$ 1,108,484</u>	<u>\$ 1,211,279</u>

In 2010, the City collected \$42,242 and \$1,230,467 from delinquent taxes and utility rents, which represented 41% and 100% of the delinquent tax and sewer charges receivable at June 30, 2009.

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds, notes and loans used to finance capital expenditures. General obligation bonds and loans have been issued for both general capital and utility funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds and loans issued by the City are general obligation debt, backed by the full faith and credit of the City. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds or loans.

The City's debt is summarized as follows:

	<u>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 19,319,924	\$ 20,930,028
Sewer Utility		
Bonds and Notes	1,920,836	2,004,804
Authorized But Not Issued		
General		
Bonds and Notes	871,508	645,966
Sewer Utility		
Bonds and Notes	44,208	266,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(341,480)</u>	<u>(373,487)</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 21,814,996</u>	<u>\$ 23,473,311</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of .45% and .48% at June 30, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 20,191,432	\$ 5,446,480	\$ 14,744,952
Parking Authority Debt	2,710,000	2,710,000	
Utility Debt	1,965,044		1,965,044
School Debt - Type II	<u>1,607,391</u>	<u>1,607,391</u>	<u>-</u>
Total	<u>\$ 26,473,867</u>	<u>\$ 9,763,871</u>	<u>\$ 16,709,996</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 21,575,994	\$ 6,048,469	\$ 15,527,525
Parking Authority Debt	2,950,000	2,950,000	
Utility Debt	2,270,804	18	2,270,786
School Debt - Type II	<u>2,350,261</u>	<u>2,350,261</u>	<u>-</u>
Total	<u>\$ 29,147,059</u>	<u>\$ 11,348,748</u>	<u>\$ 17,798,311</u>

The City's remaining borrowing power under N.J.S. 40A:2-6, as amended, at June 30, was as follows:

	<u>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 128,313,546	\$ 130,104,571
Net Debt	<u>16,709,996</u>	<u>17,798,311</u>
Remaining Borrowing Power	<u>\$ 111,603,550</u>	<u>\$ 112,306,260</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

The City's long-term debt consisted of the following at June 30:

General Obligation Bonds

The City levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
\$6,369,326, 1998 General Obligation Bonds, due in annual installments of \$534,240 to \$584,484 through July, 2012, interest at 4.80% to 4.85%	\$ 1,144,164	\$ 1,678,404
\$7,800,000, 2003 Early Retirement Incentive Pension Refunding Bonds due in annual installments of \$570,000 to \$1,135,000 through February, 2017, interest at 5.00% to 5.35%	5,105,000	5,675,000
\$4,320,000, 2004 Fiscal Year Adjustment Refunding Bonds, due in annual installment of \$585,000 through November 15, 2010, interest at 4.32%		585,000
\$6,215,000, 2005 General Obligation Bonds, due in annual installments of \$250,000 to \$890,000 through May 1, 2017, interest at 3.80% to 4.00%	4,915,000	5,165,000
\$7,249,000, 2010 General Obligation Bonds, due in annual installments of \$250,000 to \$700,000 through August 1, 2026, interest at 3.00% to 4.00%	<u>7,249,000</u>	<u>-</u>
	<u>\$ 18,413,164</u>	<u>\$ 13,103,404</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

The City has entered into a loan agreement with the Economic Development Authority ("EDA") for the financing relating to the removal of underground storage tanks and loan agreements with the State of New Jersey Green Acres Program for improvements to Dundee Island field rehabilitation, Third Ward Park improvements, Hughes Lake improvements and Pulaski Park renovations. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
\$200,000, 2006 Loans, due in semi-annual installments of \$4,523 to \$6,157 through March, 2026, interest at 2%	\$ 160,481	\$ 169,571
\$500,000, 2008 Loans, due in semi-annual installments of \$16,549 to \$21,013 through July, 2022, interest at 2%	434,129	467,392
\$100,000, 2008 Loans, due in semi-annual installments of \$2,217 to \$3,078 through June, 2027, interest at 2%	84,785	88,789
\$250,000, 2009 Loans, due in semi-annual installments of \$8,357 to \$10,506 through April, 2022, interest at 2%	208,624	225,422
\$21,000, 2009 Loans, due in semi-annual installments of \$447 to \$646 through June, 2028, interest at 2%	18,741	19,658
	<u>\$ 906,760</u>	<u>\$ 970,832</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Utility Bonds

The City pledges revenue from operations to pay debt service on utility bonds issued. The sewer utility bonds outstanding at June 30 are as follows:

Sewer Utility

	<u>2011</u>	<u>2010</u>
\$3,664,674, 1998 General Obligation Bonds, due in annual installments of \$305,760 to 334,516 through July, 2012, interest at 4.80% to 4.85%	\$ 654,836	\$ 960,596
\$1,266,000, 2010 General Obligation Bonds, due in annual installments of \$46,000 to 90,000 through August 1, 2025, interest at 3.00% to 3.75%	<u>1,266,000</u>	<u>-</u>
	<u>\$ 1,920,836</u>	<u>\$ 960,596</u>

The City's principal and interest for long-term debt issued and outstanding as of June 30 is as follows:

Fiscal Year	General		Loan		Utility		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 1,864,680	\$ 495,468	\$ 65,820	\$ 17,807	\$ 366,320	\$ 64,802	\$ 2,874,897
2013	1,979,484	411,013	67,145	16,484	384,516	47,562	2,906,204
2014	1,655,000	335,488	68,494	14,135	90,000	37,351	2,200,468
2015	2,055,000	262,264	69,870	13,760	90,000	34,650	2,525,544
2016	2,185,000	419,401	71,278	12,356	90,000	31,951	2,809,986
2017-2021	4,550,000	1,090,842	378,450	39,696	450,000	116,438	6,625,426
2022-2026	3,425,000	449,988	177,030	7,663	450,000	40,385	4,550,066
2027-2030	<u>699,000</u>	<u>13,980</u>	<u>8,673</u>	<u>155</u>	<u>-</u>	<u>-</u>	<u>721,808</u>
	<u>\$ 18,413,164</u>	<u>\$ 3,478,444</u>	<u>\$ 906,760</u>	<u>\$ 122,056</u>	<u>\$ 1,920,836</u>	<u>\$ 373,139</u>	<u>\$ 25,214,399</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, June 30, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2011</u>	Due Within One year
<u>2011</u>					
General Capital					
Serial Bonds	\$ 6,843,404	\$ 7,249,000	\$ 784,240	\$ 13,308,164	\$ 1,259,680
Fiscal Year Adjustment Bonds	585,000		585,000		
Pension Refunding Bonds	5,675,000		570,000	5,105,000	605,000
Green Acres Loan Payable	970,832	-	64,072	906,760	65,820
General Capital Fund					
Long Term Liabilities	<u>\$ 14,074,236</u>	<u>\$ 7,249,000</u>	<u>\$ 2,003,312</u>	<u>\$ 19,319,924</u>	<u>\$ 1,930,500</u>
Sewer Capital					
Serial Bonds	<u>\$ 960,596</u>	<u>\$ 1,266,000</u>	<u>\$ 305,760</u>	<u>\$ 1,920,836</u>	<u>\$ 366,320</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 960,596</u>	<u>\$ 1,266,000</u>	<u>\$ 305,760</u>	<u>\$ 1,920,836</u>	<u>\$ 366,320</u>
	June 30, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2010</u>	Within One year
<u>2010</u>					
General Capital					
Serial Bonds	\$ 7,602,204		\$ 758,800	\$ 6,843,404	\$ 784,240
Fiscal Year Adjustment Bonds	1,155,000		570,000	585,000	585,000
Pension Refunding Bonds	6,165,000		490,000	5,675,000	570,000
EDA Loans Payable	16,343		16,343		
Green Acres Loan Payable	1,034,537	-	63,705	970,832	64,072
General Capital Fund					
Long Term Liabilities	<u>\$ 15,973,084</u>	<u>-</u>	<u>\$ 1,898,848</u>	<u>\$ 14,074,236</u>	<u>\$ 2,003,312</u>
Sewer Capital					
Serial Bonds	<u>\$ 1,251,796</u>	<u>-</u>	<u>\$ 291,200</u>	<u>\$ 960,596</u>	<u>\$ 305,760</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 1,251,796</u>	<u>\$ -</u>	<u>\$ 291,200</u>	<u>\$ 960,596</u>	<u>\$ 305,760</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The City's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance, June 30, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2011</u>
<u>2011</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 6,855,792		\$ 6,855,792	
Sewer Capital Fund	<u>1,044,208</u>	<u>-</u>	<u>1,044,208</u>	<u>-</u>
	<u>\$ 7,900,000</u>	<u>\$ -</u>	<u>\$ 7,900,000</u>	<u>\$ -</u>
	Balance, June 30, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 7,122,000	\$ 6,855,792	\$ 7,122,000	\$ 6,855,792
Sewer Capital Fund	<u>1,092,000</u>	<u>1,044,208</u>	<u>1,092,000</u>	<u>1,044,208</u>
	<u>\$ 8,214,000</u>	<u>\$ 7,900,000</u>	<u>\$ 8,214,000</u>	<u>\$ 7,900,000</u>

In addition to the debt shown in the above schedule, municipalities may issue debt to finance special emergency appropriations. This debt which is not included in the City's statutory debt limit calculation is reported in the Current Fund for the fiscal year 2011 as follows:

	Balance, June 30, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2011</u>
<u>2011</u>				
Special Emergency Notes	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance, June 30, <u>2010</u> (Unaudited)	Balance, June 30, <u>2011</u> (Unaudited)
Fixed Assets	\$ 91,441,474	\$ 91,441,474

Sewer Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years 2011 and 2010.

Sewer Utility Fund	Balance June 30, <u>2010</u>	<u>Increases</u>	Balance, June 30, <u>2011</u>
<u>2011</u>			
Fixed Capital			
System and System Improvements	\$ 4,638,145	\$ 261,315	\$ 4,899,460
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 4,948,145</u>	<u>\$ 261,315</u>	<u>\$ 5,209,460</u>
	Balance June 30, <u>2009</u>	<u>Increases</u>	Balance, June 30, <u>2010</u>
<u>2010</u>			
Fixed Capital			
System and System Improvements	\$ 4,371,145	\$ 267,000	\$ 4,638,145
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 4,681,145</u>	<u>\$ 267,000</u>	<u>\$ 4,948,145</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 6 DUE TO/FROM OTHER FUNDS

As of June 30, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund				
Regular	\$ 285,995	\$ 67,040	\$ 131,509	\$ 1,244,767
Grant	977	374,993	262,369	1,255,454
Trust Funds				
Animal Control	1,533		1,501	
Other Trust	200,000	98,814	1,632,738	1,501
Community Development	238,107			13,683
Home Investment Program		43,566		117,826
General Capital Fund			1,468,175	
Sewer Utility Fund				
Operating	78,625	200,000	457,763	1,300,000
Capital	-	20,824	-	20,824
Total	<u>\$ 805,237</u>	<u>\$ 805,237</u>	<u>\$ 3,954,055</u>	<u>\$ 3,954,055</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or appropriations raised in operating fund budgets which are due to another fund.

The City expects all interfund balances to be liquidated within one year.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Sewer Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of June 30 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at June 30 which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance June 30, 2011	Utilized in Subsequent Year's Budget	Fund Balance June 30, 2010	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,337,486	\$ 1,330,000	\$ 3,707,402	\$ 3,000,000
Non-Cash Surplus	<u>434,731</u>	<u>362,500</u>	<u>47,412</u>	<u>-</u>
	<u>\$ 1,772,217</u>	<u>\$ 1,692,500</u>	<u>\$ 3,754,814</u>	<u>\$ 3,000,000</u>
Sewer Utility Operating Fund				
Cash Surplus			\$ 52,844	
Non-Cash Surplus	<u>\$ 52,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,844</u>	<u>\$ -</u>	<u>\$ 52,844</u>	<u>\$ -</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At June 30, the following deferred charges are reported on the balance sheets of the following funds:

	Balance June 30,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
2011			
Current Fund			
Emergency Authorizations	\$ 23,671	\$ 23,671	
Special Emergency Authorizations	600,000	120,000	\$ 480,000
Sewer Utility Operating Fund			
Operating Deficit	217,364	217,364	

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$5,568,558 and \$5,387,942 at June 30, 2011 and 2010, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of June 30, 2011 and 2010, the City has reserved \$216,889 and \$375,620, respectively, in the Other Trust Fund to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those City employees who are eligible for pension coverage.

Consolidated Police and Firemen's Pension fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those City employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from this plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems except CPFPF; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.50% for PERS, 8.50% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for CPFPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009, the City, except for the amounts deferred during the year ended June 30, 2009, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2011	\$ 76,519	\$ 7,679,398	\$ 1,549,187	\$ 3,673
2010	168,706	6,348,226	1,071,493	3,800
2009	138,023	3,103,732	511,301	

During the year ended June 30, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$3,644,176 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to pay off the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at June 30, 2011 and 2010 is \$4,245,466 and \$3,944,821, respectively.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teachers' Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as a Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

Health Benefits Program Fund (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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 above Funds. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$97.6 million for 7,667 eligible retired members for Fiscal Year 2010.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$28.8 million in Fiscal Year 2010 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2011, 2010 and 2009 were \$5,028,689, \$4,696,083 and \$4,497,564, respectively, which equaled the required contributions for each year.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The City has obtained commercial insurance coverage to guard against these events to minimize the exposure to the City should they occur.

The City has established a workmen's compensation plan for its employees and a general liability plan for the City. Transactions related to the plans are accounted for in the Other Trust Fund. The City contributes to fund the entire cost of the plan. Claims are paid directly by the plan with any excess benefit being reimbursed through a Re-Insurance Agreements with Specialty Claims Management, LLC and D&H Alternative Risk Solutions. The City has not created a liability for loss reserves for claims incurred which were unpaid at June 30, 2011 and 2010. In addition, the City has not created a liability for reserves for any potential unreported losses which have taken place but in which the City 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 City under existing reinsurance agreements. As of June 30, 2011 and 2010 the City has available in the Other Trust Fund \$430,302 and \$459,629, respectively for the payment of self-insurance claims.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 13 CONTINGENT LIABILITIES

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City's Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at June 30, 2011 and 2010. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of June 30, 2011 and 2010, the City reserved \$210,607 and \$587,205, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The City 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 City may be required to reimburse the grantor government. As of June 30, 2011 and 2010, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

Overlapping Debt

1. The City is a contracting municipality with the North Jersey District Water Supply Commission (NJDWSC). As such, it is entitled to 11% of the water supplied by the Commission, and is liable for 11% of the annual operating charges, including debt service, of the Commission. The total debt of NJDWSC as of June 30, 2011 and 2010 was \$78,708,854 and \$81,554,367, respectively, of which the City the Passaic's share was \$3,681,219 and \$3,686,257, respectively. The operating charges from NJDWSC are defrayed by water rates established by the Passaic Valley Water Commission.
2. The City owns a portion of the Passaic Valley Water Commission (PVWC). The bonds of the PVWC are secured by water revenues derived from water rate charges by the PVWC. In the event the PVWC funds are inadequate to make principal and interest payments on the bonds, the PVWC is required to adjust its rates to produce amounts sufficient to cover debt service. PVWC had \$141,762,469 and \$132,873,382 of debt outstanding as of June 30, 2011 and 2010, respectively, of which the City of Passaic's share was \$40,501,537 and \$37,961,925, respectively.
3. The City's obligations with respect to debt issued for facilities of PVWC and NJDWSC are not joint and are several with the contracting municipalities. Therefore, the City's contingent liability cannot increase as a result of nonpayment by any other contracting party.
4. The City may also be responsible for its share of County debt, Passaic County Utilities Authority debt and the PVSC debt. The County is repaid through taxes and the PVSC debt is repaid through sewer service charges

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2011 and 2010, the City has not estimated arbitrage earnings due to the IRS, if any.

NOTE 15 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2011</u>		
Boiler Replacement at Municipal Complex	\$317,300	2012
<u>2010</u>		
Improvement to Reid Memorial Library	\$211,991	2011
2010 Road Improvements	382,735	2011
Madison St. Improvements	129,305	2011

NOTE 16 CAPITAL LEASE AGREEMENT

The City entered into agreements for the leasing of police vehicles totaling \$855,000 under capital leases. The capital lease agreements are for terms of three years payable in advance. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at June 30, 2011.

<u>Years Ended June 30,</u>	<u>Amount</u>
2012	\$ 160,119
Total	160,119
Less: Amounts representing Interest	4,336
Present value of Net Minimum Lease Payments	\$ 155,783

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 16 CAPITAL LEASE AGREEMENT (Continued)

The City's capital lease activity for the years 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Balance, June 30	\$ 305,958	\$ 519,535
Additions	-	-
Reductions	<u>150,175</u>	<u>213,577</u>
Balance, June 30	\$ <u>155,783</u>	\$ <u>305,958</u>
Due Within One Year	<u>\$ 155,783</u>	<u>\$ 150,175</u>

NOTE 17 SUBSEQUENT EVENTS

Debt Authorized

On July 12, 2011 the City adopted a Bond Ordinance authorizing the issuance of \$237,500 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

On September 7, 2011 the City adopted a Bond Ordinance authorizing the issuance of \$266,000 in Bonds or Bond Anticipation Notes to fund sewer improvements. As of the date of this report, the City has not issued nor awarded the sale of said bonds or notes.

SUPPLEMENTARY SCHEDULES

CITY OF PASSAIC
STATEMENT OF CASH AND INVESTMENTS - CURRENT FUND

Balance, June 30, 2010		\$ 8,878,294
Increased by Receipts:		
Tax Collector	\$ 94,368,591	
Other Accounts Receivable	653	
Due from State of New Jersey - Transitional Aid	1,087,500	
Revenue Accounts Receivable	19,121,400	
Nonbudget Revenue	953,293	
Petty Cash Fund	1,050	
Due from State of New Jersey - Senior Citizen/Veterans Deductions	136,462	
Special Emergency Note	600,000	
Receipts from the Parking Authority	500,000	
Receipts from Grant Fund	1,000,000	
Receipts for Grant Fund	2,492,624	
Receipts for Animal Control Fund	32	
Receipts from Home Investment Program Trust Fund	300,000	
Receipts from Community Development Block Grant Fund	500,473	
Receipts for General Capital Fund	7,249,000	
Receipts for Sewer Utility Operating Fund	63,585	
Receipts from Sewer Utility Operating Fund	59,055	
Receipts for Sewer Utility Capital Fund	1,266,000	
Fees Payable	1,258,517	
		<u>130,958,235</u>
		139,836,529
Decreased by Disbursements:		
2011 Budget Appropriations	75,985,311	
2010 Appropriation Reserves	455,391	
Petty Cash Fund	1,050	
Encumbrances Payable	1,106,169	
Accounts Payable	152	
County Taxes	20,971,240	
Local School Taxes	17,140,411	
Tax Overpayments	194,494	
Payments made to Redevelopment Agency	47,442	
Payments made for Parking Authority	128,390	
Payments for Grant Fund	2,583,179	
Payment to Grant Fund	1,495,204	
Payment for Other Trust Fund	3,919,775	
Payments to Community Development Grant Fund	491,000	
Payments to Home Investment Program Fund	100,000	
Payments for Home Investment Program Fund	125,740	
Payments for General Capital Fund	6,861,575	
Payments to General Capital Fund	588,587	
Payments for Sewer Utility Operating Fund	401,472	
Payments to Sewer Utility Operating Fund	503,653	
Payments for Sewer Utility Capital Fund	1,044,208	
Payments to Sewer Utility Capital Fund	221,792	
Fees Payable	1,230,343	
Reserve for Tax Appeals	376,598	
		<u>135,973,176</u>
Balance, June 30, 2011		\$ <u>3,863,353</u>

**CITY OF PASSAIC
STATEMENT OF CASH AND INVESTMENTS - GRANT FUND**

Balance, June 30, 2010		\$ 165,674
Increased by:		
Grants Receivable	\$ 3,889,433	
Receipts from Current Fund	1,495,204	
Unappropriated Grant Reserves	<u>97,491</u>	
		<u>5,482,128</u>
		5,647,802
Decreased by:		
Payments to Current Fund	1,000,000	
Payments to General Capital Fund	1,234,598	
Appropriated Grant Reserves	<u>3,056,047</u>	
		<u>5,290,645</u>
Balance, June 30, 2011		<u>\$ 357,157</u>

SCHEDULE OF TAX COLLECTOR'S CASH

Increased by:		
Taxes Receivable	\$ 93,141,507	
Tax Title Liens Receivable	76,993	
Interest and Cost on Taxes	252,038	
Payment in Lieu of Taxes	665,950	
Tax Overpayments	109,978	
Prepaid Taxes	<u>122,125</u>	
		<u>\$ 94,368,591</u>
Decreased by:		
Payment to Treasurer		<u>\$ 94,368,591</u>

EXHIBIT A-7

**CITY OF PASSAIC
SCHEDULE OF CASH - CHANGE FUND**

Balance, June 30, 2010	\$ <u>2,600</u>
Balance, June 30, 2011	\$ <u>2,600</u>

EXHIBIT A-8

SCHEDULE OF CASH - PETTY CASH CHANGE FUND

Increased by:	
Treasurer's Disbursements	\$ 1,050
Decreased by:	
Treasurer's Receipts	<u>\$ 1,050</u>

EXHIBIT A-9

SCHEDULE OF OTHER ACCOUNTS RECEIVABLE

Balance, June 30, 2010	\$ 653
Decreased by:	
Cash Receipts	<u>\$ 653</u>

EXHIBIT A-10

SCHEDULE OF DUE FROM STATE OF NEW JERSEY - TRANSITIONAL AID

Increased by:	
Transitional Aid Award	\$ 1,450,000
Decreased by:	
Cash Receipts	<u>1,087,500</u>
Balance, June 30, 2011	<u>\$ 362,500</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO/FROM CURRENT FUND
GRANT FUND**

Balance, June 30, 2010 (Due from)		\$ 262,369
Increased by:		
2011 Budget Appropriation for Grants	\$ 4,536,927	
Payments to Current Fund	1,000,000	
Grant Fund Receipts Deposited in Current Fund	<u>2,492,624</u>	
		<u>8,029,551</u>
		8,291,920
Decreased By:		
Anticipated as 2011 Budget Revenue		
Grants Receivable Anticipated as 2011 Budget Revenue	4,243,371	
Unappropriated Grants Anticipated as 2011 Budget Revenue	63,977	
Grant Fund Expenditures Paid by Current Fund	2,583,179	
Receipts from Current Fund	1,495,204	
Cancelled Appropriated Grant Reserves	<u>52,282</u>	
		<u>8,438,013</u>
Balance, June 30, 2011 (Due to)		<u>\$ 146,093</u>

**STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, June 30, 2010		\$ 47,412
Increased by:		
Senior Citizens/Veterans Deductions Per Tax Duplicate	\$ 138,875	
Deductions Allowed by Tax Collector - SFY 2011	8,051	
Deductions Allowed by Tax Collector - SFY 2010	<u>4,065</u>	
		<u>150,991</u>
		198,403
Decreased by:		
Cash Received from State	136,462	
Deductions Disallowed by Tax Collector	<u>13,381</u>	
		<u>149,843</u>
Balance, June 30, 2011		<u>\$ 48,560</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM REDEVELOPMENT AGENCY**

Balance, June 30, 2010	\$ 2,558
Increased by:	
Payments made to Redevelopment Agency	<u>47,442</u>
	50,000
Decreased by:	
2011 Budget Appropriations	<u>\$ 50,000</u>

STATEMENT OF DUE FROM PARKING AUTHORITY

Increased by:	
Anticipated as Current Fund Revenue	\$ 653,682
Payments Made for Parking Authority	<u>128,390</u>
	782,072
Decreased by:	
Cash Receipts	<u>500,000</u>
Balance, June 30, 2011	<u>\$ 282,072</u>

CITY OF PASSAIC
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year Ended	Balance, June 30, 2010	SFY 2011 Levy	Senior Citizens and Veterans Deductions Disallowed	Collections SFY 2010	Collections SFY 2011	Senior Citizens and Veterans Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, June 30, 2011
June 30, 1999	\$ 2,551							\$ 2,551	
June 30, 2000	2,563							2,563	
June 30, 2001	2,696							2,696	
June 30, 2002	3,963							3,963	
June 30, 2003	2,676							2,676	
June 30, 2004	2,729							2,729	
June 30, 2005	2,794							2,794	
June 30, 2006	3,040							3,040	
June 30, 2007	1,725							1,725	
June 30, 2008	10,811							10,811	
June 30, 2009	20,136				\$ 18			7,749	\$ 12,369
June 30, 2010	37,072		-	-	23,429	\$ 4,065	-	4,124	5,454
June 30, 2011	92,756	-	-	-	23,447	4,065	-	47,421	17,823
		\$ 93,753,500	\$ 13,381	\$ 53,452	93,118,060	146,926	\$ 166,958	255,407	26,078
	\$ 92,756	\$ 93,753,500	\$ 13,381	\$ 53,452	\$ 93,141,507	\$ 150,991	\$ 166,958	\$ 302,828	\$ 43,901
Tax Yield:									
General Purpose Tax			\$ 93,693,147						
Added Taxes			60,353						
				\$ 93,753,500					
Tax Levy:									
Local District School Tax Levy				\$ 17,140,411					
County Taxes:									
County Tax - General			\$ 20,579,471						
County Tax Open Space			378,459						
County Tax - Added/Omitted			13,310						
				20,971,240					
Local Tax for Municipal Purposes			55,615,070						
Add Additional Tax Levied			26,779						
				55,641,849				\$ 93,753,500	

CITY OF PASSAIC
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, June 30, 2010	Accrued	Collected		Balance, June 30, 2011
			Treasurer	Tax Collector	
Licenses					
Alcoholic Beverages		\$ 50,000	\$ 50,000		
Other		40,206	40,206		
Fees and Permits					
Construction Code Official		552,262	552,262		
Other		81,754	81,754		
Fines and Costs					
Municipal Court	\$ 190,715	1,797,536	1,923,547		\$ 64,704
Interest on Investments and Deposits		17,282	17,282		
Police Record Bureau		17,048	17,048		
Ambulance Billing		904,541	904,541		
Energy Receipts Tax		7,076,853	7,076,853		
Supplemental Energy Receipts Tax		107,457	107,457		
Consolidated Municipal Property Tax Relief Aid		5,361,172	5,361,172		
Interest and Costs on Taxes		252,038		\$ 252,038	
Board of Education - Security Watch		1,862,000	1,862,000		
Interlocal Agreement-Passaic Park. Auth.		653,682	653,682		
Cable Franchise Fee		372,962	372,962		
Housing Authority Police Program		252,824	252,824		
Fire Life Safety Registration and Permits		106,747	106,747		
Reserve for Debt Service (General Capital Fund)		31,989	31,989		
Employee Group Health Insurance Contribution		395,171	395,171		
Payment in Lieu of Taxes					
St. Mary's Reise Corp.		151,472		151,472	
Housing Authority		53,109		53,109	
Chestnut Housing Phase I		66,648		66,648	
Jack Parker Associates		235,329		235,329	
YMCA - River Road		30,000		30,000	
Garden Howe		40,544		40,544	
Highview Terrace		88,848		88,848	
	<u>\$ 190,715</u>	<u>\$ 20,599,474</u>	<u>\$ 19,807,497</u>	<u>\$ 917,988</u>	<u>\$ 64,704</u>
Cash Receipts			\$ 19,121,400	\$ 917,988	
Due from Parking Authority			653,682		
Due from General Capital			32,415	-	
			<u>\$ 19,807,497</u>	<u>\$ 917,988</u>	

**CITY OF PASSAIC
STATEMENT OF TAX TITLE LIEN RECEIVABLE**

Balance, June 30, 2010		\$	10,039
Increased by:			
Interest and Costs from Tax Sale	\$	10,481	
Prior Period Adjustment		60,049	
Transfers from Taxes Receivable		<u>166,958</u>	
			<u>237,488</u>
			247,527
Decreased by:			
Receipts			<u>76,993</u>
Balance, June 30, 2011		\$	<u>170,534</u>

**CITY OF PASSAIC
STATEMENT OF DEFERRED CHARGES**

Emergency Authorizations	Balance, June 30, 2010	Added in 2011	Reduced in 2011	Balance, June 30, 2011
	\$ -	\$ 23,671	\$ -	\$ 23,671

**STATEMENT OF DEFERRED CHARGES
SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance June 30, 2010</u>	<u>Added in 2011</u>	<u>Reduced in 2011</u>	<u>Balance June 30, 2011</u>
SFY 2011	Terminal Leave Pay	\$ 600,000	\$ 120,000	-	\$ 600,000	-	\$ 600,000
				\$ -	\$ 600,000	\$ -	\$ 600,000

**CITY OF PASSAIC
STATEMENT OF TAX OVERPAYMENTS**

Balance, June 30, 2010	\$ 175,443
Increased by:	
Overpayments Received	<u>109,978</u>
	285,421
Decreased by:	
Refunds	<u>194,494</u>
Balance, June 30, 2011	<u>\$ 90,927</u>

STATEMENT OF PREPAID TAXES

Balance, June 30, 2010	\$ 53,452
Increased by:	
Cash Receipts	<u>122,125</u>
	175,577
Decreased by:	
Applied to 2011 Taxes Receivable	<u>53,452</u>
Balance, June 30, 2011	<u>\$ 122,125</u>

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Increased by:	
Cash Receipts	<u>\$ 600,000</u>
Balance, June 30, 2011	<u>\$ 600,000</u>

**CITY OF PASSAIC
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, June 30, 2010	Transfers	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT						
DEPARTMENT OF ADMINISTRATION						
Office of Business Administration						
Salaries & Wages	\$ 9,103		\$ 538	\$ 9,641		\$ 9,641
Other Expenses	17,926			17,926	\$ 16,179	1,747
Mayor and Council						
Salaries and Wages	2,972		4,247	7,219		7,219
Other Expenses	4,091			4,091	182	3,909
City Clerk						
Salaries and Wages	1,045			1,045	1,044	1
Other Expenses	52,333			52,333	14,542	37,791
Human Resources						
Salaries and Wages	96			96		96
Other Expenses	884			884	33	851
Financial Administration-Treasurer's Office						
Salaries and Wages	5,631			5,631	3,733	1,898
Other Expenses	16,073	\$ (11,000)		5,073	2,125	2,948
Annual Audit						
Other Expenses	5,000			5,000	1,983	3,017
Revenue Administration						
Salaries and Wages	8,261	(3,000)		5,261		5,261
Other Expenses	51			51	51	-
Tax Assessment Administration						
Salaries and Wages	3,446			3,446		3,446
Other Expenses	3,982		3,375	7,357		7,357
Legal Services						
Other Expenses		98,000		98,000	75,701	22,299
Office of Engineer						
Salaries and Wages	10,179	(7,000)		3,179		3,179
Other Expenses	5,105	(2,000)		3,105	271	2,834
Planning and Economic Development						
Salaries and Wages	3,214			3,214		3,214
Other Expenses	210			210		210
Division of Housing						
Salaries and Wages	2,651			2,651		2,651
Other Expenses	5,222			5,222	110	5,112
Planning Board						
Other Expenses	2,499			2,499	130	2,369
Board of Adjustment						
Other Expenses	3,161			3,161	51	3,110
Rent Leveling Board						
Salaries and Wages	9			9		9
Other Expenses	110	(4,000)	5,000	1,110		1,110
DEPARTMENT OF PUBLIC WORKS						
Insurance						
Liability Insurance	804			804		804
Workmen's Compensation	30			30		30
Employee Group Insurance	221,316		20,916	242,232		242,232
Unemployment Insurance	1			1		1
Streets and Road Maintenance						
Salaries & Wages	24,189	(17,050)		7,139	2,000	5,139
Other Expenses	5,414		1,264	6,678		6,678
Solid Waste Collection						
Other Expenses						
Garbage Removal Contractual	20,461	(15,000)		5,461	3,297	2,164
Building and Grounds						
Salaries & Wages	3,559	(2,000)		1,559		1,559
Other Expenses	2,001	5,000		7,001	3,549	3,452
Director Office						
Other Expenses			3,063	3,063		3,063
Vehicle Maintenance						
Salaries & Wages	1,195			1,195	1	1,194
Other Expenses	95	6,000	322	6,417		6,417

CITY OF PASSAIC
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, June 30, 2010	Transfers	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
DEPARTMENT OF PUBLIC SAFETY						
Police Department						
Salaries and Wages	\$ 3,406		\$ 135,069	\$ 138,475	\$ 95,300	\$ 43,175
Other Expenses	6,238			6,238	173	6,065
Fire Department						
Salaries and Wages	9,045			9,045		9,045
Other Expenses	17,123			17,123	13,451	3,672
Municipal Court						
Salaries and Wages	5,680			5,680		5,680
Other Expenses	315		10,030	10,345		10,345
Fire Life Safety						
Salaries and Wages	2,760			2,760		2,760
Office of Emergency Management						
Salaries and Wages	2,204			2,204		2,204
Other Expenses	1,311		24	1,335		1,335
Prosecutor's Office						
Other Expenses	27,000	\$ (15,000)	4,200	16,200		16,200
Public Defender						
Other Expenses		1,100		1,100	800	300
Passaic Parking Authority						
Other Expenses	26,115			26,115	20,227	5,888
DEPARTMENT OF HUMAN RESOURCES						
Division of Health						
Salaries & Wages	50,661	(53,000)	7,529	5,190		5,190
Other Expenses	5,068	(27,000)	39,521	17,589		17,589
Vital Statistics						
Other Expenses			1,518	1,518		1,518
Animal Regulation						
Salaries & Wages	8,471	(5,000)		3,471		3,471
Other Expenses	783		81	864		864
DEPARTMENT OF PARKS AND RECREATION						
Division of Recreation						
Salaries & Wages	3,035			3,035		3,035
Other Expenses	835			835	102	733
Senior Citizens						
Salaries & Wages	2,581		22,491	25,072		25,072
Other Expenses	827			827	545	282
Handicapped Recreation						
Salaries & Wages	654		27,000	27,654		27,654
Other Expenses	619			619	6	613
Maintenance of Parks						
Salaries & Wages	16,898	(13,000)		3,898		3,898
Other Expenses	8,992	(3,000)	699	6,691		6,691
OTHER COMMON OPERATING FUNCTIONS						
Retired Employees						
Other Expenses	100			100		100
UNIFORM CONSTRUCTION CODE- APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Division of Code Enforcement						
Salaries & Wages	9,078			9,078	3,000	6,078
Other Expenses	3,388			3,388	111	3,277

CITY OF PASSAIC
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, June 30, 2010	Transfers	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
UNCLASSIFIED						
Utilities:						
Electricity	\$ 51,846			\$ 51,846	\$ 43,137	\$ 8,709
Telephone and Telegraph	5,570	\$ 6,500		12,070	11,279	791
Heating Oil	2,031			2,031		2,031
Street Lighting	48,619	11,000		59,619	57,474	2,145
Gasoline	62,174	(37,600)		24,574	24,135	439
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Tipping Fees	96,143	107,050		203,193	202,989	204
Tipping Fees Recycling Tax	2,432		\$ 21,142	23,574		23,574
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures						
Social Security System (O.A.S.I.)	22,876	(20,000)		2,876	674	2,202
PERS	18,152			18,152		18,152
PERS	10,548			10,548		10,548
Consolidated Police and Firemen's Pension Fund	94			94		94
PERS-ERIP	2,948			2,948		2,948
GENERAL APPROPRIATIONS - ALL OTHER OPERATIONS EXCLUDED FROM "CAPS"						
Matching Funds For Grants	878	-	-	878	-	878
	<u>\$ 979,817</u>	<u>\$ -</u>	<u>\$ 308,029</u>	<u>\$ 1,287,846</u>	<u>\$ 598,385</u>	<u>\$ 689,461</u>
Cash Disbursements					\$ 455,391	
Transferred to Accounts Payable					9,476	
Transferred to Miscellaneous Reserves -Other Trust Fund					33,441	
Transferred to Miscellaneous Reserves - Current Fund					100,077	
					<u>\$ 598,385</u>	

CITY OF PASSAIC
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:	
Levy	\$ 17,140,411
Decreased by:	
Cash Disbursements	<u>\$ 17,140,411</u>

EXHIBIT A-25

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:	
Levy	
General County	\$ 20,579,471
County Open Space Preservation	378,459
County Added/Omitted Taxes	<u>13,310</u>
	\$ 20,971,240
Decreased by:	
Cash Disbursed	<u>\$ 20,971,240</u>

EXHIBIT A-26

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, June 30, 2010	\$ 1,414,198
Increased by:	
Transferred from Budget Appropriations	<u>937,126</u>
	2,351,324
Decreased by:	
Payments	\$ 1,106,169
Cancelled Encumbrances Restored to Appropriation Reserves	<u>308,029</u>
	<u>1,414,198</u>
Balance, June 30, 2011	<u>\$ 937,126</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, June 30, 2010	\$ 587,205
Decreased by:	
Cash Payments	<u>376,598</u>
Balance, June 30, 2011	<u>\$ 210,607</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, June 30, 2010	\$ 152
Increased by:	
Transfer from SFY 2010 Appropriation Reserves	<u>9,476</u>
	9,628
Decreased by:	
Cash Disbursements	<u>152</u>
Balance, June 30, 2011	<u>\$ 9,476</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, June 30, <u>2010</u>	Transferred from SFY 2010 <u>Approp Reserves</u>	Transferred to Other <u>Trust Fund</u>	Anticipated as Current <u>Fund Revenue</u>	Balance, June 30, <u>2011</u>
Allowance for Grant Reimb.	\$ 588,706			\$ 588,000	\$ 706
Accrued Salary Settlements	<u>99,815</u>	<u>\$ 100,077</u>	<u>\$ 199,892</u>	<u>-</u>	<u>-</u>
	<u>\$ 688,521</u>	<u>\$ 100,077</u>	<u>\$ 199,892</u>	<u>\$ 588,000</u>	<u>\$ 706</u>

**CITY OF PASSAIC
STATEMENT OF FEES PAYABLE**

	Balance, June 30, 2010	Receipts	Disburse- ments	Balance, June 30, 2011
Construction Code Training Fees	\$ 5,380	\$ 15,925	\$ 16,644	\$ 4,661
Burial Fees	145	290	315	120
Bail Bond Forfeiture Fees		235,459	227,379	8,080
Ambulance Billing Fees	<u>24,412</u>	<u>1,006,843</u>	<u>986,005</u>	<u>45,250</u>
	<u>\$ 29,937</u>	<u>\$ 1,258,517</u>	<u>\$ 1,230,343</u>	<u>\$ 58,111</u>

STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance June 30, 2010	Cash Receipts	Realized as Current Fund Revenue	Transfer to Grants Receivable	Balance June 30, 2011
Alcohol Education		\$ 10,140			\$ 10,140
Clean Community Grant	\$ 63,927	60,036	\$ 63,927		60,036
WIC	11,786			\$ 11,786	
Ryan White	50	27,315	50		27,315
Walk Safe Passaic	365			365	
DHS	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
	<u>\$ 80,128</u>	<u>\$ 97,491</u>	<u>\$ 63,977</u>	<u>\$ 12,151</u>	<u>\$ 101,491</u>

STATEMENT OF DUE TO REDEVELOPMENT AUTHORITY - GRANT FUND

Balance, June 30, 2010	<u>\$ 2,384</u>
Balance, June 30, 2011	<u>\$ 2,384</u>

**CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE**

	Balance, June 30, 2010	Revenue Accrued	Decreased by:		Balance, June 30, 2011
			Cash Received	Cancellations/ Transferred from Unapp Grant Res	
NJ DCA: Lead Intervention	\$ 181,860				\$ 181,860
NJ DOT: Main Ave Streetscape	248,000		\$ 244,371		3,629
NJ Transportation Trust: Passaic Train Station	1,584				1,584
Public Archives 2006 PARIS	1,809				1,809
Woman, Infant, Children 07	511				511
Ryan White I 07	527		527		
Ryan White 08	4,129		4,129		
Byrne Memorial Justice Assistance Grant 07	281,033		281,033		
Booster Seat Enforcement Grant 08	50				50
Public Archives 07 (Paris)	6,060				6,060
Woman, Infant, Children 08	9				9
Housing Opportunity for People with Aides 06	737				737
Municipal Alliance 2008	163				163
Open Space 08 - Parks Rehabilitation	147,506		41,062		106,444
Ryan White - Title I 09	3,145		3,145		
DOT 07 : Market ST	80,500		80,500		
Trans Trust 07: Parker / Holdsworth / Howe Avenues	75,000				75,000
UZE07-155: Market St. Construction	303,932			\$ 303,932	
UZE08 -34 : Commercial Redevelopment PH	277,368		70,722		206,646
Cancer Assmnt 10	35,828		35,828		
Fire Safety 09	82,812		82,070		742
Over Limit 08	500				500
Summer Food 09	210,872				210,872
DOT 09:Passaic/Columbia/Monroe	62,492		62,492		
UEZA 09:Commercial Redevelopment	1,168,971		102,975		1,065,996
JAIBG07:St House + Match	20,328				20,328
UZE08-95:Landscape Maintenance	31,016		9,077		21,939
UZE08-108:Blaine, Dayton, Francis	74,150			74,150	
Muni Alliance 09	8				8
Ryan White 10	11,974		11,974		
SR Trans 09	15,420		15,420		
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	1,218,727		864,078		354,649
Lead Intervention for Children at Risk	51,190		51,190		
Station House Adjustment	40,000		40,000		
Safe & Secure Communities Grant	90,000		90,000		
Women, Infant, Children (WIC)	478,270		478,270		
Women, Infant, Children (WIC)	29,200		29,200		
Women, Infant, Children (WIC)	18,881		3,945	11,786	3,150
Parks Rehabilitation - Passaic County Open Space	137,205				137,205
Urban Enterprize Zone-Administration	385,997		240,861		145,136
Local Public Health Emergency Response-H1N1 Virus	61,572			61,572	
DCA Neighborhood Preservation Program	2,037,656		998,844		1,038,812
Business Stimulus - NJ Forestry Service	7,000				7,000
Lead Intervention for Children at Risk	4,000		4,000		
Assistance to Firefighters Grant Program - Homeland Security - FEMA	28,851				28,851
Community Stewardship Incentive Program	2,295				2,295
Pedestrian Safety Grant - Division of Highway Traffic Safety	9,750		9,338	365	47
Urban Enterprize Zone-Security Patrol	444,780		313,621	131,159	

CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE

	Balance, June 30, 2010	Revenue Accrued	Cash Received	Decreased by: Cancellations/ Transferred from Unapp Grant Res	Balance, June 30, 2011
SAFER Grant Program - Homeland Security - FEMA	\$ 372,760		\$ 151,341		\$ 221,419
2011 Municipal Aid Program-Quincy/Sherman Streets	325,850				325,850
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	378,650				378,650
Neighborhood Crime Prevention - NJ Dept. of Law & Public Safety	40,578				40,578
Municipal Alliance on Alcoholism and Drug Abuse	45,800		45,772		28
Energy Efficiency & Conservation Block Grant - US Dept. of Energy	613,800		613,800		
Occupant Protection Program-"Click It or Ticket 2011"	4,000		4,000		
Urban Enterprize Zone-Market Street Reconstruction	336,585		123,369	\$ 213,216	
Multicultural Affairs - County of Passaic	450		450		
NJDOA-Summer Food Program	287,527		158,171	129,356	
Addiction Services		\$ 4,725	2,455		2,270
Advanced Traffic		119,600			119,600
Body Armor Fund		15,165	15,165		
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA-10		362,938			362,938
Cancer Assessment - 2011		65,000	30,254		34,746
Click It or Ticket Grant		4,000			4,000
Childhood Lead Paint		159,250	77,876		81,374
Drunk Driving Enforcement Fund		30,644	30,644		
Emergency Preparedness Grant		10,000			10,000
Hepatitis Inoculation		4,575	4,575		
Law Enforcement Block Grant		250,000			250,000
Neighborhood Crime Prevention - NJ Dept. of Law & Public Safety		40,578			40,578
Over the Limit Under Arrest		9,400	9,400		
DCA - Recreation Opportunity for Individuals with Dis.		20,000	20,000		
Recycling Tonnage Grant		87,129	87,129		
Juvenile Accountability Incentive Block Grant (JAIBG) - Station House		32,000	32,000		
Summer Employment - 2010		16,959	16,959		
Summer Employment - 2011		19,400			19,400
Summer Food Program		458,147			458,147
Safe and Secure Grant		79,985			79,985
Women Infant Children - 2011		865,400	418,266		447,134
Walk Safe Passaic		17,000	3,600		13,400
Housing Opportunity - HOPWA		108,000	64,025		43,975
Municipal Alliance on Alcoholism and Drug Abuse - 2011		41,903			41,903
Multicultural Affairs - County of Passaic		1,130	565		565
Ryan White - 2011		176,828	176,828		
Senior Citizens Transportation		44,982	44,982		
Urban Enterprize Zone - Marketing		76,000	10,665		65,335
Urban Enterprize Zone - Graffiti Eradication		116,547			116,547
Urban Enterprize Zone - Clean Sweep		212,980			212,980
Urban Enterprize Zone - Security Patrol VIII		478,106			478,106
Urban Enterprize Zone - Administration	-	315,000	92,927	-	222,073
	<u>\$ 10,779,668</u>	<u>\$ 4,243,371</u>	<u>\$ 6,403,890</u>	<u>\$ 925,536</u>	<u>\$ 7,693,613</u>
Due to Current Fund		\$ 4,243,371			
Cash Receipts			\$ 3,889,433		
Due from Current Fund - Grant Receipts			2,492,624		
Due from Other Trust Fund - Grant Receipts			21,833		
Transferred from Unappropriated Grant Reserves				\$ 12,151	
Cancelled to Reserve for Appropriated Grants		-	-	913,385	
		<u>\$ 4,243,371</u>	<u>\$ 6,403,890</u>	<u>\$ 925,536</u>	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance		Increased by:		Balance	
	June 30, 2010		Budget		June 30, 2011	
	Encumbered	Reserved	Appropriation	Cancelled	Encumbered	Reserved
Department of Health and Human Services						
Headstart Program	\$ 388	\$ 8,968			\$ 139	\$ 8,829
Special Legislative 2006					388	
Department of Agriculture -						
Women, Infants and Children 2006		18,081				18,081
Relocation Assistance Program		4,890				4,890
Relocation Assistance Program - City Match		10,311			1,120	9,191
Municipal Alliance 2006		5				5
Columbia Ave/Green Acres/UPAR		3,721				3,721
Occupant Protection Highway		196				196
Community Health Enhancement		123				123
Non-Public Nursing - 2005		1,660				1,660
Byrne Memorial Justice - 2006		224				224
Byrne Memorial Justice - 2007	153				\$ 153	
Booster Seat - 2008	191,617					
NJ Comprehensive Cancer Awareness - 2009		2,550				2,550
Cancer Assessment - 2010	28	4,922			28	4,922
Sr Citizen & Disabled Resident Transportation	6,116	91			6,116	91
Ryan White Title I - 2008		335				335
Ryan White Title I - 2009	100	8,341			100	8,341
Tobacco Control Grant	2,356	21			2,160	217
Tobacco Control Grant		2,528				2,528
Tobacco Control Grant	18					18
Tobacco Prevention Grant - 06		35			35	
Tobacco Prevention Grant - 07		75			75	
COPS Universal Hiring		837				837
Local Law Enforcement - OJP		2,788			126	
Local Law Enforcement - OJP 2004		70			70	
NJDCA - Lead Intervention		149,440				149,440
Passaic County - Open Space Parks - 2008	11,780	44,995			42,047	27,486
Passaic County - Open Space - 2008	22,919	27,486			22,919	1,809
Public Archive 2006 (PARIS)		1,809				6,060
Public Archive 2007 (PARIS)		6,060				1,584
NJDOT - Transportation Trust - Passaic Train St.		1,584				75,000
NJDOT - Transportation Trust - Howe/Parker Ave., Holdsworth Ct.		75,000				61,555
NJDOT - Transportation Trust - Howel/Lincoln/St. Francis		61,555				75,000
NJDOT - Transportation Trust - Passaic/Columbia/Monroe		240,001			240,308	61,555
NJ Community Policing	307					7,000
Emergency Management - FEMA		7,000				1

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance		Increased by:		Cash		Balance	
	June 30, 2010	June 30, 2011	Budget	Cancelled	Disbursements	Cancelled	June 30, 2011	Reserved
	Encumbered	Reserved	Appropriation	Encumbrances			Encumbered	Reserved
Storm Water 2004		\$ 5,853						\$ 5,853
Body Armor 06	780				780			
Body Armor 07	3,120	4,532			1,560			6,092
Body Armor 08		18,754						18,754
Clean Community 07	9,907				9,899			8
Clean Community 08	1,045	3,019			4,064			
Clean Community 09		532			532			
Child Lead Paint Prevention: 08		2,996						2,996
Drunk Driving 07		168						168
Drunk Driving 08		549						549
Domestic Violence - 2006		2,909			1,083			1,826
Emergency Tel 07: Communications - 911 Grant		2,829						2,829
Emergency Tel 08: Communications - 911 Grant		6,961						6,961
Hepatitis B Inoculation - 2008		275			275			257
Juvenile Accountability Incentive 2007	566	331			331		309	
Juvenile Accountability Incentive 2008		705			621			84
Municipal Alliance 2007		13						13
Municipal Alliance 2008		358						358
Municipal Alliance 2009		304						304
Narcotics Task 2008		40,718						40,718
Pandemic Flu 08		1,055						1,055
Public Health 01 Priority Funding		41,035			15,000			41,035
Recreation Opportunity '08		15,000			24,000			
Recreation Opportunity '09		24,000						
Ryan White 1'10	25	80			25			80
Summer Employment 2009		9						9
Summer Food 2009	19,307	206,594			60			225,901
Tobacco Prevention 2008		111						51
Tobacco Prevention 2009	1,345	10,532			1,345	\$ 6,900	160	3,472
UEZA '07-Market St. Reconstruction	123,368	517,149			123,368	517,149		
UEZA '08-Commercial Redevelopment IV	38,725	221,828			57,662		10,490	192,401
UEZA '08-Landscape Maintenance		31,016			9,077			21,939
UEZA '08-Blaine, Dayton and St. Francis Way	1,000	73,150				74,150		
UEZA '09- Commercial Redevelopment PH V	14,380	1,154,591			104,255			1,064,716
Women, Infants and Children '09		31,674						31,674
Walk Safe Passaic 07		778					778	
Walk Safe Passaic 08		537					537	
Walk Safe Passaic 09		201					201	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance		Increased by:		Balance	
	June 30, 2010	June 30, 2011	Budget	Cancelled	June 30, 2011	Reserved
	Encumbered	Reserved	Appropriation	Encumbrances	Cancelled	Encumbered
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	\$ 493,174	\$ 498,937				\$ 13,842
Lead Intervention for Children at Risk	6,870	195				71
Drunk Driving Enforcement Fund		8,132				2,344
NJDEP-Recycling Tonnage Grant	6,978	8,161				13
Station House Adjustment	1,135	288				
Safe & Secure Communities Grant		45,000				33,962
Women, Infant, Children (WIC)	2,753	252,235				137,205
Parks Rehabilitation - Passaic County Open Space Grant		137,205				146,195
Urban Enterprise Zone-Administration		222,318				
Addiction Services - NJ Dept. of Health & Human Services	229					
Local Public Health Emergency Response-H1N1 Virus	2,442	106,968			106,954	
DCA Neighborhood Preservation Program	129,874	1,925,464				298,015
Business Stimulus - NJ Forestry Service		7,000				7,000
Assistance to Firefighters Grant Program - Homeland Security - FEMA	718	17,459				18,177
Assistance to Firefighters Grant Program-Matching	180	17,707				13,752
Community Stewardship Incentive Program - NJDEP	130	10,170				
Community Stewardship Incentive Program-Matching		5,100				557
Pedestrian Safety Grant - Division of Highway Traffic Safety		7,050				
Urban Enterprise Zone-Security Patrol		287,969			131,158	
SAFER Grant Program - Homeland Security - FEMA		359,621				359,621
SAFER Grant Program-Matching		44,713				44,713
NJ DOT - 2010 Municipal Aid Program-Quincy/Sherman Streets		325,850				18,534
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA	244,793	133,857				51,808
Neighborhood Crime Prevention - NJ Dept. of Law & Public Safety	725	20,564				133,857
Neighborhood Crime Prevention-Matching		16,949				46
Municipal Alliance on Alcoholism and Drug Abuse	1,468	23,920				
Municipal Alliance on Alcoholism and Drug Abuse-Matching		10,000				
Public Health Priority Funding		3,645				3,645
Energy Efficiency & Conservation Block Grant - US Dept. of Energy	35,980	558,920				234,120
Body Armor Fund		5,139				5,139
Juvenile Accountability Incentive Block Grant (JAIBG)-Station House		121				121
Occupant Protection Program-"Click It or Ticket 2010"		1,400				
Multicultural Affairs - County of Passaic		900				650
Multicultural Affairs-Matching		900				
Ryan White Title I		22,647	\$ 176,878			63,107
Municipal Alcohol Education/Rehabilitation Program		12,066				
NJDOA-Summer Food Program		287,527			129,356	10,489
					70	

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance June 30, 2010		Increased by:		Balance June 30, 2011		
	Encumbered	Reserved	Budget Appropriation	Cancelled Encumbrances	Cash Disbursements	Cancelled Encumbered	Reserved
Edward Byrne Memorial Justice Assistance Grant (JAG)-ARRA			\$ 362,938		\$ 42,957	\$ 160,646	\$ 159,335
Cancer Assessment Grant			65,000		43,367	3,152	18,481
Lead Intervention for Children at Risk			159,250		114,165	1,784	43,301
Drunk Driving Enforcement Fund			30,644		15,983		14,661
Law Enforcement Grant			250,000				250,000
Over the Limit - Under Arrest			9,400		7,400		2,000
Recreation Opportunity			24,000		12,000		12,000
Recycling Tonnage Grant			87,129		43,142	13,116	30,871
Hepatitis Inoculation			4,575		4,575		
Safe & Secure Communities Grant			79,985		39,993	3,796	39,992
Women, Infant & Children (WIC)			865,400		611,177		250,427
Urban Enterprise Zone - Marketing 2011			76,000		39,060		36,940
Urban Enterprise Zone - Graffiti Eradication 2011			145,683		72,842		72,841
Urban Enterprise Zone - Clean Sweep 2011			266,225		133,112		133,113
Urban Enterprise Zone - Security Patrol 2011			597,633		165,087		432,546
Urban Enterprise Zone - Administration 2011			315,000		163,283		151,717
Addiction Services			4,725		2,602	2,123	
Emergency Preparedness Grant			10,000		5,025	4,975	12,383
Clean Communities Program			63,927		41,459	10,085	15,165
Body Armor Fund			15,165				
Juvenile Accountability Incentive Block Grant (JAIBG) - Station House			32,000		31,900		100
Occupant Protection Program - Click It or Ticket 2010			4,000		2,450		1,550
Summer Employment			36,359		16,959		19,400
Summer Food Grant			458,147				458,147
Multicultural Affairs			1,130				1,130
Senior Citizen Transportation			44,982		44,982		
Pedestrian Safety Grant			17,000		11,250		5,750
Neighborhood Crime Prevention			54,104		21,717		32,387
Municipal Alliance on Alcoholism and Drug Abuse			52,048		1,755	1,114	49,179
Advanced Traffic Grant			119,600		4,587	15,148	99,865
Housing Opportunity HOPWA Grant			108,000		80,700		27,300
	\$ 1,376,781	\$ 8,492,964	\$ 4,536,927	\$ -	\$ 5,868,126	\$ 965,667	\$ 6,602,718
Cash Disbursements					\$ 3,056,047		
Due from Current Fund			\$ 4,536,927				
Due to Current Fund					2,583,179	\$ 52,282	
Due to CDBG Trust Fund					228,900		
Grants Receivable						913,385	
			\$ 4,536,927		\$ 5,868,126	\$ 965,667	

TRUST FUND

**CITY OF PASSAIC
STATEMENT OF TRUST CASH AND INVESTMENTS**

	Animal Control Fund	Other Trust Fund	Community Development Block Grant Fund	Home Investment Program Fund
Balance, June 30, 2010	\$ 19,892	\$ 1,767,939	\$ 10,581	\$ 59,019
Increased by:				
Animal Licenses	4,800			
Adoption Fees	14,800			
Due State of New Jersey	812			
Grant Fund Receipts		21,833		
Other Receivables				
Miscellaneous Reserves and Deposits		65,391,535		
Received from Current Fund			491,000	100,000
Received from Sewer Utility Operating Fund		1,100,000		
Interest Income			14	233
HUD - CDBG Program			1,207,908	
HUD - HOME Program	-	-	-	619,852
	<u>20,412</u>	<u>66,513,368</u>	<u>1,698,922</u>	<u>720,085</u>
	<u>40,304</u>	<u>68,281,307</u>	<u>1,709,503</u>	<u>779,104</u>
Decreased by:				
Due State of New Jersey	829	38,359		
Animal Control Expenditures	1,318			
Miscellaneous Reserves and Deposits		63,621,711		
Reserve for Encumbrances	3,325			
HUD-CDBG Program Expenditures			960,412	
Payments to Current Fund			500,473	300,000
Payments made for Current Fund		13,127	13,417	
Payments made for Grant Fund			228,900	
HUD - Home Investment Program Expenditures	-	-	-	464,352
	<u>5,472</u>	<u>63,673,197</u>	<u>1,703,202</u>	<u>764,352</u>
Balance, June 30, 2011	\$ 34,832	\$ 4,608,110	\$ 6,301	\$ 14,752

**CITY OF PASSAIC
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, June 30, 2010	\$ 118
Increased by:	
Cash Receipts	<u>812</u>
	930
Decreased by:	
Cash Disbursed	<u>829</u>
Balance, June 30, 2011	<u>\$ 101</u>

**STATEMENT OF RESERVE FOR EXPENDITURES
ANIMAL CONTROL FUND**

Balance, June 30, 2010	\$ 17,950
Increased by:	
Dog/Cat Licenses	\$ 4,800
Dog/Cat Licenses Deposited in Current Fund	32
Adoption Fees	<u>14,800</u>
	<u>19,632</u>
	37,582
Decreased by:	
Cash Disbursements	1,318
Reserved for Encumbrances	<u>2,699</u>
	<u>4,017</u>
Balance, June 30, 2011	<u>\$ 33,565</u>

**STATEMENT OF DUE FROM CURRENT FUND
ANIMAL CONTROL FUND**

Increased by:	
Receipts Deposited in Current Fund	<u>\$ 32</u>
Balance, June 30, 2011	<u>\$ 32</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO ANIMAL CONTROL FUND
OTHER TRUST FUND**

Balance, June 30, 2010	\$ <u>1,501</u>
Balance, June 30, 2011	\$ <u>1,501</u>

**STATEMENT OF RESERVE FOR ENCUMBRANCES
ANIMAL CONTROL FUND**

Balance, June 30, 2010	\$ 3,325
Increased by:	
Charges to Reserve for Expenditures	<u>2,699</u>
	6,024
Decreased by:	
Cash Disbursements	<u>3,325</u>
Balance, June 30, 2011	\$ <u>2,699</u>

**STATEMENT OF OTHER RECEIVABLES
OTHER TRUST FUND**

Balance, June 30, 2010	\$ <u>19,416</u>
Balance, June 30, 2011	\$ <u>19,416</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM/TO CURRENT FUND
OTHER TRUST FUND**

Balance, June 30, 2010 (Due From)		\$ 311,882
Increased by:		
Current Fund Expenditures Paid by Other Trust Fund	\$ 13,127	
Other Trust Reserves and Deposits:		
Transfer from Miscellaneous Reserves - Current Fund	\$ 199,892	
2010 Budget Appropriations		
Budget Appropriation - Workers Compensation	33,441	
2011 Budget Appropriations		
Accumulated Leave	600,000	
Workers Compensation	1,118,269	
Liability Insurance	1,059,729	
Unemployment Insurance	487,099	
	<u>3,498,430</u>	
		<u>3,511,557</u>
		3,823,439
Decreased by:		
Other Trust Fund Expenditures Paid by Current Fund		<u>3,919,775</u>
Balance, June 30, 2010 (Due To)		<u>\$ 96,336</u>

EXHIBIT B-9

**STATEMENT OF DUE FROM/TO GRANT FUND
OTHER TRUST FUND**

Balance, June 30, 2010 (Due From)	\$ 20,856
Decreased by:	
Grant Fund Receipts Deposited in Other Trust Fund	<u>21,833</u>
Balance, June 30, 2011 (Due To)	<u>\$ 977</u>

EXHIBIT B-10

**STATEMENT OF DUE TO STATE OF NEW JERSEY - UNEMPLOYMENT
OTHER TRUST FUND**

Balance, June 30, 2010	\$ 38,359
Increased by:	
Unemployment Claims Charged to Miscellaneous Reserves and Deposits	<u>39,501</u>
	77,860
Decreased by:	
Cash Disbursements	<u>38,359</u>
Balance, June 30, 2011	<u>\$ 39,501</u>

**CITY OF PASSAIC
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance, June 30, 2010	Increases	Decreases	Balance, June 30, 2011
Marriage License Fees	\$ 4,850	\$ 8,575	\$ 6,625	\$ 6,800
Salary Account Deposits	5,178	24,855,112	24,892,305	(32,015)
Pension Deduction Deposits	93,293	14,032,318	13,637,737	487,874
Payroll Deduction Deposits	191,724	20,362,171	20,362,128	191,767
Police Funds	28,134	124,705	29,194	123,645
Police Off Duty Fees	73,360	436,272	458,845	50,787
Demolition & Performance Bond Deposits	75,848	7,000	3,000	79,848
Tax Redemption Deposits	66,682	2,673,895	2,367,062	373,515
Rental Rehabilitation	7,699			7,699
Developers Escrow Deposits	152,686	95,198	59,139	188,745
Primary General Election	11,521	88,244	37,813	61,952
Defense Bond Deposits	940	4,805	5,400	345
Elevator Inspection Fees	101,142	54,511	51,710	103,943
Fire Permits and Fines	96,475	13,941	5,042	105,374
Fire Line Safety Reg.	323,918	183,805	249,185	258,538
Fire Dedicated Funds	4,897	9,328	1,139	13,086
Unemployment Compensation Insurance	14,031	487,099	404,447	96,683
Self-Insurance - General Liability	256,827	1,440,093	1,460,866	236,054
Self-Insurance - General Liab. - Claims Admin.	19,800	47,478	45,716	21,562
Self-Insurance - Workers Compensation	88,832	1,206,077	1,228,123	66,786
Self-Insurance - Work. Comp. - Claims Admin.	94,170	1,094,961	1,083,231	105,900
Parking Offenses Adjudication Act Fees	45,029	19,742	58,171	6,600
Municipal Alliance Fund Raiser - Donations	70		35	35
Tax Sale Premium Deposits	461,717	672,533	246,900	887,350
Festival Performance Bonds	38,373	18,000	16,000	40,373
Recreation - Donations	1,665			1,665
EMS Facility	2,950	128	69	3,009
United Way Alliance	5			5
Multi Cultural Affair - Donations	163	22,700	11,915	10,948
Animal Control - Donations	6,496	1,886	5,764	2,618
Relocation Assistance-Donations	1,000	4,378	4,169	1,209
Senior Citizen - Donations	2,638	330	250	2,718
Substance Abuse - Donations	64,894	27,437	71,474	20,857
Nextel Rebanding Escrow Deposit	29,655			29,655
Affordable Housing	30,662			30,662
Regional Contribution Agreement	115,998	73		116,071
Police and Firemen's Retirement Pension	279			279
Health Benefit Insurance	441,851			441,851
Capital Lease - Police Vehicle	17,471			17,471
Developers Performance Bond	20,000			20,000
Accumulated Sick and Vacation	375,620	613,127	771,858	216,889
Drug Court Substance Abuse	25	59,466	3,431	56,060
NJ ACH Death Certificate	11,185	15,995		27,180
Festival Expense	480	2,000	2,000	480
Substance Abuse - NJ Medical Assistance		6,573	244	6,329
NJAI State Substance Abuse		117		117
Litigation Settlement	-	199,892	-	199,892
	<u>\$ 3,380,233</u>	<u>\$ 68,889,965</u>	<u>\$ 67,580,987</u>	<u>\$ 4,689,211</u>
Cash Receipts		\$ 65,391,535		
Due from Current Fund		3,498,430		
		<u>\$ 68,889,965</u>		
Cash Disbursed			\$ 63,621,711	
Due to Current Fund			3,919,775	
Due to State of New Jersey			<u>39,501</u>	
			<u>\$ 67,580,987</u>	

**CITY OF PASSAIC
STATEMENT OF DUE FROM HUD
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2010	\$ 1,236,087
Increased by:	
Program Allotment - Year 36	<u>1,330,209</u>
	2,566,296
Decreased by:	
Cash Receipts	<u>1,207,908</u>
Balance, June 30, 2011	<u>\$ 1,358,388</u>

**STATEMENT OF RESERVE FOR PROGRAM EXPENDITURE - CDBG
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2010	\$ 1,380,317
Increased by:	
Program Allotment - Year 36	\$ 1,330,209
Program Income -Interest Earned	<u>14</u>
	<u>1,330,223</u>
	2,710,540
Decreased by:	
Cash Disbursements	<u>960,412</u>
Balance, June 30, 2011	<u>\$ 1,750,128</u>
Program Income	\$ 36,586
Year 36	1,019,297
Year 35 and Prior	<u>694,245</u>
	<u>\$ 1,750,128</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM HUD -
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2010	\$ 174,860
Increased by:	
Grant Allotments	
Current Year Allotment - Year 36	<u>994,120</u>
	1,168,980
Decreased by:	
Cash Receipts - HUD	<u>619,852</u>
Balance, June 30, 2011	<u>\$ 549,128</u>

**STATEMENT OF OTHER RECEIVABLES
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2010	<u>\$ 155,454</u>
Balance, June 30, 2011	<u>\$ 155,454</u>

Analysis of Balance

Business and Housing Loans	<u>\$ 155,454</u>
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**STATEMENT OF MORTGAGE RECEIVABLE
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2010	\$ 437,473
Increased by:	
Deferred Interest Accrued	<u>4,376</u>
Balance, June 30, 2011	<u>\$ 441,849</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM GRANT FUND
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Increased by:

Grant Fund Expenditures Paid by CDBG	\$ <u>228,900</u>
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Balance, June 30, 2011	\$ <u>228,900</u>
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**STATEMENT OF RESERVE FOR PROGRAM EXPENDITURES - UDAG
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2010	\$ <u>8,122</u>
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Balance, June 30, 2011	\$ <u>8,122</u>
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**STATEMENT OF DUE TO/FROM CURRENT FUND
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, June 30, 2010 (Due To)	\$ 13,683
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Increased by:

Cash Received from Current Fund	<u>491,000</u> 504,683
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Decreased by:

Current Fund Expenditures Paid by CDBG	\$ 13,417	
Payment to Current Fund	<u>500,473</u>	
		<u>513,890</u>

Balance, June 30, 2011 (Due From)	\$ <u>9,207</u>
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**CITY OF PASSAIC
STATEMENT OF DUE TO CURRENT FUND
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2010		\$ 117,826
Increased by:		
Cash Received from Current Fund	\$ 100,000	
Payments Made by Current Fund	<u>125,740</u>	
		<u>225,740</u>
		343,566
Decreased by:		
Payments to Current Fund		<u>300,000</u>
Balance, June 30, 2011		<u>\$ 43,566</u>

**STATEMENT OF RESERVE FOR HOME INVESTMENT PROGRAM -
HOME INVESTMENT PROGRAM FUND**

Balance, June 30, 2010		\$ 116,053
Increased by:		
Grant Allotments		
Current Year Allotment - Year 36	\$ 994,120	
Program Income		
Interest Income	<u>233</u>	
		<u>994,353</u>
		1,110,406
Decreased by:		
Cash Disbursements	464,352	
Payments Made by Current Fund	<u>125,740</u>	
		<u>590,092</u>
Balance, June 30, 2011		<u>\$ 520,314</u>

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GENERAL CAPITAL FUND

CITY OF PASSAIC
STATEMENT OF GENERAL CAPITAL CASH AND INVESTMENTS - TREASURER

Balance, June 30, 2010		\$	706,625
Increased by Receipts:			
Interest Earned	\$	426	
Received from Current Fund		588,587	
Received from Grant Fund		<u>1,234,598</u>	
			<u>1,823,611</u>
			2,530,236
Decreased by Disbursements:			
Improvement Authorizations		173,275	
Encumbrances Payable		<u>48,155</u>	
			<u>221,430</u>
Balance, June 30, 2011		\$	<u><u>2,308,806</u></u>

**CITY OF PASSAIC
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance June 30, <u>2011</u>
Fund Balance		\$ 83,303
Capital Improvement Fund		7,749
Grants/Loans Receivable		(750,000)
Encumbrances Payable		56,509
Reserve for Curb and Sidewalk Improvements		5,000
Reserve for Payment of Debt Service		341,480
Improvement Authorizations		
<u>Ord. No.</u>	<u>Improvement Description</u>	
1036-88	Various Improvements	(2,075)
1413-97	Various Improvements	83
1418-97	Construction of Traffic Signal	45,937
1451-98	Various Improvements	29,742
1469-99	Improvements to Broadway Viaduct	16,273
1474-99	Improvements to Third Ward Park	9,673
1493-00	Various Improvements	99,397
1494-00	Removal of Underground Storage tanks	4,935
1508-01	Various Improvements	136,737
1542-02/		
1784-08	Various Improvements	801,050
1557-02	Refunding Bond Ordinance	23,610
1587-03	Various Improvements	203,991
1623-04	Various Improvements	101,601
1643-04	Various Improvements - Pulaski Park	193,767
1655-05	Various Improvements	169,317
1675-05	Various Park Improvements	23,767
1697-06	Purchase of Real Property	74,716
1746-07	Acquisition of Tractor Drawn Aerial and Equipment	149,627
1769-08	Building Acquisition / Improvements	27,367
1839-10	Improvements to Pulaski Park	449,000
1865-11	Acquisition of Ambulance	6,250
		<u>\$ 2,308,806</u>

**CITY OF PASSAIC
STATEMENT OF GRANTS AND LOANS RECEIVABLE**

Ord. No.	Grantor Agency	Balance June 30, 2010	Increased	Balance June 30, 2011	Balance Pledged to Improvement Authorizations	Reserve
<u>Loans</u>						
1643-04	Green Acres Trust - Pulaski Park (RC Field)		\$ 250,000	\$ 250,000		\$ 250,000
1839-10	Green Acres Trust - Pulaski Park	-	500,000	500,000	-	500,000
	Total Loans	-	750,000	750,000	-	750,000
<u>Grants</u>						
1643-04	Green Acres Trust - Pulaski Park (RC Field)	\$ 250,000	-	250,000	\$ 250,000	
1839-10	Green Acres Trust - Pulaski Park	-	500,000	500,000	500,000	-
	Total Grants	250,000	500,000	750,000	750,000	-
	Grand Total	\$ 250,000	\$ 1,250,000	\$ 1,500,000	\$ 750,000	\$ 750,000

EXHIBIT C-5

STATEMENT OF DUE FROM CURRENT FUND

Balance, June 30, 2010	\$ 233,577
Increased by:	
Serial Bond Proceeds Deposited in Current Fund	7,249,000
	7,482,577
Decreased by:	
Receipts from Current Fund	\$ 588,587
Interest Earned	426
Anticipated Revenue - Current Fund - Reserve for Debt Service	31,989
General Capital Expenditures Paid by Current Fund	5,783
Notes Paid by Current Fund	6,855,792
	\$ 7,482,577

**CITY OF PASSAIC
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, June 30, 2010		\$ 14,074,236
Increased by:		
Serial Bonds Issued		<u>7,249,000</u>
		21,323,236
Decreased by:		
Payment of Bonds - Budget Appropriation	\$ 1,939,240	
Payment of Loans- Budget Appropriation	<u>64,072</u>	
		<u>2,003,312</u>
Balance, June 30, 2011		<u>\$ 19,319,924</u>

CITY OF PASSAIC
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance, June 30, 2010	2011 Authorizations	Transfer to Deferred Taxation Funded	Balance, June 30, 2011	Analysis of Balance June 30, 2011	
						Expended	Unexpended Improvement Authorizations
1036-88	Various Improvements	\$ 2,075			\$ 2,075	\$ 2,075	
1469-99	Broadway Viaduct	20			20		\$ 20
1508-01	Various Improvements	1,198,533		\$ 1,198,533			
1542-02	Various Improvements	658,054		658,054			
1587-03	Various Improvements	496,703		496,703			
1623-04	Various Improvements	1,005,502		1,005,502			
1643-04	Various Impts - Pulaski Park	250,000			250,000		250,000
1655-05	Various Improvements	1,069,471		1,069,471			
1697-06	Purchase of Real Property	646,000		646,000			
1746-07	Acquisition of Tractor Drawn Aerial and Equip.	519,650		519,650			
1769-08	Building Acquisitions / Imp.	1,140,000		1,139,419	581		581
1784-08	Various Improvements	503,000		502,918	82	82	
1839-10	Improvements to Pulaski Park		\$ 500,000		500,000		500,000
1865-11	Acquisition of Ambulance	-	118,750	-	118,750	-	118,750
		<u>\$ 7,489,008</u>	<u>\$ 618,750</u>	<u>\$ 7,236,250</u>	<u>\$ 871,508</u>	<u>\$ 2,157</u>	<u>\$ 869,351</u>
	Serial Bonds Issued			\$ 7,249,000			
	Excess Proceeds to Reserve for Debt Service			(12,750)			
				<u>\$ 7,236,250</u>			

**CITY OF PASSAIC
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, June 30, 2010	\$ 13,999
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>6,250</u>
Balance, June 30, 2011	<u>\$ 7,749</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, June 30, 2010	\$ 104,664
Decreased by:	
Payments	<u>48,155</u>
Balance, June 30, 2011	<u>\$ 56,509</u>

[illegible]

CITY OF PASSAIC
STATEMENT OF BOND ANTICIPATION NOTES

Ord. No.	<u>Improvement Description</u>	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, June 30, 2010	Increased	Decreased	Balance, June 30, 2011
1508-01	Various Improvements	8/10/05	8/7/09	8/7/10	3.50%	\$ 1,198,533		\$ 1,198,533	
1542-02	Various Improvements	8/10/05	8/7/09	8/7/10	3.50%	658,054		658,054	
1587-03	Various Improvements	8/10/05	8/7/09	8/7/10	3.50%	496,703		496,703	
1623-04	Various Improvements	8/10/05	8/7/09	8/7/10	3.50%	1,005,502		1,005,502	
1643-04	Various Impvts - Pulaski	8/10/07	8/7/09	8/7/10	3.50%	250,000		250,000	
1655-05	Various Improvements	8/10/06	8/7/09	8/7/10	3.50%	1,082,221		1,082,221	
1697-06	Acqu. of Property/Easement	8/10/07	8/7/09	8/7/10	3.50%	646,000		646,000	
1746-07	Acqu. Of Tractor Drawn Aerial & Equip.	8/7/08	8/7/09	8/7/10	3.50%	519,360		519,360	
1769-08	Acquisition of Building	8/7/08	8/7/09	8/7/10	3.50%	999,419	-	999,419	-
						<u>\$ 6,855,792</u>	<u>\$ -</u>	<u>\$ 6,855,792</u>	<u>\$ -</u>
						Funded by Serial Bond Proceeds Notes Not Renewed			\$ 6,605,792
									<u>250,000</u>
						Due to Current Fund			<u>\$ 6,855,792</u>

**CITY OF PASSAIC
STATEMENT OF BONDS PAYABLE**

<u>Purpose.</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of</u>		<u>Interest Rate</u>	<u>Balance, June 30, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2011</u>
			<u>Bonds Outstanding, June 30, 2011</u>	<u>Date</u>					
General Obligation Bonds	7/15/1998	\$ 6,369,326	\$ 559,680	7/15/11	4.80%				
			584,484	7/15/12	4.85%	\$ 1,678,404		\$ 534,240	\$ 1,144,164
ERIP Pension Refunding Bonds	2/1/2003	7,800,000	605,000	2/1/2012	5.00%				
			695,000	2/1/2013	5.00%				
			780,000	2/1/2014	5.125%				
			880,000	2/1/2015	5.20%				
			1,010,000	2/1/2016	5.25%				
			1,135,000	2/1/2017	5.35%	5,675,000	570,000		5,105,000
Fiscal Year Adj. Refunding Bonds	9/13/2004	4,320,000	585,000	11/15/2010	4.32%	585,000	585,000		
General Obligation Bonds	5/1/2005	6,215,000	700,000	5/1/2012	3.80%				
			700,000	5/1/2013	3.80%				
			875,000	5/1/2014	3.80%				
			875,000	5/1/2015	3.80%				
			875,000	5/1/2016	3.875%				
			890,000	5/1/2017	4.00%	5,165,000	250,000		4,915,000

**CITY OF PASSAIC
STATEMENT OF BONDS PAYABLE**

<u>Purpose.</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of</u>		<u>Interest Rate</u>	<u>Balance, June 30, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2011</u>
			<u>Bonds Outstanding, June 30, 2011</u>	<u>Date</u>					
General Obligation Bonds	8/5/2010	\$ 7,249,000	\$ 300,000	8/1/2014	3.00%				
			300,000	8/1/2015	3.00%				
			250,000	8/1/2016	3.25%				
			250,000	8/1/2017	3.25%				
			675,000	8/1/2018	3.25%				
			675,000	8/1/2019	3.25%				
			675,000	8/1/2020	3.25%				
			675,000	8/1/2021	3.50%				
			675,000	8/1/2022	3.50%				
			675,000	8/1/2023	3.50%				
			700,000	8/1/2024	3.50%				
			700,000	8/1/2025	3.75%				
			699,000	8/1/2026	4.00%				
						-	\$ 7,249,000	-	\$ 7,249,000
						<u>\$ 13,103,404</u>	<u>\$ 7,249,000</u>	<u>\$ 1,939,240</u>	<u>\$ 18,413,164</u>
Due from Current Fund							<u>\$ 7,249,000</u>		
Paid by Budget Appropriation								<u>\$ 1,939,240</u>	
Analysis of Balance:									
General Serial Bonds									\$ 13,308,164
Early Retirement Incentive Pension Refunding Bonds									<u>5,105,000</u>
									<u>\$ 18,413,164</u>

**CITY OF PASSAIC
STATEMENT OF GREEN ACRES LOANS PAYABLE**

Balance, June 30, 2010	\$ 970,832
Decreased by:	
Paid by Budget Appropriation	<u>64,072</u>
Balance, June 30, 2011	<u>\$ 906,760</u>

Ord. No.	<u>Description</u>	
1442-98/1622-04/ 1675-05	Dundee Island Field Rehabilitation	\$ 245,266
1442-98/1474-99/ 1622-04/1675-05	Third Ward Park Improvements	434,129
1442-98/1474-99/ 1622-04/1675-05	Hughes Lake	208,624
1655-05	Pulaski Park Renovation	<u>18,741</u>
		<u>\$ 906,760</u>

EXHIBIT C-14

STATEMENT OF DUE FROM GRANT FUND

Balance, June 30, 2010	\$ 1,234,598
Decreased by:	
Cash Receipts	<u>\$ 1,234,598</u>

EXHIBIT C-15

STATEMENT OF RESERVE FOR CURB AND SIDEWALK IMPROVEMENTS

Balance, June 30, 2010	<u>\$ 5,000</u>
Balance, June 30, 2011	<u>\$ 5,000</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR DEBT SERVICE**

Balance, June 30, 2010	\$ 360,719
Increased by:	
Excess Serial Bonds Issued - Ord 1655-05	<u>12,750</u>
	373,469
Decreased by:	
Due to Current Fund as Anticipated Revenue	<u>31,989</u>
Balance, June 30, 2011	<u>\$ 341,480</u>

CITY OF PASSAIC
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Description</u>	<u>Balance June 30, 2010</u>	<u>2011 Authorizations</u>	<u>Notes Not Renewed</u>	<u>June 30, Issued</u>	<u>Balance June 30, 2011</u>
1036-88	Various Improvements	\$ 2,075			\$	2,075
1469-99	Broadway Viaduct	20				20
1643-04	Various Improvements - Pulaski Park (R.C. Field)			\$ 250,000		250,000
1746-07	Acquisition of Vehicles and Equipment	290		\$	290	
1769-08	Acquisition of Tractor Drawn Aerial & Equipment	140,581			140,000	581
1784-08	Various Improvements	503,000			502,918	82
1839-10	Improvements to Pulaski Park		\$ 500,000			500,000
1865-11	Acquisition of Ambulance	-	118,750	-	-	118,750
		<u>\$ 645,966</u>	<u>\$ 618,750</u>	<u>\$ 250,000</u>	<u>\$ 643,208</u>	<u>\$ 871,508</u>

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SEWER UTILITY FUND

**CITY OF PASSAIC
STATEMENT OF SEWER UTILITY CASH**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, June 30, 2010	\$ 920,594	\$ 42,262
Increased by Receipts:		
Sewer Rents Received	\$ 4,828,327	
Prepaid Sewer Rents	38,513	
Non-Budget Revenues	298	
Received from Passaic Valley Water Commission	66,714	
Received from Current Fund	<u>503,653</u>	<u>\$ 221,792</u>
	<u>5,437,505</u>	<u>221,792</u>
	6,358,099	264,054
Decreased by Disbursements:		
Budget Appropriations	5,001,539	
Appropriation Reserves	6,105	
Interest on Bonds and Notes	95,702	
Improvement Authorizations		218,847
Encumbrances Payable	4,647	18,367
Payments made to Other Trust Fund	1,100,000	
Payments made to Current Fund	<u>59,055</u>	<u>-</u>
	<u>6,267,048</u>	<u>237,214</u>
Balance, June 30, 2011	<u>\$ 91,051</u>	<u>\$ 26,840</u>

ANALYSIS OF SEWER CAPITAL CASH

	<u>Balance, June 30, 2011</u>
Fund Balance	\$ 15,010
Due to Sewer Utility Operating Fund	20,824
Improvement Authorizations:	
<u>Ord. No.</u>	
1611-04 Various Sewer Improvements	(44,000)
1667-05 Various Sewer Improvements	11,384
1698-06 Various Sewer Improvements	11,405
1822-10 Various Sewer Improvements	<u>12,217</u>
Balance, June 30, 2011	<u>\$ 26,840</u>

**CITY OF PASSAIC
STATEMENT OF CONSUMERS' ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010		\$ 1,108,484
Increased by:		
Sewer Rents Levied - Net		<u>4,405,610</u>
		5,514,094
Decreased by:		
Sewer Rents Collected:		
Receipts from Passaic Valley Water Commission	\$ 4,828,327	
Received in Current Fund	<u>63,585</u>	
		<u>4,891,912</u>
Balance, June 30, 2011		<u>\$ 622,182</u>

EXHIBIT D-7a

**STATEMENT OF OTHER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Increased by:		
St. Marys Bankruptcy - Pre Petition Charges Due		<u>\$ 272,800</u>
Balance, June 30, 2011		<u>\$ 272,800</u>

EXHIBIT D-8

**STATEMENT OF DUE FROM PASSAIC VALLEY WATER COMMISSION
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010	\$ 66,714
Decreased by:	
Cash Receipts	<u>\$ 66,714</u>

EXHIBIT D-9

**STATEMENT OF DEFERRED CHARGES
SEWER UTILITY OPERATING FUND**

	Amount Resulting from <u>SFY 2011</u>	Balance June 30, <u>2011</u>
Operating Deficit	<u>\$ 217,364</u>	<u>\$ 217,364</u>
	<u>\$ 217,364</u>	<u>\$ 217,364</u>

**CITY OF PASSAIC
STATEMENT OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND**

	Balance, June 30, 2010	Completed Projects	Balance, June 30, 2011
Sanitary Sewer System	\$ 4,638,145	\$ 261,315	\$ 4,899,460
Sewer Jet Cleaning Truck	185,000		185,000
T.V. Camera Truck	125,000	-	125,000
	<u>\$ 4,948,145</u>	<u>\$ 261,315</u>	<u>\$ 5,209,460</u>

EXHIBIT D-11

**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND**

Ordinance Number	Description	Balance, June 30, 2010	Authorized in 2011	Transferred (to) from Fixed Capital	Balance, June 30, 2011
1611-04	Various Sewer Improvements	\$ 2,231		\$ (2,231)	
1667-05	Various Sewer Improvements	1,298		10,086	\$ 11,384
1698-06	Various Sewer Improvements	13,000		(1,387)	11,613
1822-10	Various Sewer Improvements	280,000	-	(267,783)	12,217
		<u>\$ 296,529</u>	<u>\$ -</u>	<u>\$ (261,315)</u>	<u>\$ 35,214</u>

EXHIBIT D-12

**STATEMENT OF DUE FROM CURRENT FUND
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010	\$ 436,939
Increased by:	
Anticipated Revenue - Deficit Current Fund Budget	\$ 409,131
Sewer Rates Deposited in Current Fund	63,585
Payments to Current Fund	<u>59,055</u>
	531,771
	968,710
Decreased by:	
Cash Received from Current Fund	503,653
Cancelled Appropriation Reserves	5,784
Payments made by Current Fund for Sewer Operating Fund Budget	<u>401,472</u>
	910,909
Balance, June 30, 2011	<u>\$ 57,801</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO OTHER TRUST FUND
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010	\$ 1,300,000
Decreased by:	
Payments to Other Trust Fund	<u>1,100,000</u>
Balance, June 30, 2011	<u>\$ 200,000</u>

EXHIBIT D-14

**STATEMENT OF PREPAID SEWER RENTS
SEWER UTILITY OPERATING FUND**

Increased by:	
Cash Receipts	<u>\$ 38,513</u>
Balance, June 30, 2011	<u>\$ 38,513</u>

EXHIBIT D-15

**STATEMENT OF DUE TO SEWER UTILITY OPERATING FUND
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2010	<u>\$ 20,824</u>
Balance, June 30, 2011	<u>\$ 20,824</u>

EXHIBIT D-16

**STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND**

Ordinance Number	Description	Ordinance Amount	Balance June 30, 2010		Balance June 30, 2011	
			Unfunded	Expended	Funded	Unfunded
1611-04	Various Sewer Improvements	\$ 560,000	\$ 8,041	\$ 8,041		
1667-05	Various Sewer Improvements	280,000	14,123	2,739	\$ 11,384	
1698-06	Various Sewer Improvements	280,000	13,093	1,480	11,405	\$ 208
1822-10	Various Sewer Improvements	280,000	<u>218,804</u>	<u>206,587</u>	<u>12,217</u>	<u>-</u>
			<u>\$ 254,061</u>	<u>\$ 218,847</u>	<u>\$ 35,006</u>	<u>\$ 208</u>

CITY OF PASSAIC
STATEMENT OF 2010 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND

	Balance June 30, 2010	Cancelled Encumbrances	Balance After Modifications	Paid or Charged	Cancelled	Balance Lapsed
OPERATING						
Other Expenses	\$ 8,399	\$ 2,353	\$ 10,752	\$ 6,105	\$ 4,647	
Sewer Treatment Expenses	63		63		63	
Sewer Maintenance Fee	1,074	-	1,074	-	1,074	-
	<u>\$ 9,536</u>	<u>\$ 2,353</u>	<u>\$ 11,889</u>	<u>\$ 6,105</u>	<u>\$ 5,784</u>	<u>\$ -</u>
			Due to Current Fund	\$ 5,784		

**STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010		\$	7,000
Increased by:			
Charges to Budget Appropriations			<u>7,000</u>
			14,000
Decreased by:			
Payments	\$	4,647	
Cancellations Restored to 2010 Appropriation Reserves		<u>2,353</u>	
			<u>7,000</u>
Balance, June 30, 2011		\$	<u>7,000</u>

**STATEMENT OF ACCOUNTS PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010	\$	<u>21,610</u>
Balance, June 30, 2011	\$	<u>21,610</u>

**STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2010	\$	18,367
Decreased by:		
Cash Disbursements	\$	<u>18,367</u>

**STATEMENT OF DUE FROM CURRENT FUND
SEWER UTILITY CAPITAL FUND**

Increased by:			
Serial Bond Proceeds Deposited in Current Fund		\$	1,266,000
Decreased by:			
Notes Paid by Current Fund	\$	1,044,208	
Cash Received from Current Fund		<u>221,792</u>	
			<u>\$ 1,266,000</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2010		\$ 2,931,888
Increased by:		
Paid by Operating Budget:		
Serial Bonds	\$ 305,760	
Transferred from Reserve for Amortization	<u>6,994</u>	
		<u>312,754</u>
		3,244,642
Decreased by:		
Transferred to Fund Balance		<u>18</u>
Balance, June 30, 2011		<u>\$ 3,244,624</u>

EXHIBIT D-23

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, June 30, 2010		\$ 42,000
Decreased by:		
Transferred to Reserve for Amortization - Fixed Capital		<u>6,994</u>
Balance, June 30, 2011		<u>\$ 35,006</u>

EXHIBIT D-24

**STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES
SEWER UTILITY OPERATING FUND**

Balance, June 30, 2010		\$ 54,081
Increased by:		
Charges to Budget Appropriations		
Interest on Bonds	\$ 69,708	
Interest on Notes	<u>3,694</u>	
		<u>73,402</u>
		127,483
Decreased by:		
Interest Paid		<u>95,702</u>
Balance, June 30, 2011		<u>\$ 31,781</u>

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CITY OF PASSAIC
STATEMENT OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, June 30, 2011</u>
1611-04	Various Sewer Impvts	8/10/2005	8/7/09	8/7/10	3.50%	\$ 521,380		\$ 521,380	
1667-05	Various Sewer Impvts	8/10/2006	8/7/09	8/7/10	3.50%	256,828		256,828	
1698-06	Various Sewer Impvts	8/10/2007	8/7/09	8/7/10	3.50%	266,000	-	266,000	-
						<u>\$ 1,044,208</u>	<u>\$ -</u>	<u>\$ 1,044,208</u>	<u>\$ -</u>
						Funded with Serial Bond Proceeds		\$ 1,000,000	
						Notes Not Renewed		<u>44,208</u>	
						Due to Current Fund		<u>\$ 1,044,208</u>	

CITY OF PASSAIC
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance,</u> <u>June 30,</u> <u>2010</u>	<u>Notes</u> <u>not</u> <u>Renewed</u>	<u>Bonds</u> <u>Issued</u>	<u>Balance,</u> <u>June 30,</u> <u>2011</u>
1611-04	Various Sewer Improvements		\$ 44,000		\$ 44,000
1698-06	Various Sewer Improvements		208		208
1822-10	Various Sewer Improvements	<u>\$ 266,000</u>	<u>-</u>	<u>\$ 266,000</u>	<u>-</u>
		<u>\$ 266,000</u>	<u>\$ 44,208</u>	<u>\$ 266,000</u>	<u>\$ 44,208</u>

CITY OF PASSAIC

PART II

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the City Council
City of Passaic
Passaic, New Jersey

We have audited the financial statements – regulatory basis of the City of Passaic as of and for the year ended June 30, 2011, and have issued our report thereon dated February 1, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of a scope limitation due to the presentation of the unaudited General Fixed Assets Account Group financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the City of Passaic is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Passaic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

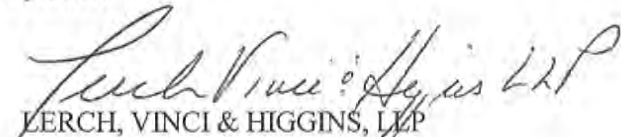
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Passaic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

We also noted certain matters that we reported to management of the City of Passaic in Part III of this report of audit entitled "Letter of Comments and Recommendations".

The City of Passaic's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, governing body, others within the City, New Jersey Department of Community Affairs and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
February 1, 2012

LERCH, VINCI & HIGGINS, LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Passaic
Passaic, New Jersey

Compliance

We have audited the compliance of the City of Passaic with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "New Jersey OMB Circular 04-04 "State Aid/Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the year ended June 30, 2011. The City of Passaic's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City of Passaic's management. Our responsibility is to express an opinion on City of Passaic's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Passaic's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Passaic's compliance with those requirements.

In our opinion, the City of Passaic complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in

accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2011-2 through 2011-4.

Internal Control Over Compliance

Management of the City of Passaic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Passaic's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Passaic's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-2 through 2011-4 to be material weaknesses.

The City of Passaic's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Passaic's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing body, management, New Jersey Department of Community Affairs and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
February 1, 2012

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CFDA Number	State Grant Program	Grant Award Amount	Balance, June 30, 2010	Revenue Realized	Local Match	Program Income	Expenditures	(Cancelled)/ Adjustment	Balance, June 30, 2011	Cumulative Expended
93.924	U.S. Department of Health and Human Services	\$ 198,004	\$ 22,752	\$ 176,878			\$ 136,443	\$	\$ 63,187	\$ 134,817
93.924	Ryan White Title I - 2010	197,528	2,377				2,160		217	197,311
93.924	Ryan White Title I - 2009	172,274	8,441						8,441	163,833
93.069	Pandemic Flu - Emergency Preparedness	11,664	1,055						1,055	10,609
93.069	H1N1 - Emergency Preparedness	160,972	109,410				2,456	(106,954)	-	160,972
15.919	Department of Parks And Recreation Columbia Park/UPAR/Green Acres		3,721						3,721	
14.000	Department of Community Affairs Neighborhood Preservation	2,437,775	2,055,338				1,425,147		630,191	1,807,584
10.557	U.S. Department of Agriculture Women, Infants, and Children-2011	865,400		865,400			611,177		254,223	611,177
10.557	Women, Infants, and Children-2010	850,581	254,988				221,026		33,962	816,619
10.557	Women, Infants, and Children-2009	736,300	31,674						31,674	704,626
10.557	Women, Infants, and Children-2006	642,612	18,081						18,081	624,531
10.559	10 Summer Food Program	458,147		458,147					458,147	-
10.559	10 Summer Food Program	287,527	287,527				147,612	(129,356)	10,559	276,968
10.559	09 Summer Food Program	369,547	225,901						225,901	143,646
10.559	07 Summer Food Program	598,264	8,968				139		8,829	589,435
16.710	U.S. Department of Justice Neighborhood Crime Prevention	54,104		40,578	\$ 13,526		21,717		32,387	21,717
16.710	Neighborhood Crime Prevention	57,527	38,238				38,238		-	57,527
16.710	COPS Universal-2005	687,500	837						837	686,663
16.710	COPS Tech - 2008	210,443							-	40,000
N/A	Station House Adjustment	40,000	1,423				1,423		-	
16.738	Byrne Memorial Justice Asst. 2010	362,938		362,938			42,957		319,981	42,957
16.738	Byrne Memorial Justice Asst. 2009	378,650	378,650				192,985		185,665	192,985
16.738	Byrne Memorial Justice Asst. 2008	1,622,388	992,111				653,239		338,872	1,283,516
16.738	Byrne Memorial Justice Asst. 2008	319,594	191,617				191,617		-	319,594
16.738	Byrne Memorial Justice Asst. 2007	210,089							377	355,443
16.738	Byrne Memorial Justice Asst. 2006	355,820	377							
97.000	U.S. Department of Homeland Security FEMA - Emergency Management		1						1	
97.044	FEMA - Assistance to Fire Fighters	86,789	36,064				4,135		31,929	54,860
97.000	Safer Grant Program	417,473	404,334						404,334	13,139
20.205	Department of Transportation Transportation Trust - Quincy/Sherman	325,850	325,850				6,966		318,884	6,966
20.205	Transportation Trust - Howe/Parker Ave., Holdsworth	75,000	75,000						75,000	-
20.205	Transportation Trust - Passaic Train Station	75,000	1,584						1,584	73,416
20.205	Transportation Trust - Howel/Lincoln/St. Francis	260,500	61,555						61,555	198,945
20.205	Transportation Trust - Howel/Lincoln/St. Francis	249,967	240,308				240,308		-	249,967

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CFDA Number	Grant Award Amount	Balance, June 30, 2010	Revenue Realized	Local Match	Program Income	Expenditures	(Cancelled)/ Adjustment	Balance, June 30, 2011	Cumulative Expended
State Grant Program									
Department of Transportation									
Over the Limit/Under Arrest									
20.601	\$ 9,400	\$	9,400			\$ 7,400		\$ 2,000	\$ 7,400
20.609	4,000		4,000			2,450		1,550	2,450
20.609	4,000	\$ 1,400				1,400		196	4,804
20.609	5,000	196							
Department of Law and Public									
Pedestrian Safety Grant									
20.609	17,000		17,000			11,250		5,750	11,250
20.609	18,000	7,050				6,038		1,012	16,988
20.613	20,000	2,550						2,550	17,450
Department of Energy									
Energy Efficiency & Conserv. Bl. Grant									
81.128	613,800	594,900				26,400		568,500	45,300
U.S. Department of Housing and Urban Development									
Community Development Block Grant									
Various Programs:									
14.218	1,330,209	1,185,147	1,330,209		\$ 14	887,017		1,628,353	6,079,545
14.253	320,369	195,170				73,395		121,775	198,594
14.000		4,890						4,890	
14.000		8,122						8,122	
14.239	994,120	116,053	994,120		233	590,092		520,314	3,852,546
		\$ 7,893,660	\$ 4,258,670	\$ 13,526	\$ 247	\$ 5,545,187	\$ (236,310)	\$ 6,384,606	

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2010	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2011	Cumulative Expended
Department of Community Affairs											
Clean Communities Grant	4900-765-178920	2010	\$ 63,927		\$ 532	\$ 63,927		\$ 41,459		\$ 22,468	\$ 41,459
Clean Communities Grant	4900-765-178920	2009	61,393					532		-	61,393
Clean Communities Grant	4900-765-178920	2008	46,559		4,064			4,064		-	46,559
Clean Communities Grant	4900-765-178920	2007	45,797		9,907			9,899		8	45,789
Lead Intervention	N/A	2004	531,600	\$ 55,190	149,440					149,440	382,160
Lead Intervention	N/A	2011	159,250	77,876		159,250		114,165		45,085	114,165
Recreation Opportunity	N/A	2010	24,000	20,000		20,000	\$ 4,000	12,000		12,000	12,000
Recreation Opportunity	N/A	2009	24,000					24,000		-	24,000
Recreation Opportunity	N/A	2008	30,000		15,000			15,000		-	30,000
Community Policing	N/A	2004	7,000		7,000					7,000	-
Domestic Violence Training Program	N/A	2006	3,000		2,909			1,083		1,826	1,174
Recycling Tonnage	N/A	2010	87,129	87,129		87,129		43,142		43,987	43,142
Recycling Tonnage	N/A	2009	78,051		15,139			15,126		13	78,038
Summer Employment	N/A	2010	36,359	16,959		36,359		16,959		19,400	16,959
Summer Employment	N/A	2009	16,959		9					9	16,950
Department of Health											
Public Health Priority Funding	4220-150-021030-60	2010	31,096		3,645					3,645	27,451
Public Health Priority Funding	4220-150-021030-60	2001	49,947		41,035					41,035	8,912
Community Health Enhancement	N/A	1999			123					123	-
Alcohol Education and Rehabilitation	N/A	2010	12,066		12,066			12,066		-	12,066
Narcotics Task 2008	N/A	2008	40,718		40,718					40,718	-
Childhood Lead Poisoning Prevention	10-348-CHS-L-0	2010	168,000		7,065			6,994		71	167,929
Childhood Lead Poisoning Prevention	08-348-CHS-L-0	2008	120,000		2,996					2,996	117,004
Passed Thru County of Passaic											
Municipal Alliance	N/A	2011	52,048			41,903	10,145	1,755		50,293	1,755
Municipal Alliance	N/A	2010	55,800	45,772	35,388			35,342		46	55,754
Municipal All. - Will. Paterson Addic. Services	N/A	2010	3,500		229			229		-	3,500
Municipal Alliance	N/A	2009	55,800		304					304	55,496
Municipal Alliance	N/A	2008	46,300		358					358	45,942
Municipal Alliance	N/A	2007	46,300		13					13	46,287
Municipal Alliance	N/A	2006	46,300		5					5	46,295
Municipal Alliance	N/A	2011	44,982	44,982		44,982		44,982		-	44,982
Sr. Citizen & Disabled Resident Transport	N/A	2003	59,520		335					335	59,185
Sr. Citizen & Disabled Resident Transport	09-32-CCC-L-1	2008	65,000		4,950			28		4,922	60,078
Cancer Control and Prevention Grant	09-32-CCC-L-1	2010	65,000	35,828	6,207			6,116		91	64,909
Cancer Assessment - 2010	09-32-CCC-L-1	2011	65,000	30,254		65,000		43,367		21,633	43,367
Cancer Assessment - 2011	N/A	2011	1,130	565		1,130				1,130	-
Multi Cultural	N/A	2009	2,000	450	1,800			1,150		650	1,350

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2010	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2011	Cumulative Expended
Department of Education (Passed thru Passaic Board of Education)											
Non-Public Nursing	5120-150-020080-60	2005	\$ 65,793	\$	\$ 1,660					\$ 1,660	\$ 64,133
Department of Public Safety											
Drunk Driving Enforcement	1110-448-031020-22	2010	30,644	\$ 30,644	\$	30,644		\$ 15,983		14,661	15,983
Drunk Driving Enforcement	1110-448-031020-22	2009	21,727		8,132			5,788		2,344	19,383
Drunk Driving Enforcement	1110-448-031020-22	2008	24,507		549					549	23,958
Drunk Driving Enforcement	1110-448-031020-22	2007	32,323		168					168	32,155
Body Armor Replacement	N/A	2011	15,165	15,165		15,165				15,165	-
Body Armor Replacement	N/A	2010	5,139	5,139	5,139					5,139	-
Body Armor Replacement	N/A	2009	18,754	18,754	18,754					18,754	-
Body Armor Replacement	N/A	2008	20,629	20,629	7,652			1,560		6,092	14,537
Body Armor Replacement	N/A	2007	18,080	18,080	780			780		-	18,080
Local Law Enforcement BI Grant	N/A	2011	250,000	250,000		250,000				250,000	-
Local Law Enforcement BI Grant	N/A	2004	72,671	72,671	70			70		72,671	-
Local Law Enforcement BI Grant - OIP	N/A	2004	139,466	139,466	2,788			126		2,662	136,804
Advanced Traffic Grant	N/A	2011	119,600	119,600		119,600		4,587		115,013	4,587
Department of Law											
Safe and Secure	100-066-1020-107-090940	2011	79,985	79,985		79,985		39,993		39,992	39,993
Safe and Secure	100-066-1020-107-090940	2010	90,000	90,000	45,000			45,000		-	90,000
Juvenile Act, Incentive Block Grant	JAIBG-16-01-02	2010	32,000	32,000		32,000		31,900		100	31,900
Juvenile Act, Incentive Block Grant	JAIBG-16-01-02	2009	20,328	20,328	121					121	20,207
Juvenile Act, Incentive Block Grant	JAIBG-16-01-02	2008	20,328	20,328	705			621		84	20,244
Juvenile Act, Incentive Block Grant	JAIBG-16-01-02	2007	23,353	23,353	331			331		-	23,353
Walk Safe Passaic	PS05-16-02-18	2009	22,000	22,000	201					201	21,799
Walk Safe Passaic	PS05-16-02-18	2008	22,000	22,000	537			537		537	21,463
Walk Safe Passaic	PS05-16-02-18	2007	20,000	20,000	778					778	19,222
Department of Commerce and Economic Development											
Urban Enterprise Zone (UEZ)											
11 - Marketing	UEZA	2011	76,000	76,000		76,000		39,060		36,940	39,060
11 - Graffiti Eradication	UEZA	2011	145,683	145,683		116,547	\$ 29,136	72,842		72,842	72,842
11 - Clean Sweep	UEZA	2011	266,225	266,225		212,980	53,245	133,112		133,113	133,112
11 - Security Patrol	UEZA	2011	597,633	597,633		478,106	119,527	165,087		432,546	165,087
11 - Administration	UEZA	2011	315,000	315,000		315,000		163,283		151,717	163,283
10 - Administration	UEZA	2010	477,577	477,577	240,861			76,123		146,195	331,382
10 - Market St. Reconstruction	UEZA	2010	336,585	336,585	222,318				\$ (336,585)	-	336,585
10 - Security Patrol	UEZA	2010	444,780	444,780	336,585			156,811		-	336,585
09 - Commercial Redevelopment	UEZA	2009	2,482,990	2,482,990	287,969			104,255		1,064,716	1,418,274
08 - Commercial Redevelopment	UEZA	2008	1,416,000	1,416,000	1,168,971			57,662		202,891	1,213,109
08 - Landscape Maintenance Phase I	UEZA	2008	48,110	48,110	31,016			9,077		21,939	26,171
08 - Blaine, Dayton and St Francis Way	UEZA	2008	1,018,300	1,018,300	74,150			74,150		-	1,018,300

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, June 30, 2010	Revenue Realized	Local Match	Expended	Adjustments	Balance, June 30, 2011	Cumulative Expended
Department of Commerce and Economic Development Urban Enterprise Zone (UEZ) (Continued)											
07 - Market St. Reconstruction	UEZA	2007	\$ 1,463,300		\$ 303,932			\$ 123,368	\$ (180,564)		\$ 1,463,300
Other State Departments											
Tobacco Prevention	N/A	2010	6,900		6,900			1,345	(6,900)	3,632	2,308
Tobacco Prevention	N/A	2009	5,940		4,977			60		51	5,049
Tobacco Prevention	N/A	2008	5,100		111			75		-	3,480
Tobacco Prevention	N/A	2007	3,480		75			35		-	4,980
Tobacco Prevention	N/A	2006	4,980		35					18	11,022
Tobacco Control Grant	N/A	2004	11,040		18					2,528	17,190
Tobacco Control Grant	N/A	2003	19,718		2,528						4,575
Hepatitis B Inoculation	N/A	2011	4,575	\$ 4,575		\$ 4,575		275		566	4,434
Hepatitis B Inoculation	N/A	2008	5,000		841			2,602		2,123	2,602
Addiction Services	N/A	2011	4,725	2,455		4,725				6,961	572,800
Emergency Telecommunication		2008	579,761		6,961					2,829	65,171
Emergency Telecommunication	2034-100-082-SBE7-050-UOAB-6120	2007	68,000		2,829					5,853	14,826
Storm Water	2034-100-082-SBE7-050-UOAB-6120	2004	20,679		5,853			80,700		27,300	80,700
Housing Opportunity Grant	04-100-042-4850-118	2011	108,000	64,025		108,000				6,060	43,440
Public Archives 2007 PARIS	N/A	2007	49,500		6,060					1,809	36,801
Public Archives 2006 PARIS	N/A	2006	38,610		1,809			388		-	388
Special Legislative - 2006	N/A	2006	388		388			5,025		4,975	5,025
Emergency Preparedness Grant	N/A	2011	10,000			10,000					
Department of Environmental Protection											
2009 Business Stimulus Fund - Com. Forestry	N/A	2010	7,000		7,000			15,400		7,000	20,400
Comm. Stewardship Incent Prog - Com. Forestry	N/A	2010	20,400		15,400				24	193,767	56,233
Grant Program (Ord. 1643-04)-RC Field	N/A	N/A	250,000		193,743					250,000	-
Loan Program (Ord. 1643-04)-RC Field	N/A	N/A	250,000		250,000			51,000		449,000	51,000
Grant Program (Ord. 1839-10)-Pulaski Park	N/A	N/A	500,000			500,000				500,000	-
Loan Program (Ord. 1839-10)-Pulaski Park	N/A	N/A	500,000			500,000				23,767	76,233
Loan Program (Ord. 1675-05)- Dundee Island	N/A	N/A	100,000		23,767						
					\$ 3,693,391	\$ 3,373,007	\$ 216,053	\$ 1,932,507	\$ (655,183)	\$ 4,694,761	

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**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**CITY OF PASSAIC
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the City of Passaic. The City is defined in Note 1(A) to the City's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the City's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the City's financial statements. Financial assistance revenues are reported in the City's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 1,934,341	\$ 2,373,007	\$ 4,307,348
General Capital Fund		1,000,000	1,000,000
Community Development Grant Fund	1,330,209		1,330,209
Home Loan Program Fund	<u>994,120</u>	<u>-</u>	<u>994,120</u>
	<u>\$ 4,258,670</u>	<u>\$ 3,373,007</u>	<u>\$ 7,631,677</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the City's fiscal year and grant program year.

CITY OF PASSAIC
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

NOTE 5 STATE LOANS OUTSTANDING

The City's state loans outstanding at June 30, 2011, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
N.J. Dept. of Environmental Protection	
Green Acres Loans	
Dundee Island	\$ 245,266
Third Ward Park Improvements	434,129
Hughes Lake Rehabilitation	208,624
Pulaski Park Renovation	<u>18,741</u>
	<u>\$ 906,760</u>

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part I – Summary of Auditor's Results

Financial Statement Section

- A) Type of auditors' report issued: Qualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiencies identified that were
 not considered to be material weaknesses? yes X no
- C) Noncompliance material to basic financial
 statements noted? X yes no

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? yes X no
- F) Type of auditors' report on compliance for major programs: Unqualified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiencies identified that were
 not considered to be material weaknesses? yes X no
- H) Any audit findings disclosed that are required to be reported
 in accordance with OMB Circular A-133 (section.510(a))? X yes no
- I) Identification of major programs:
- | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>10.557</u> | <u>Woman, Infants and Children</u> |
| <u>14.218</u> | <u>Community Development Block Grants</u> |
| <u>14.253</u> | <u>Community Development Block Grants-ARRA</u> |
| <u>14.239</u> | <u>Home Investment Partnership Program</u> |
| <u>14.000</u> | <u>Neighborhood Preservation</u> |
| <u>16.738</u> | <u>Byrne Memorial Justice Asst.</u> |
| <u> </u> | <u> </u> |
| <u> </u> | <u> </u> |
| <u> </u> | <u> </u> |

Part I – Summary of Auditor's Results

J)	Dollar threshold used to determine Type A programs:	\$ <u>300,000</u>
K)	Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no
L)	Type of auditors' report on compliance for major programs:	<u>Unqualified</u>
M)	Internal Control over compliance:	
1)	Material weakness(es) identified?	<u> X </u> yes <u> </u> no
2)	Were significant deficiencies identified that were not considered to be material weaknesses?	<u> </u> yes <u> X </u> no
N)	Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended?	<u> X </u> yes <u> </u> no
O)	Identification of major programs:	

GMIS Number(s)	Name of State Program
<u>U.E.Z.A. - 2830-763 All Program Years</u>	<u>Dept. of Commerce & Economic</u>
<u></u>	<u>Development - Urban Enterprise Zone</u>
<u></u>	<u></u>
<u></u>	<u></u>
<u></u>	<u></u>
<u></u>	<u></u>

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Paragraph 5.18-5.20 of *Government Auditing Standards*.

Finding 2011-1

Our audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Criteria or specific requirement:

NJ Administrative Code requires the maintenance of fixed assets accounting records.

Condition:

Fixed assets accounting records have not been updated since 1991.

Questioned Costs:

None.

Context:

Fixed asset records are not currently maintained in accordance with NJAC.

Effect:

The auditors' report on the June 30, 2011 financial statements is qualified with respect to the General Fixed Assets Account Group.

Cause:

See condition.

Recommendation:

The City maintain a fixed assets accounting and reporting system in accordance with NJ Administrative Code.

Management's Response:

Management has reviewed this finding and will evaluate whether funds will be appropriated to pay the cost for the hiring of an asset valuation company.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

Finding 2011-2

The audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Federal program information:

14.218 - Community Development Block Grant – Entitlement Programs
14.253 - Community Development Block Grants – Entitlement Programs - ARRA
14.239 - HOME Investment Partnership Program
14.000 - Neighborhood Preservation
16.738 – Byrne Memorial Justice Assistance Grant

Criteria or specific requirement:

Federal Grant Compliance Supplement

Condition:

See Finding 2011-1.

Questioned Costs:

See Finding 2011-1.

Context:

See Finding 2011-1.

Effect:

See Finding 2011-1.

Cause:

See Finding 2011-1.

Recommendation:

See Finding 2011-1.

Management's Response:

See Finding 2011-1.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

Finding 2011-3

The Consolidated Annual Performance & Evaluation Report (CAPER) expenditures for Program Year 2011 were not in agreement with the program funds expended per the budgetary records maintained by the City Treasurer's office. In addition, program year balances and expenditures per the Integrated Disbursement and Integration System (IDIS) reports were not in agreement with the budgetary records maintained by the City Treasurer's office.

Federal program information:

14.218 - Community Development Block Grant – Entitlement Programs
14.253 - Community Development Block Grants – Entitlement Programs - ARRA
14.239 - Home Investment Partnership Program.

Criteria or specific requirement:

Federal Grant Compliance Supplement

Condition:

Program fund expenditures per the CAPER for the CDBG and Home Grant programs were not in agreement with the City's records. In addition the program year balances and expenditures per the IDIS reports were not in agreement with the City's records.

Questioned Costs:

Unknown.

Context:

See Condition.

Effect:

Unknown.

Cause:

Program expenditures and balances reported on the CAPER and IDIS reports were not reconciled to the City Treasurer's budgetary accounting records.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS (Continued)

Recommendation:

That a revised Consolidated Annual Performance and Evaluation Report (CAPER) for the City's CDBG and HOME Investment Program be filed to accurately reflect applicable program funds expended. In addition, program balances per the Integrated Disbursement and Integrated System (IDIS) be reconciled to the City's budgetary accounting records.

Management's Response:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS

Finding 2011-4

Our audit revealed the City did not maintain current accounting records of the General Fixed Assets Account Group.

State program information:

Dept. of Commerce and Economic Development (UEZA) – Urban Enterprise Zone Assistance

Criteria or specific requirement:

State Grant Compliance Supplement.

Condition:

See Finding 2011-1.

Questioned Costs:

See Finding 2011-1.

Context:

See Finding 2011-1.

Effect:

See Finding 2011-1.

Cause:

See Finding 2011-1.

Recommendation:

See Finding 2011-1.

Management's Response

See Finding 2011-1.

**CITY OF PASSAIC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Paragraph 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2010-1, 2010-2 and 2010-4

Our audit revealed that the City did not maintain current accounting records of the General Fixed Assets Account Group.

Current Status

See Finding 2011-1, 2011-2 and 2011-4

FINDING 2010-3

The Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year 2010 was not in agreement with the budgetary records maintained by the City Treasurer's office.

Current Status

See Finding 2011-3.

CITY OF PASSAIC

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FISCAL YEAR ENDED JUNE 30, 2011

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND

	Fiscal Year 2011			Fiscal Year 2010	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 3,000,000	2.40 %	\$	3,000,000	2.34 %
Miscellaneous - From Other Than Local					
Property Tax Levies	28,024,779	22.39		35,344,772	27.56
Collection of Delinquent Taxes and Tax Title Liens	104,505	0.08		48,242	0.04
Collection of Current Tax Levy	93,305,057	74.53		88,006,219	68.62
Other Credits to Income	<u>747,527</u>	<u>0.60</u>		<u>1,858,586</u>	<u>1.44</u>
Total Income	<u>125,181,868</u>	<u>100.00 %</u>		<u>128,257,819</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	86,242,485	69.11 %		89,521,337	71.55 %
County Taxes	20,971,240	16.80		19,822,886	15.84
Local School Taxes	17,140,411	13.74		15,527,672	12.41
Other Expenditures	<u>434,000</u>	<u>0.35</u>		<u>238,944</u>	<u>0.20</u>
Total Expenditures	<u>124,788,136</u>	<u>100.00 %</u>		<u>125,110,839</u>	<u>100.00 %</u>
Excess in Revenue	393,732			3,146,980	
Adjustments to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute Deferred to Budget of Succeeding Year	<u>623,671</u>			<u>-</u>	
Statutory Excess to Fund Balance	1,017,403			3,146,980	
Fund Balance, Beginning of Year	<u>3,754,814</u>			<u>3,607,834</u>	
	4,772,217			6,754,814	
Decreased by:					
Utilization as Anticipated Revenue	<u>3,000,000</u>			<u>3,000,000</u>	
Fund Balance, End of Year	<u>\$ 1,772,217</u>			<u>\$ 3,754,814</u>	

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
SEWER UTILITY OPERATING FUND

	Fiscal Year 2011			Fiscal Year 2010		
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>	
REVENUE AND OTHER INCOME REALIZED						
Collection of Sewer Rents	\$ 4,891,912	99.99 %		\$ 5,480,146	99.99 %	
Miscellaneous - From Other than Sewer Rents	<u>298</u>	<u>0.01</u>		<u>2,046</u>	<u>0.01</u>	
Total Income	<u>4,892,210</u>	<u>100.00 %</u>		<u>5,482,192</u>	<u>100.00 %</u>	
EXPENDITURES						
Budget Expenditures						
Operating	5,139,543	93.13 %		5,269,200	90.22 %	
Capital Improvements				14,000	0.24	
Debt Service	379,162	6.87		402,561	6.89	
Deficit in Operations in Prior Years	<u>-</u>	<u>-</u>		<u>154,587</u>	<u>2.65</u>	
Total Expenditures	<u>5,518,705</u>	<u>100.00 %</u>		<u>5,840,348</u>	<u>100.00 %</u>	
Deficit in Revenues	(626,495)			(358,156)		
Adjustments to Income Before Fund Balance						
Realized from Current Fund Budget for Anticipated Deficit	<u>409,131</u>			<u>358,156</u>		
Operating Deficit to be Raised in Budget of Succeeding Year	<u>\$ (217,364)</u>			-		
Fund Balance, Beginning of Year	<u>\$ 52,844</u>			<u>\$ 52,844</u>		
Fund Balance, End of Year	<u>\$ 52,844</u>			<u>\$ 52,844</u>		

**CITY OF PASSAIC
COMPARATIVE SCHEDULE OF TAX RATE INFORMATION – CALENDAR YEAR**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$6.891</u>	<u>\$6.847</u>	<u>\$6.103</u>

Apportionment of Tax Rate

Municipal	\$4.140	\$4.134	\$3.563
County	1.481	1.509	1.427
Local School	1.270	1.204	1.113

Assessed Valuation

2011	<u>\$1,348,200,900</u>		
2010		<u>\$1,357,268,200</u>	
2009			<u>\$1,368,190,600</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Fiscal Year Ended</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
June 30, 2011	\$ 93,753,500	\$ 93,305,057	99.52%
June 30, 2010	88,391,909	88,106,219	99.68%
June 30, 2009	84,254,641	84,064,218	99.77%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$ 170,534	\$ 43,901	\$ 214,435	0.23%
2010	10,039	92,756	102,795	0.12%
2009	29,946	74,235	104,181	0.12%

CITY OF PASSAIC
PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on June 30, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ -0-
2010	-0-
2009	-0-

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(A)</u>	<u>Percentage of Collection</u>
2011	\$ 4,405,610	\$ 4,891,912	111.04%
2010	5,536,444	5,480,146	98.98%
2009	5,294,941	5,019,565	94.79%

(A) Includes collection of prior year receivable balance.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance, June 30</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2011	\$1,772,217	\$1,692,500
	2010	3,754,814	3,000,000
	2009	3,607,834	3,000,000
	2008	4,257,048	3,500,000
	2007	3,870,165	3,200,000
Sewer Utility	2011	52,844	-
	2010	52,844	-
	2009	52,844	-
	2008	52,844	-
	2007	52,844	-

**CITY OF PASSAIC
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Or Personal Surety</u>
Dr. Alex D. Blanco	Mayor		
Gary S. Schaer	Council President		
Maritza Colon-Montanez	Councilwoman		
Jose Garcia	Councilman		
Kenneth J. Lucianin	Councilman		
Chaim M. Munk	Councilman		
Daniel J. Schwartz	Councilman		
Ricardo Fernandez	Business Administrator		
Jose Agosto	Director of Finance		
Tom Poalillo	Tax Assessor		
Amada Curling	City Clerk		
Doris Dudek	Purchasing Agent		
Carrie Malek	Tax Collector	\$300,000	Travelers Casualty and Surety Company
Ronald Van Rensalier	Director of Community Development		
Florio & Kenny LLP	City Attorney		
Theodore Evans	Director of Public Works		
John Biegel	Health Officer		
Guenda Beshin	Registrar of Vital Statistics		
Richard Diaz	Police Chief		
Patrick Trentacost	Fire Chief		
Denise Bradshaw	Municipal Court Administrator	(A)	
Karen Brown	Chief Municipal Judge	(A)	
Debbie Klugler-Irwin	Municipal Judge	(A)	
Xavier Rodriquez	Municipal Judge		

(A) All Municipal Court personnel are covered by a \$300,000 policy of Fidelity and Deposit Company Policy Number 6037395.

All other City employees are covered by a \$250,000 policy of Zurich American Ins. Co.

CITY OF PASSAIC GENERAL COMMENTS

Prior Year Comments - Unresolved

Our audit of the Community Development Block Grant Fund revealed certain delinquent loans outstanding for which payments have not been received by the City during the fiscal year. We recommended in prior year audits that these amounts be cancelled by resolution however; the City Attorney recommended that these amounts not be cancelled at this time. We noted the City was currently in the process of reviewing these receivables to make a final determination as to the disposition, therefore no recommendation is warranted.

Our audit of the Municipal Court revealed approximately 1,040 tickets assigned which were outstanding over six months and not recalled. It is recommended that with respect to the Municipal Court all outstanding tickets over six months be recalled and reassigned.

Current Year Comments

Our audit revealed old outstanding balances exist in the grants receivable and appropriated grants reserves in the Grant Fund. We noted a review is performed annually and cancellations recorded; however there still remains certain account balances from prior year years with little to no activity during the current fiscal year. It is recommended that continued efforts be made to clear of record old outstanding balances in grants receivables and appropriated grant reserves in the Grant Fund.

Our audit revealed emergency purchases for traffic light repairs and storm drain repairs that exceeded the quote or bid threshold were not made in accordance with the Local Public Contracts Law. We noted the required written notification of emergency was not available for audit. It is recommended that emergency purchases exceeding the quote or bid threshold be made in accordance with the Local Public Contracts Law.

Our audit of the Municipal Court revealed approximately 1,007 tickets issued and not assigned at year-end. It is recommended that all tickets be assigned in the ATS system prior to their issuance.

Our audit of the Recreation Department revealed fees were not always charged in accordance with the approved City fee ordinance. We also noted additional fee amounts indicated on the registration forms for City sponsored recreational activities that were not included on the City fee ordinance. It is recommended that the City fee ordinance be reviewed and amended, where appropriate, to reflect the actual Recreation fees being charged. In addition, the registration forms be revised to agree with the City ordinance for fees collected for City sponsored recreational activities.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement."

The Governing Body of the City has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

**CITY OF PASSAIC
GENERAL COMMENTS**

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

The minutes indicate that bids were requested by public advertising for the following items:

Boiler Replacement at Municipal Complex
Custodial Supplies
Mechanical Supplies
Snow Plowing/Removal

Printing Services
Summer Food Program
Recreation Equipment
Office Supplies

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any payments, contracts or agreements in excess of \$21,000 "for the performance of any work or the furnishing or hiring of any materials or supplies," for which bids had not been previously sought by public advertisement or where a resolution had not been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Collection of Interest of Delinquent Taxes and Assessments

R.S. 54:4-67 provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on March 6, 1984 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Municipal Council of the City of Passaic, that, pursuant to the power and authority vested in the said body by N.J.S.A. 54:4-67, the rate of interest to be charged by the City of Passaic for the nonpayment of taxes or assessments on or before the date when they would become delinquent be and the same is hereby fixed at 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500; provided, however, that no interest shall be charged if payment of any installment of such taxes or assessments is made within the tenth calendar day following the date upon which the same became payable.

BE IT FURTHER RESOLVED that said interest rate shall be and become effective upon the adoption of this resolution.

BE IT FURTHER RESOLVED that the Collector of Taxes of the City of Passaic and all other officers and employees of the City of Passaic concerned with the collection of taxes be and they are hereby ordered and directed to take all actions as may be necessary to affect this resolution.

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held June 14, 2011.

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**CITY OF PASSAIC
RECOMMENDATIONS**

It is recommended that:

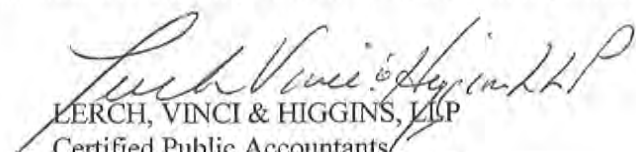
- * 1. The City maintains a fixed assets accounting and reporting system in accordance with NJ Administrative Code.
- * 2. A revised Consolidated Annual Performance and Evaluation Report (CAPER) for the City's CDBG and HOME Investment Program be filed to accurately reflect the applicable program funds expended. In addition, program balances per the Integrated Disbursement and Integrated System (IDIS) be reconciled to the City's budgetary accounting records.
- 3. Continued efforts be made to clear of record old outstanding balances in grants receivable and appropriated grant reserves in the Grant Fund.
- 4. Emergency purchases exceeding the quote or bid threshold be made in accordance with the Local Public Contracts Law.
- 5. With respect to the Municipal Court:
 - a) All outstanding tickets over six months be recalled and reassigned.
 - b) All tickets be assigned in the ATS System prior to their issuance.
- 6. With respect to the Recreation Department:
 - a) The City fee ordinance be reviewed and amended, where appropriate, to reflect the actual Recreation fees being charged.
 - b) The registration forms be revised to agree with the City ordinance for fees collected for City sponsored recreational activities.

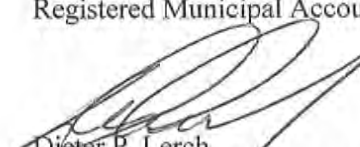
* * * * *

A review was performed on all prior years' recommendations and corrective action was taken on all, except those recommendations denoted with an asterisk (*).

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Dieter P. Lerch
Certified Public Accountant
RMA Number CR00398