

CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018

CITY OF PASSAIC

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CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2018



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Passaic, as of December 31, 2018 and 2017, 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 December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 the 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 from material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Passaic on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of Passaic as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

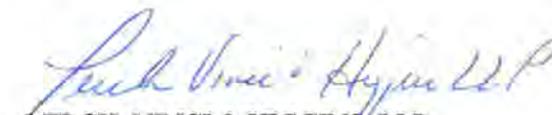
Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Passaic as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), schedule of expenditures of state financial assistance as required by NJ OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Passaic.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2019 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 effectiveness of the City of Passaic's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Passaic's internal control over financial reporting and compliance.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
July 25, 2019

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
ASSETS			
REGULAR FUND			
Cash	A-4	\$ 36,054,390	\$ 35,305,187
Cash - Change Fund	A-7	2,800	2,800
Due From State of New Jersey - Senior Citizens and Veterans	A-9	<u>29,846</u>	<u>23,648</u>
		<u>36,087,036</u>	<u>35,331,635</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Tax Receivable	A-12	88,327	56,216
Tax Title Liens Receivable	A-13	440,878	525,261
Revenue Accounts Receivable	A-14	467,131	446,943
Due from Grant Fund	A-8	1,264,597	1,133,534
Due from Animal Control Fund	B-4	10,767	18
Due from Community Development Grant Fund	B-16	32,565	2,849
Due from Home Investment Program Fund	B-18	369,893	323,946
Due from Sewer Utility Operating Fund	D-11	177,121	7,391
Due from Sewer Utility Capital Fund	D-13	3	3
Due from Passaic Parking Authority	A-10	-	37,351
Due from Passaic Redevelopment Authority	A-11	<u>115,219</u>	<u>82,719</u>
		<u>2,966,501</u>	<u>2,616,231</u>
Deferred Charges			
Special Emergency Authorizations	A-15	<u>-</u>	<u>120,000</u>
Total Regular Fund		<u>39,053,537</u>	<u>38,067,866</u>
GRANT FUND			
Cash	A-5	582,035	1,381,145
Grants Receivable	A-30	<u>11,520,437</u>	<u>8,896,570</u>
Total Grant Fund		<u>12,102,472</u>	<u>10,277,715</u>
Grand Total		<u>\$ 51,156,009</u>	<u>\$ 48,345,581</u>

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	December 31, 2018	December 31, 2017
LIABILITIES, RESERVES AND FUND BALANCE			
REGULAR FUND			
Liabilities and Reserves			
Appropriation Reserves	A-3,A-19	\$ 6,459,719	\$ 5,093,326
Encumbrances Payable	A-22	1,345,228	1,589,334
Accounts Payable	A-23	67,709	31,021
Tax Overpayments	A-16	262,994	132,537
Prepaid Taxes	A-17	595,993	3,025,324
Fees Payable	A-26	219,198	193,421
Special Emergency Note Payable	A-18		680,000
Due to Other Trust Fund	B-7	2,498,455	1,359,819
Due to General Capital Fund	C-5	9,548	23,450
Due to Passaic Parking Authority	A-10	21,776	
Reserve for Tax Appeals	A-24	3,073,099	2,450,046
Reserve for Pension Contributions	A-27	1,313,929	1,531,755
Reserve for Revaluation Program	A-28	163,082	166,932
Reserve for Deferred State Aid	A-29	8,052,778	8,882,778
Miscellaneous Reserves	A-25	<u>639,202</u>	<u>567,363</u>
		24,722,710	25,727,106
Reserve for Receivables and Other Assets	A	2,966,501	2,616,231
Fund Balance	A-1	<u>11,364,326</u>	<u>9,724,529</u>
Total Regular Fund		<u>39,053,537</u>	<u>38,067,866</u>
GRANT FUND			
Encumbrances Payable	A-31	2,120,509	1,025,555
Due to Current Fund	A-8	1,264,597	1,133,534
Due to Other Trust Fund	B-8	184,596	74,124
Due to Home Investment Program Fund	B-17	167,036	66,926
Appropriated Grant Reserves	A-31	7,734,620	7,202,367
Unappropriated Grant Reserves	A-32	242,308	286,293
Reserve for Program Income	A-33	<u>388,806</u>	<u>488,916</u>
Total Grant Fund		<u>12,102,472</u>	<u>10,277,715</u>
Grand Total		<u>\$ 51,156,009</u>	<u>\$ 48,345,581</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER INCOME REALIZED:			
Fund Balance Utilized	A-2	\$ 2,500,000	\$ 2,350,000
Miscellaneous Revenue Anticipated	A-2	29,968,308	28,344,766
Receipts from Delinquent Taxes	A-2	554,399	791,338
Receipts from Current Taxes	A-2	105,517,991	104,199,227
Non-Budget Revenues	A-2	1,099,972	1,486,971
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-19	3,709,188	1,089,112
Appropriated Grant Reserves Cancelled	A		422,085
Statutory Excess in Animal Control Fund	B-3	10,331	
Cancelled Accounts Payable	A-23	31,021	
Interfunds and Other Receivables Liquidated	A-1	<u>37,351</u>	<u>3,670,990</u>
 Total Income		 <u>143,428,561</u>	 <u>142,354,489</u>
 EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	41,911,794	40,900,027
Other Expenses	A-3	39,403,280	39,117,203
Deferred Charges and Statutory Expenditures	A-3	10,745,082	10,414,625
Capital Improvements	A-3	1,855,600	25,000
Municipal Debt Service	A-3	1,769,256	2,737,690
County Taxes	A-21	26,239,353	25,032,378
Local District School Taxes	A-20	16,818,577	16,818,577
Prior Year Senior Citizen/Veteran Deductions Disallowed	A-9	18,267	21,756
Prior Year Senior Citizen/Veteran Deductions - Reimb.	A-9	8,750	
Grant Receivables Cancelled	A		377,011
Disallowed Grant Costs - Reserve	A		250,000
Refund of Prior Year Revenue	A-4	99,100	80,626
Interfunds and Other Receivables Created	A	<u>419,705</u>	<u>32,722</u>
 Total Expenditures		 <u>139,288,764</u>	 <u>135,807,615</u>
 Statutory Excess to Fund Balance		 4,139,797	 6,546,874
 Fund Balance, Beginning of Year	A	 <u>9,724,529</u>	 <u>5,527,655</u>
		13,864,326	12,074,529
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>2,500,000</u>	<u>2,350,000</u>
 Fund Balance, End of Year	A	 <u>\$ 11,364,326</u>	 <u>\$ 9,724,529</u>

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Reference	Anticipated		Realized	Excess (Deficit)
		Budget	Added by 40A:4-87		
Fund Balance Utilized	A-1	\$ 2,500,000	-	\$ 2,500,000	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-14	140,000		140,727	\$ 727
Other	A-14	35,000		74,296	39,296
Fees and Permits:					
Uniform Construction Code - Fees	A-14	850,000		1,082,551	232,551
Other	A-14	45,000		95,523	50,523
Fines and Costs:					
Municipal Court	A-14	1,900,000		1,722,833	(177,167)
Energy Receipts Tax	A-14	8,945,764		8,945,764	
Consolidated Municipal Property Tax Relief Aid	A-14	3,599,718		3,599,718	-
Interest and Costs on Taxes	A-14	140,000		283,708	143,708
Interest on Investments & Deposit	A-14	60,000		478,602	418,602
Police Record Bureau	A-14	21,000		11,230	(9,770)
Board of Education - Security Watch and Resource Officers	A-14	3,080,000		3,150,000	70,000
Interlocal Agreement - Passaic Parking Authority	A-10	653,000		653,000	-
Public and Private Revenues Offset					
With Appropriations:					
Recycling Tonnage Grant	A-31/A-32	74,794		74,794	
Stationhouse Adjustment 2018	A-31/A-32	19,593	\$ 15,169	34,762	
Alcohol Education	A-32		12,889	12,889	
Bill Belichick Foundation Grant	A-31/A-32	10,000		10,000	
Body Armor	A-32		40,887	40,887	
Byrne Memorial -2017	A-32		203,547	203,547	
Byrne Memorial - 2018	A-32		191,956	191,956	
Childhood Leadbase Prevention	A-32	417,211	817,000	1,234,211	
Clean Communities program	A-32		73,545	73,545	
Click It or Ticket	A-32		5,500	5,500	
County Historic Partnership Program	A-32		1,591	1,591	
Distracted Driving Statewide Crackdown	A-32	6,600		6,600	
Drive Sober or Get Pulled Over	A-32	5,500		5,500	
Drunk Driving Enforcement Fund - 2018	A-32		20,564	20,564	
Drunk Driving Enforcement Fund - 2019	A-32		17,542	17,542	
Drive Sober - 2018	A-32		5,500	5,500	
Fire House Subs Public Safety Foundation, Inc	A-32		15,298	15,298	
FEMA - Fire SAFER Program - 2018	A-32		1,202,209	1,202,209	
Global Fire Prevention Grant	A-32	2,937		2,937	
Hep-B Inoculation	A-32	3,235		3,235	
Housing Opportunity - HOPWA - 2018	A-32		125,000	125,000	
Lacrosse National Diversity Grant	A-32		2,000	2,000	
Municipal Alliance on Alcoholism and Drug Abuse	A-32		39,478	39,478	
National Rec & Park Association Grant	A-32		20,000	20,000	
NJ Dept of Transportation - Various Road Impvts	A-32	805,600		805,600	
NJ Dept of Transportation - Various Road Safety Impvts	A-32	600,000		600,000	
NJDEP Stewardship Award - Tree Management	A-32		7,000	7,000	
Passaic County Open Space - Madison & Hope Plaza	A-32		10,000	10,000	
Passaic Co. Open Space - 3rd Ward Park Impvmts	A-32		250,000	250,000	
Pedestrian Safety Grant- NJ Highway	A-32	18,000	25,000	43,000	
Rec. Opportunity For Indv. With Disabilities	A-32	20,000		20,000	
Ryan White Title I	A-32	55,530	111,418	166,948	
Safe & Secure Grant - 2017	A-32	90,000		90,000	
Safe & Secure Grant - 2018	A-32		90,000	90,000	
Summer Food Program	A-32		380,807	380,807	
Sustainable NJ Grant - Taste of Market Street	A-32		10,000	10,000	

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Public and Private Revenues Offset With Appropriations (Cont.):					
Target Grant - Youth Soccer 2019	A-32		\$ 1,000	\$ 1,000	
WIC-2019	A-32		1,091,752	1,091,752	
Special Items:					
Cable Franchise Fee	A-14	\$ 400,000		431,909	\$ 31,909
Saint Mary's Reise Corp. - In Lieu of Taxes	A-14	125,000		165,598	40,598
Chestnut Housing Phase I - In Lieu of Taxes	A-14	66,000		88,655	22,655
Jack Parker Association - In Lieu of Taxes	A-14	300,000		316,900	16,900
YMCA - In Lieu of Taxes	A-14	22,355		22,500	145
Highview Terrace - In Lieu of Taxes	A-14	65,000		83,772	18,772
Housing Authority Police Program	A-14	255,000		303,329	48,329
County of Passaic - Street Lighting	A-14	60,000		60,000	-
Payment in Lieu of Taxes - Housing Authority	A-14	130,000		168,340	38,340
Payment in Lieu of Taxes - Garden Howe	A-14	40,000		43,701	3,701
POD- Vehicle Fee	A-14	100,000		100,000	-
Reserve for Deferred State Aid	A-29	830,000		830,000	-
Reserve for Pension	A-27	200,000	-	200,000	-
Total Miscellaneous Revenues		<u>24,191,837</u>	<u>4,786,652</u>	<u>29,968,308</u>	<u>989,819</u>
Receipts from Delinquent Taxes	A-2	<u>414,721</u>	-	<u>554,399</u>	<u>139,678</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		63,674,696		62,338,942	(1,335,754)
Minimum Library Tax		<u>1,171,119</u>	-	<u>1,171,119</u>	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>64,845,815</u>	-	<u>63,510,061</u>	<u>(1,335,754)</u>
Total Budget Revenues	A-3	<u>\$ 91,952,373</u>	<u>\$ 4,786,652</u>	<u>\$ 96,532,768</u>	<u>\$ (206,257)</u>
Non-Budget Revenues	A-2			<u>1,089,984</u>	
				<u>\$ 97,622,752</u>	

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-12	\$ 106,217,991
Less: Reserve for Tax Appeals Pending	A-24	<u>700,000</u>
Revenues Realized	A-1	105,517,991
Less: Allocated to School and County Taxes	A-20,A-21	<u>43,057,930</u>
Balance for Support of Municipal Budget Appropriations		62,460,061
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,050,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 63,510,061</u>
Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-12	\$ 35,798
Tax Title Liens	A-13	<u>518,601</u>
	A-1,A-2	<u>\$ 554,399</u>

Analysis of Non Budget Revenue

Recreation Fees		\$ 91,700
Recycling		93,899
Motor Vehicle Inspection Fines		8,683
Administrative Fees - Police Outside Duty		238,130
Board of Health/Vital Statistics Fees		190,622
City Clerk Fees		43,228
Planning/Engineering Fees		63,348
Passaic Valley Water Commission - Hydrant Inspection		34,500
Administration Fees - Senior Citizen and Veterans/Homestead Rebate		2,934
Elevator Fees		25,550
Bus Shelter Franchise		2,400
Sale of Municipal Assets		23,744
Bid Specifications		3,110
Rental Fees		1,000
FEMA Reimbursement		62,034
Fire Alarms		13,550
Refunds/Reimbursements		114,712
Other Miscellaneous Receipts		<u>86,828</u>
		<u>\$ 1,099,972</u>
Cash Receipts	A-4	\$ 961,689
Due from Grant Fund	A-8	131,063
Revenue Accounts Receivable	A-14	<u>7,220</u>
	A-2	<u>\$ 1,099,972</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Office of Business Administration					
Salaries & Wages	\$ 754,036	\$ 754,036	\$ 698,546	\$ 55,490	
Other Expenses	270,250	270,250	225,235	45,015	
Human Resources					
Office of Personnel					
Salaries & Wages	168,240	168,240	160,182	8,058	
Other Expenses	17,000	17,000	11,416	5,584	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	319,190	319,190	300,935	18,255	
Other Expenses	109,900	109,900	69,605	40,295	
City Clerk					
Salaries & Wages	396,750	396,750	361,675	35,075	
Other Expenses	143,000	143,000	95,861	47,139	
Financial Administration - Treasurer's Office					
Salaries and Wages	412,626	412,626	404,261	8,365	
Other Expenses	168,600	168,600	84,362	84,238	
Annual Audit					
Other Expenses	83,000	83,000	71,485	11,515	
Revenue Administration - Tax Collector					
Salaries and Wages	278,400	278,400	278,400	-	
Other Expenses	30,600	30,600	25,379	5,221	
Tax Assessment Administration					
Salaries and Wages	242,050	242,050	214,849	27,201	
Other Expenses	51,625	51,625	46,977	4,648	
Legal Services					
Other Expenses	630,000	630,000	611,300	18,700	
Office of Engineer					
Salaries and Wages	116,800	116,800	109,470	7,330	
Other Expenses	97,500	97,500	96,246	1,254	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	197,300	197,300	92,331	104,969	
Other Expenses	14,035	14,035	503	13,532	
Division of Housing					
Salaries and Wages	299,465	334,465	326,114	8,351	
Other Expenses	7,100	7,100	3,370	3,730	
Redevelopment Agency	10,000	10,000	10,000	-	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	11,065	13,065	12,151	914	
Board of Adjustment					
Other Expenses	17,650	17,650	16,271	1,379	
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Other Expenses	15,200	15,200	15,000	200	
INSURANCE					
Liability Insurance	1,570,000	1,570,000	1,570,000	-	
Workmen's Compensation	1,535,000	1,535,000	1,501,300	33,700	
Employee Group Insurance	17,306,364	17,306,364	15,818,049	1,488,315	
Health Benefit Waiver	60,000	60,000	54,000	6,000	
Unemployment Insurance	400,000	400,000	400,000	-	

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 17,453,000	\$ 17,343,000	\$ 16,224,602	\$ 1,118,398	
Other Expenses	535,500	535,500	497,616	37,884	
BOE Security Watch and Res. Off.-Salaries & Wages	2,867,000	2,867,000	2,790,152	76,848	
Office of Emergency Management					
Salaries & Wages	46,000	46,000	43,201	2,799	
Other Expenses	5,000	5,000	3,180	1,820	
Fire Department					
Salaries and Wages	11,102,822	11,102,822	10,534,080	568,742	
Other Expenses	138,700	138,700	131,422	7,278	
Prosecutor's Office					
Other Expenses	155,000	155,000	124,000	31,000	
Municipal Court					
Salaries and Wages	1,053,000	1,053,000	1,009,034	43,966	
Other Expenses	140,820	140,820	126,794	14,026	
Public Defender (PL 1997 C.256)					
Other Expenses	75,000	75,000	56,000	19,000	
Passaic Parking Authority					
Salaries & Wages	320,000	320,000	193,388	126,612	
Other Expenses	230,000	230,000	45,629	184,371	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	2,213,700	2,213,700	1,996,163	217,537	
Other Expenses	370,100	370,100	278,584	91,516	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	2,200,000	2,200,000	2,040,684	159,316	
Buildings and Grounds					
Salaries and Wages	451,415	451,415	437,934	13,481	
Other Expenses	309,550	381,550	375,284	6,266	
Vehicle Maintenance					
Salaries & Wages	537,280	537,280	511,930	25,350	
Other Expenses	413,500	413,500	369,454	44,046	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	803,100	803,100	651,180	151,920	
Other Expenses	186,500	186,500	169,698	16,802	
Animal Regulation					
Salaries and Wages	184,000	184,000	168,881	15,119	
Other Expenses	31,250	31,250	25,174	6,076	

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	\$ 619,000	\$ 619,000	\$ 415,218	\$ 203,782	
Other Expenses	152,700	152,700	131,942	20,758	
Senior Citizens					
Salaries and Wages	217,760	217,760	204,960	12,800	
Other Expenses	7,300	7,300	1,652	5,648	
Handicapped Recreation					
Salaries & Wages	177,360	177,360	142,805	34,555	
Other Expenses	21,200	21,200	12,224	8,976	
Maintenance of Parks					
Salaries & Wages	302,500	302,500	243,526	58,974	
Other Expenses	112,000	112,000	62,498	49,502	
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave					
Other Expenses	750,000	750,000	605,686	144,314	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	491,000	454,000	413,922	40,078	
Other Expenses	107,100	107,100	106,518	582	
UNCLASSIFIED:					
Utilities:					
Electricity	550,000	550,000	420,621	129,379	
Street Lighting	720,000	720,000	541,902	178,098	
Telephone and Telegraph	164,000	164,000	162,090	1,910	
Gasoline	420,000	420,000	413,912	6,088	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Tax	-	-	-	-	
Tipping Fees	2,135,000	2,135,000	1,978,138	156,862	-
Total Operations Within "CAPS"	<u>74,501,903</u>	<u>74,463,903</u>	<u>68,346,951</u>	<u>6,116,952</u>	<u>-</u>
Detail:					
Salaries & Wages	42,023,794	41,911,794	38,927,739	2,984,055	-
Other Expenses	32,478,109	32,552,109	29,419,212	3,132,897	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY CHARGES					
Public Employees Retirement System	1,485,955	1,485,955	1,440,171	45,784	
Social Security System (O.A.S.I.)	1,510,000	1,510,000	1,383,014	126,986	
Public Employees Retirement System - ERIP	190,179	190,179	190,179	-	
Police and Fireman's Retirement System	7,338,648	7,338,648	7,272,729	65,919	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Continued)					
STATUTORY CHARGES (Continued)					
Consolidated Police and Firemen's Pension Fund	\$ 20,300	\$ 20,300	\$ 20,271	\$ 29	
Deferred Compensation Retirement Plan	80,000	80,000	50,132	29,868	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	10,625,082	10,625,082	10,356,496	268,586	-
Total General Appropriations for Municipal Purposes Within "CAPS"	85,126,985	85,088,985	78,703,447	6,385,538	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,171,119	1,171,119	1,171,119	-	-
Recycling Tax	130,000	130,000	95,819	34,181	-
Total Other Operations - Excluded From "CAPS"	1,301,119	1,301,119	1,266,938	34,181	-
Public and Private Programs Offset by Revenues					
Recycling Tonnage Grant	74,794	74,794	74,794	-	-
Stationhouse Adj	19,593	19,593	19,593	-	-
Childhood Leadbase Prevention	417,211	417,211	417,211	-	-
Distracted Driving Statewide Crackdown	6,600	6,600	6,600	-	-
Drive Sober or Get Pulled Over	5,500	11,000	11,000	-	-
Hep-B Inoculation	3,235	3,235	3,235	-	-
Ryan White Title I	55,530	55,530	55,530	-	-
Matching Funds for Grants	40,000	40,000	-	40,000	-
Bill Belichick Foundation Grant	10,000	10,000	10,000	-	-
Safe & Secure Grant	90,000	90,000	90,000	-	-
Rec. Oppor for Individual w/Disability Grant	20,000	20,000	20,000	-	-
Edward Byrne Memorial Justice Assistance Grant (JAG) - 2017		203,547	203,547	-	-
Pedestrian Safety, Education & Enforcement Fund		25,000	25,000	-	-
Donations - Target		1,000	1,000	-	-
FEMA - Fire Safer Grant 2018		1,202,209	1,202,209	-	-
Edward Byrne Memorial Justice Assistance Grant (JAG) - 2018		191,956	191,956	-	-
LaCrosse National Diversity Grant		2,000	2,000	-	-
NJ Department of Children & Families - Childhood Lead Prevention		817,000	817,000	-	-
Passaic Open Space Grant 3rd Ward Park-Ice Rink		250,000	250,000	-	-
Passaic Open Space Grant-Madison and Hope Plaza		10,000	10,000	-	-
Drunk Driving Enforcement Fund		38,106	38,106	-	-
Body Armor Fund		40,887	40,887	-	-
NJ Department of Law & Public Safety-Safe and Secure		90,000	90,000	-	-
NJ Department of Health & Senior Services Women, Infant, Children (WIC)		1,091,752	1,091,752	-	-
County of Passaic Historic Partnership Program Grant		1,591	1,591	-	-
NJ Department of Environmental Protection Stewardship Grant - Tree Management		7,000	7,000	-	-
Municipal Alliance on Alcoholism and Drug Abuse		39,478	39,478	-	-
Ryan White Partial A-Minority AIDS Initiative Grant Final		62,353	62,353	-	-
Donations - Fire House Subs Public Safety Foundation, Inc.		15,298	15,298	-	-
Passaic County Station House Adjustment Grant		15,169	15,169	-	-
Sustainable Jersey Small Grants Program		10,000	10,000	-	-
NJDEP - Clean Communities Program		73,545	73,545	-	-
Municipal Alcohol Education/Rehabilitation Program		12,889	12,889	-	-
Ryan White Partial A-Minority AIDS Initiative Grant		49,065	49,065	-	-
NJDOA - Summer Food Program		380,807	380,807	-	-
Passaic Co: Housing of People with Aids (HOPWA)		125,000	125,000	-	-
Click It or Ticket		5,500	5,500	-	-
Global Fire Prevention Grant	2,937	2,937	2,937	-	-
Pedestrian Safety Grant - NJ Highway	18,000	18,000	18,000	-	-
The National Recreation and Park Association (NRPA)	-	20,000	20,000	-	-
Total Public and Private Program Offset by Revenues	763,400	5,550,052	5,510,052	40,000	-
Total Operations - Excluded from "CAPS"	2,064,519	6,851,171	6,776,990	74,181	-
Detail:					
Other Expenses	2,064,519	6,851,171	6,776,990	74,181	-

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 51,604	\$ 34,858
		<u>51,604</u>	<u>34,858</u>
OTHER TRUST FUND			
Cash	B-1	8,840,389	9,999,262
Cash - Change Fund	B-6	200	
Due from Current Fund	B-7	2,498,455	1,359,819
Due from Grant Fund	B-8	<u>184,596</u>	<u>74,124</u>
		<u>11,523,640</u>	<u>11,433,205</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Cash	B-1	66,097	22,495
Due from HUD	B-10	1,396,992	1,764,732
Other Receivables	B-13	<u>155,454</u>	<u>155,454</u>
		<u>1,618,543</u>	<u>1,942,681</u>
HOME INVESTMENT PROGRAM FUND			
Cash	B-1	144,647	84,557
Due from HUD	B-12	1,150,925	1,339,006
Mortgage Receivable	B-14	455,237	455,237
Due from Grant Fund	B-17	<u>167,036</u>	<u>66,926</u>
		<u>1,917,845</u>	<u>1,945,726</u>
Total Assets		<u>\$ 15,111,632</u>	<u>\$ 15,356,470</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Encumbrances Payable	B-5	\$ 1,377	\$ 4,076
Due State of New Jersey	B-2	582	406
Due to Current Fund	B-4	10,767	\$ 18
Reserve for Animal Control Expenditures	B-3	<u>38,878</u>	<u>30,358</u>
		<u>51,604</u>	<u>34,858</u>
OTHER TRUST FUND			
Miscellaneous Reserves and Deposits	B-9	<u>11,523,640</u>	<u>11,433,205</u>
		<u>11,523,640</u>	<u>11,433,205</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Due to Current Fund	B-16	32,565	2,849
Reserve for Program Expenditures - UDAG	B-15	8,122	8,122
Reserve for Program Expenditures - CDBG	B-11	<u>1,577,856</u>	<u>1,931,710</u>
		<u>1,618,543</u>	<u>1,942,681</u>
HOME INVESTMENT PROGRAM FUND			
Due to Current Fund	B-18	369,893	323,946
Reserve for Mortgage Receivable	B-14	455,237	455,237
Reserve for Home Investment Program	B-19	<u>1,092,715</u>	<u>1,166,543</u>
		<u>1,917,845</u>	<u>1,945,726</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 15,111,632</u>	<u>\$ 15,356,470</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
ASSETS			
Cash	C-2,C-3	\$ 1,614,224	\$ 3,345,392
Grants and Loans Receivable	C-4		527,064
Due from Current Fund	C-5	9,548	23,450
Deferred Charges to Future Taxation			
Funded	C-6	14,634,404	15,671,012
Unfunded	C-7	<u>7,347,075</u>	<u>94,726</u>
 Total Assets		 <u>\$ 23,605,251</u>	 <u>\$ 19,661,644</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 13,505,000	\$ 14,730,000
Green Acres Loans Payable	C-12	1,129,404	941,012
Improvement Authorizations			
Funded	C-10	1,129,605	1,111,020
Unfunded	C-10	7,345,000	
Encumbrances Payable	C-9	276,785	2,337,044
Capital Improvement Fund	C-8	43,806	156,499
Reserve for Curb and Sidewalk Improvements	C-13	5,000	5,000
Reserve for Grants and Loans Receivable	C-4		263,532
Reserve for Payment of Debt	C-14	170,651	
Fund Balance	C-1	<u>-</u>	<u>117,537</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 23,605,251</u>	 <u>\$ 19,661,644</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2018 and December 31, 2017 of \$7,347,075 and \$94,726, respectively, (See Exhibit C-15).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1,	C	\$ 117,537	\$ 97,067
Increased by:			
Premium on Sale of Bonds	C-1	<u>-</u>	<u>20,470</u>
		117,537	117,537
Decreased by:			
Cancelled Grant Receivable	C-10	230	-
Appropriated to Finance Improvement Authorizations	C-10	<u>117,307</u>	<u>-</u>
Balance, December 31,	C	<u>\$ -</u>	<u>\$ 117,537</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
ASSETS			
OPERATING FUND			
Cash	D-4	\$ 931,369	\$ 702,241
Due from PVWC	D-8	19,851	19,068
Due from Sewer Utility Capital Fund	D-12	<u>5</u>	<u>-</u>
		<u>951,225</u>	<u>721,309</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	1,001,686	937,055
Other Accounts Receivable	D-7	<u>16,839</u>	<u>48,421</u>
		<u>1,018,525</u>	<u>985,476</u>
Total Operating Fund		<u>1,969,750</u>	<u>1,706,785</u>
CAPITAL FUND			
Cash	D-4,D-5	6,568	6,560
Due from Sewer Utility Operating Fund	D-12		3
Fixed Capital	D-9	5,887,974	5,887,974
Fixed Capital Authorized and Uncompleted	D-10	<u>35,766</u>	<u>35,766</u>
Total Capital Fund		<u>5,930,308</u>	<u>5,930,303</u>
		<u>\$ 7,900,058</u>	<u>\$ 7,637,088</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3,D-17	\$ 259,013	\$ 106,779
Encumbrances Payable	D-14	176,175	65,928
Accounts Payable	D-15	1,165	1,165
Accrued Interest on Bonds	D-16	9,701	10,938
Due to Current Fund	D-11	177,121	7,391
Due to Sewer Utility Capital Fund	D-12	<u>-</u>	<u>3</u>
		623,175	192,204
Reserve for Receivables	D	1,018,525	985,476
Fund Balance	D-1	<u>328,050</u>	<u>529,105</u>
Total Operating Fund		<u>1,969,750</u>	<u>1,706,785</u>
CAPITAL FUND			
Serial Bonds	D-21	1,236,000	1,366,000
Due to Current Fund	D-13	3	3
Due to Sewer Utility Operating Fund	D-12	5	
Improvement Authorizations			
Funded	D-18	35,766	35,766
Reserve for Amortization	D-19	4,607,974	4,477,974
Reserve for Deferred Amortization	D-20	35,766	35,766
Reserve for Payment of Debt	D-22	<u>14,794</u>	<u>14,794</u>
Total Capital Fund		<u>5,930,308</u>	<u>5,930,303</u>
		<u>\$ 7,900,058</u>	<u>\$ 7,637,088</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2018 and December 31, 2017 of \$44,000 and \$44,000, respectively, (See Exhibit D-23).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Anticipated	D-2	\$ 434,000	\$ 84,159
Sewer Rents	D-2	5,762,811	5,631,636
Non-Budget Revenues	D-2	27,976	5,741
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-17	<u>73,335</u>	<u>93,399</u>
 Total Income		 <u>6,298,122</u>	 <u>5,814,935</u>
 EXPENDITURES			
Operating	D-3	5,896,684	5,646,378
Debt Service	D-3	<u>168,493</u>	<u>127,461</u>
 Total Expenditures		 <u>6,065,177</u>	 <u>5,773,839</u>
 Excess in Revenues		 232,945	 41,096
 Fund Balance, Beginning of Year,	 D	 <u>529,105</u>	 <u>572,168</u>
		762,050	613,264
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-2	<u>434,000</u>	<u>84,159</u>
 Fund Balance, End of Year,	 D	 <u>\$ 328,050</u>	 <u>\$ 529,105</u>

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 434,000	\$ 434,000	
Sewer Rents and Charges	D-1	<u>5,631,184</u>	<u>5,762,811</u>	<u>\$ 131,627</u>
 Total Budget Revenues	 D-3	 <u>\$ 6,065,184</u>	 6,196,811	 <u>\$ 131,627</u>
 Non-Budget Revenues	 D-2		 <u>27,976</u>	
			 <u>\$ 6,224,787</u>	
Analysis of Revenue Realized:				
Sewer Rents and Charges:				
Consumer Accounts Receivable Collections	D-6		\$ 5,557,857	
Other Accounts Receivable Collections	D-7		<u>204,954</u>	
	D-2		<u>\$ 5,762,811</u>	
 Non-Budget Revenue:				
Interest on Investments			\$ 501	
Prior Year Reimbursements			<u>27,475</u>	
	D-2		<u>\$ 27,976</u>	
 Cash Receipts	D-4		\$ 27,968	
Due from Sewer Utility Capital Fund	D-12		<u>8</u>	
			<u>\$ 27,976</u>	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<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	\$ 374,000	\$ 374,000	\$ 170,082	\$ 203,918	
Sewer Treatment Expenses	4,877,490	4,877,490	4,877,488	2	
Sewer Maintenance Fee - Contractual	<u>645,194</u>	<u>645,194</u>	<u>590,101</u>	<u>55,093</u>	<u>-</u>
Total Operating	<u>5,896,684</u>	<u>5,896,684</u>	<u>5,637,671</u>	<u>259,013</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	130,000	130,000	130,000		
Interest on Bonds	<u>38,500</u>	<u>38,500</u>	<u>38,493</u>	-	\$ 7
Total Debt Service	<u>168,500</u>	<u>168,500</u>	<u>168,493</u>	-	<u>7</u>
	<u>\$ 6,065,184</u>	<u>\$ 6,065,184</u>	<u>\$ 5,806,164</u>	<u>\$ 259,013</u>	<u>\$ 7</u>
	<u>Reference</u>	D-2	D-3	D-1	D,D-1
Disbursed		D-4		\$ 5,421,766	
Encumbrances Payable		D-14		176,175	
Due to Current Fund		D-11		169,730	
Accrued Interest on Bonds		D-16		<u>38,493</u>	
				<u>\$ 5,806,164</u>	

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	December 31, <u>2018</u>	December 31, <u>2017</u> (Restated)
ASSETS		
Land	\$ 46,110,504	\$ 46,110,504
Buildings and Building Improvements	13,027,457	12,768,457
Machinery and Equipment	2,988,008	2,952,608
Vehicles	<u>2,830,960</u>	<u>2,621,540</u>
	<u>\$ 64,956,929</u>	<u>\$ 64,453,109</u>
LIABILITIES		
Investments in General Fixed Assets	<u>\$ 64,956,929</u>	<u>\$ 64,453,109</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Passaic (the "City") was incorporated in 1917 and operates under an elected Mayor and 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 Public library, Passaic 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.

B. Description of Regulatory Basis of Accounting

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.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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.

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 - These 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, program income and related expenditures for Federal Block grant entitlements.

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (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.

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

Financial Statements – Regulatory Basis

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 regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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:

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.

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.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. 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. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. 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 December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar 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 standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. 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 tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - 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).

Sewer Utility Revenues/Receivables - 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/Receivables - 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.

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.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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.

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 December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless 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 December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

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.

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.

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.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the City of Passaic has developed a fixed assets accounting and reporting system. Fixed assets are defined by the City as assets with an initial, individual cost of \$5,000 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 and sewerage and drainage systems are not capitalized.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

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

Property and equipment purchased by the sewer utility fund is 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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 as 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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 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 2018 and 2017 the City Council increased the original budget by \$4,786,652 and \$5,354,987. The increases were funded by additional aid allotted to the City. In addition, the governing body approved several budget transfers during 2018 and 2017.

NOTE 3 CASH 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.

A. Cash Deposits

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the City's deposits were \$48,294,323 and \$50,834,497 and bank and brokerage firm balances of the City's deposits amounted to \$49,087,786 and \$51,236,249, 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>December 31, 2018</u>	<u>December 31, 2017</u>
Insured	\$ 49,087,786	\$ 51,236,249

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 December 31, 2018 and 2017, the City's bank balances were not exposed to custodial credit risk

**CITY OF PASSAIC
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. 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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2018 and 2017 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 Sewer Utility Capital Fund is assigned to the Sewer Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2018</u>			
Property Taxes	\$ 88,327		\$ 88,327
Tax Title Liens	440,878		440,878
Utility Rents and Fees	<u>-</u>	<u>\$ 1,018,525</u>	<u>1,018,525</u>
	<u>\$ 529,205</u>	<u>\$ 1,018,525</u>	<u>\$ 1,547,730</u>

In the year ended December 31, 2018, the City collected \$554,399 and \$985,476 from delinquent taxes and sewer utility rents, which represented 95% and 100% of the delinquent tax and sewer charges receivable at December 31, 2017.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE (Continued)

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 56,216		\$ 56,216
Tax Title Liens	525,261		525,261
Utility Rents and Fees	-	\$ 985,476	985,476
	<u>\$ 581,477</u>	<u>\$ 985,476</u>	<u>\$ 1,566,953</u>

In the year ended December 31, 2017, the City collected \$791,338 and \$959,324 from delinquent taxes and sewer utility rents, which represented 71% and 100% of the delinquent tax and sewer charges receivable at December 31, 2016.

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	December 31, <u>2018</u>		December 31, <u>2017</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	\$ 1,854,946	\$ 2,508,003	\$ 1,467,741	\$ 1,383,269
Grant		1,616,229		1,274,584
Trust Funds				
Animal Control		10,767		18
Other Trust	2,683,051		1,433,943	
Community Development		32,565		2,849
Home Investment Program	167,036	369,893	66,926	323,946
General Capital Fund	9,548		23,450	
Sewer Utility Fund				
Operating	5	177,121		7,394
Capital	-	8	3	3
Total	<u>\$ 4,714,586</u>	<u>\$ 4,714,586</u>	<u>\$ 2,992,063</u>	<u>\$ 2,992,063</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
2017			
Current Fund			
Regular Fund			
Special Emergency Authorizations	\$ 120,000	\$ 120,000	

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 December 31 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 December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 11,334,480	\$ 4,260,000	\$ 9,700,881	\$ 2,500,000
Non-Cash Surplus	29,846	-	23,648	-
	<u>\$ 11,364,326</u>	<u>\$ 4,260,000</u>	<u>\$ 9,724,529</u>	<u>\$ 2,500,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 328,050	\$ 327,730	\$ 529,105	\$ 434,000
Non-Cash Surplus	-	-	-	-
	<u>\$ 328,050</u>	<u>\$ 327,730</u>	<u>\$ 529,105</u>	<u>\$ 434,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	December 31, <u>2017</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2018</u>
<u>2018</u>				
Land	\$ 46,110,504			\$ 46,110,504
Buildings and Building Improvements	12,768,457	\$ 259,000		13,027,457
Machinery and Equipment	2,952,608	35,400		2,988,008
Vehicles	<u>2,621,540</u>	<u>209,420</u>	<u>-</u>	<u>2,830,960</u>
	<u>\$ 64,453,109</u>	<u>\$ 503,820</u>	<u>\$ -</u>	<u>\$ 64,956,929</u>

The City had a fixed assets inventory report prepared as of December 31, 2018. The report was prepared by an independent consultant.

Restatement- The General Fixed Asset Account Group for December 31, 2017 has been restated based upon the inventory of the City’s fixed assets inventory report. The effect of this restatement results in a net decrease of \$26,988,365 in General Fixed Assets with a corresponding decrease in the Investment in Fixed Assets at December 31, 2017.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 FIXED ASSETS (Continued)

B. Sewer Utility Fund Fixed Assets

The following is a summary of changes in the sewer utility fund fixed assets for the years ended December 31, 2018 and 2017.

Sewer Utility Fund

	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Fixed Capital				
System and System Improvements	\$ 5,577,974			\$ 5,577,974
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 5,887,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,887,974</u>
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Fixed Capital				
System and System Improvements	\$ 5,577,974			\$ 5,577,974
Vehicles and Equipment	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 5,887,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,887,974</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and sewer utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the City are general obligation bonds, 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.

The City's debt is summarized as follows:

	December 31, <u>2018</u>	December 31, <u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,634,404	\$ 15,671,012
Sewer Utility		
Bonds and Notes	<u>1,236,000</u>	<u>1,366,000</u>
	15,870,404	17,037,012
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(185,445)</u>	<u>(14,794)</u>
Net Debt Issued	15,684,959	17,022,218
Authorized But Not Issued		
General		
Bonds and Notes	7,347,075	94,726
Sewer Utility		
Bonds and Notes	<u>44,000</u>	<u>44,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 23,076,034</u>	<u>\$ 17,160,944</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of .61% and .49% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 21,981,479	\$ 170,651	\$ 21,810,828
Sewer Utility Debt	1,280,000	1,280,000	-
Parking Authority Debt	<u>365,000</u>	<u>365,000</u>	<u>-</u>
Total	<u>\$ 23,626,479</u>	<u>\$ 1,815,651</u>	<u>\$ 21,810,828</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 15,765,738		\$ 15,765,738
Sewer Utility Debt	1,410,000	\$ 363,940	1,046,060
Parking Authority Debt	<u>710,000</u>	<u>710,000</u>	<u>-</u>
Total	<u>\$ 17,885,738</u>	<u>\$ 1,073,940</u>	<u>\$ 16,811,798</u>

Statutory Borrowing Power

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 124,836,261	\$ 120,507,067
Net Debt	<u>21,810,828</u>	<u>16,811,798</u>
Remaining Borrowing Power	<u>\$ 103,025,433</u>	<u>\$ 103,695,269</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The City’s long-term debt consisted of the following at December 31:

General Obligation Bonds

The City levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$7,249,000, 2010 General Obligation Bonds, due in annual installments of \$675,000 to \$700,000 through August 1, 2026, interest at 3.25% to 4.00%	\$ 5,474,000	\$ 6,149,000
\$8,581,000 2017 General Obligation Bonds, due in annual installments of \$575,000 to \$1,100,000 through June 15, 2029, interest at 2.00% to 3.00%	<u>8,031,000</u>	<u>8,581,000</u>
	<u>\$ 13,505,000</u>	<u>\$ 14,730,000</u>

General Intergovernmental Loans Payable

The City has entered into a loan agreements with the State of New Jersey Green Acres Program for the financing relating to the Dundee Island field rehabilitation, Third Ward Park improvements, Hughes Lake improvements, Pulaski Park renovations and Roberto Clemente Field improvements. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$200,000, 2006 Loan, due in semi-annual installments of \$5,356 to \$6,157 through March, 2026, interest at 2%	\$ 86,217	\$ 96,771
\$500,000, 2008 Loan, due in semi-annual installments of \$19,599 to \$21,013 through July, 2022, interest at 2%	162,390	201,007
\$100,000, 2008 Loan, due in semi-annual installments of \$2,625 to \$3,078 through June, 2027, interest at 2%	48,386	53,558

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable (Continued)

	<u>2018</u>	<u>2017</u>
\$250,000, 2009 Loan, due in semi-annual installments of \$9,897 to \$10,506 through April, 2022, interest at 2%	71,393	90,895
\$21,000, 2009 Loan, due in semi-annual installments of \$540 to \$646 through June, 2028, interest at 2%	11,248	12,313
\$250,000, 2018 Loan, due in semi-annual installments of \$6,210 to \$8,624 through September, 2035, interest at 2%	250,000	157,460
\$499,770, 2018 Loan, due in semi-annual installments of \$12,414 to \$17,240 through September, 2035, interest at 2%	499,770	329,008
	<u>\$ 1,129,404</u>	<u>\$ 941,012</u>

Sewer Utility Bonds

The City pledges revenue from operations to pay debt service on utility bonds issued. The sewer utility bonds outstanding at December 31 are as follows:

Sewer Utility

	<u>2018</u>	<u>2017</u>
\$1,266,000, 2010 Sewer Bonds, due in annual installments of \$90,000 through August 1, 2025, interest at 3.25% to 3.75%	\$ 630,000	\$ 720,000
\$646,000, 2017 Sewer Bonds, due in annual installments of \$40,000 to 80,000 through June 15, 2029, interest at 2.00% to 3.00%	606,000	646,000
	<u>\$ 1,236,000</u>	<u>\$ 1,366,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Calendar Year	General				Sewer Utility		Total
	Bonds		Loans		Principal	Interest	
	Principal	Interest	Principal	Interest			
2019	\$ 1,250,000	\$ 381,890	\$ 113,851	\$ 22,022	\$ 130,000	\$ 36,005	\$ 1,933,768
2020	1,250,000	348,453	116,140	19,733	130,000	32,280	1,896,606
2021	1,275,000	314,765	118,474	17,399	130,000	28,555	1,884,193
2022	1,275,000	279,140	110,244	15,018	130,000	24,605	1,834,007
2023	1,275,000	243,515	59,085	13,120	130,000	20,655	1,741,375
2024-2028	6,099,000	642,905	271,929	48,023	510,000	46,550	7,618,407
2029-2033	1,081,000	16,215	237,755	23,464	76,000	1,140	1,435,574
2034-2035	-	-	101,926	2,561	-	-	104,487
	<u>\$ 13,505,000</u>	<u>\$ 2,226,883</u>	<u>\$ 1,129,404</u>	<u>\$ 161,340</u>	<u>\$ 1,236,000</u>	<u>\$ 189,790</u>	<u>\$ 18,448,417</u>

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, June 30, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One year</u>
<u>2018</u>					
General Capital					
Serial Bonds	\$ 14,730,000		\$ 1,225,000	\$ 13,505,000	\$ 1,250,000
Green Acres Loan Payable	941,012	\$ 263,302	74,910	1,129,404	113,851
General Capital Fund					
Long Term Liabilities	<u>\$ 15,671,012</u>	<u>\$ 263,302</u>	<u>\$ 1,299,910</u>	<u>\$ 14,634,404</u>	<u>\$ 1,363,851</u>
Sewer Utility Capital					
Serial Bonds	\$ 1,366,000	\$ -	\$ 130,000	\$ 1,236,000	\$ 130,000
Sewer Utility Capital Fund					
Long Term Liabilities	<u>\$ 1,366,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 1,236,000</u>	<u>\$ 130,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, June 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One year</u>
<u>2017</u>					
General Capital					
Serial Bonds	\$ 7,249,000	\$ 8,581,000	\$ 1,100,000	\$ 14,730,000	\$ 1,225,000
Pension Refunding Bonds	1,115,000		1,115,000	-	
Green Acres Loan Payable	<u>1,014,447</u>	<u>-</u>	<u>73,435</u>	<u>941,012</u>	<u>74,912</u>
 General Capital Fund					
Long Term Liabilities	<u>\$ 9,378,447</u>	<u>\$ 8,581,000</u>	<u>\$ 2,288,435</u>	<u>\$ 15,671,012</u>	<u>\$ 1,299,912</u>
 Sewer Utility Capital					
Serial Bonds	<u>\$ 810,000</u>	<u>\$ 646,000</u>	<u>\$ 90,000</u>	<u>\$ 1,366,000</u>	<u>\$ 130,000</u>
 Sewer Utility Capital Fund					
Long Term Liabilities	<u>\$ 810,000</u>	<u>\$ 646,000</u>	<u>\$ 90,000</u>	<u>\$ 1,366,000</u>	<u>\$ 130,000</u>

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	Rate (%)	Maturity Date	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
General Capital Fund						
Improvements to Pulaski Park	1.10%	6/23/2017	\$ 500,000		\$ 500,000	
Acquisition of Ambulance	1.10%	6/23/2017	118,750		118,750	
Replacement of City's Telephone System	1.10%	6/23/2017	237,500		237,500	
Acquisition of Fire Apparatus	1.10%	6/23/2017	166,250		166,250	
Various Capital Improvements	1.10%	6/23/2017	<u>5,520,000</u>	<u>-</u>	<u>5,520,000</u>	<u>-</u>
Total General Capital Fund			<u>\$ 6,542,500</u>	<u>\$ -</u>	<u>\$ 6,542,500</u>	<u>\$ -</u>
Sewer Utility Capital Fund						
Various Sewer Improvements	1.10%	6/23/2017	\$ 646,000	<u>-</u>	\$ 646,000	<u>-</u>
Total Sewer Utility Capital Fund			<u>\$ 646,000</u>	<u>\$ -</u>	<u>\$ 646,000</u>	<u>\$ -</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund. The amounts issued for the sewer utility activities are accounted for in the Sewer Utility Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the City’s statutory debt limit calculation is reported in the Current Fund for the years 2018 and 2017 as follows:

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the City may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>
<u>2018</u>						
<u>Current Fund</u>						
Preparation of Tax Map	1.70%	6/1/2018	\$ 120,000		\$ 120,000	
Revaluation of Real Property	1.70%	6/1/2018	560,000	-	560,000	-
Total Special Emergency Notes			<u>\$ 680,000</u>	<u>\$ -</u>	<u>\$ 680,000</u>	<u>\$ -</u>
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
<u>Current Fund</u>						
Sick/Vacation - Terminal Pay			\$ 300,000		\$ 300,000	
Preparation of Tax Map	1.70%	6/1/2018	240,000		120,000	\$ 120,000
Revaluation of Real Property	1.70%	6/1/2018	840,000	-	280,000	560,000
Total Special Emergency Notes			<u>\$ 1,380,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 680,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project/Purpose</u>	<u>Construction / Other Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2018</u>		
McDonald Brook Flood Control - Phase IV	\$ 386,059	2019
Third Ward Park Memorial Park Improvements	710,366	2019
McDonald Brook Storm System	138,740	2019
Ice Rink Platform	117,095	2019
<u>2017</u>		
McDonald Brook Flood Control	\$ 105,726	2018
Acquisition of Mid Mount Aerial Platform	1,106,070	2018
Acquisition of Heavy Duty Engine/Pumper	484,852	2018
Fuel Dispensing System	284,343	2018
Howe Avenue Sewer Improvements - Phase I	180,203	2018
Purchase of Two (2) Dump Trucks	170,148	2018
Terhune Ave and Spring Street Improvements	317,536	2018
Howe Avenue Sewer Improvements - Phase II	253,925	2018

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave 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 \$6,213,743 and \$5,968,281 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2018 and 2017, the City has reserved in the Other Trust Fund \$2,286,314 and \$1,236,314, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

F. Deferred Pension Obligation

During the year ended December 31, 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 City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017 at December 31, 2018 and 2017 is \$3,027,589 and \$3,304,862, respectively.

During the years ended December 31, 2018, 2017 and 2016 the City was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Year Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2018	\$ 66,544	\$ 442,069
2017	65,710	437,635
2016	64,993	433,417

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The City's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One year</u>
<u>2018</u>					
Compensated Absences	\$ 5,968,281	\$ 245,463		\$ 6,213,744	
Deferred Pension Obligation	3,304,862	231,340	\$ 508,613	3,027,589	\$ 510,971
ERIP Pension Liability	372,863	26,100	190,179	208,784	189,852
Net Pension Liability - PERS	35,218,741		4,753,049	30,465,692	
Net Pension Liability - PFRS	120,302,403		17,210,683	103,091,720	
Net OPEB Liability	<u>125,316,194</u>	<u>-</u>	<u>26,532,997</u>	<u>98,783,197</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 290,483,344</u>	<u>\$ 502,904</u>	<u>\$ 49,195,521</u>	<u>\$ 241,790,727</u>	<u>\$ 700,823</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Prior Period <u>Adjustment (A)</u>	Balance, December 31, <u>2017</u>	Due Within <u>One year</u>
<u>2017</u>						
Compensated Absences	\$ 6,596,397		\$ 628,116		\$ 5,968,281	
Deferred Pension Obligation	3,529,386	\$ 278,821	503,345		3,304,862	\$ 508,613
ERIP Pension Liability	521,818	41,224	190,179		372,863	190,179
Net Pension Liability - PERS	45,094,042		9,875,301		35,218,741	
Net Pension Liability - PFRS	148,965,896		28,663,493		120,302,403	
Net OPEB Liability	-	-	22,228,568	\$ 147,544,762	125,316,194	-
Other Long-Term Liabilities	<u>\$ 204,707,539</u>	<u>\$ 320,045</u>	<u>\$ 62,089,002</u>	<u>\$ 147,544,762</u>	<u>\$ 290,483,344</u>	<u>\$ 698,792</u>

(A) The prior period adjustment reflects the opening balance of the Net OPEB Liability as of December 31, 2016 resulting from the implementation of GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefit Other Than Pension” during the year ended December 31, 2018.

NOTE 12 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. Additionally, based on recent actuarial valuation there was no normal cost or accrued liability contributions required for the fiscal year ended June 30, 2017. CPFPPF is a single-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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 December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PFRS:

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

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 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PERS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 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). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided 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. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. 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, but are currently suspended as a result of reform legislation.

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/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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. The financial report 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, or at www.state.nj.us/treasury/doinvest.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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 for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2018 and 2017 for CPFPPF, which is a single-employer defined benefit plan the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the City for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u>	<u>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 20,271	\$ 6,896,579	\$ 1,401,574	\$ 50,132
2017	20,300	6,795,838	1,352,626	49,502
TY 2016				8,105

In addition for the years ended December 31, 2018 and 2017 the City contributed for long-term disability insurance premiums (LTDI) \$17,837 and \$5,688 respectively for PERS.

In addition for the years ended December 31, 2018 and 2017 the City contributed for early retirement incentive program contributions \$190,179 and \$190,179, respectively for PERS.

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the City reported a liability of \$30,465,692 and \$35,218,741, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The City’s proportionate share of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the City’s proportionate share was .15473 percent, which was an increase of .00344 percent from its proportionate share measured as of June 30, 2017 of .15129 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the City’s pension expense to be \$1,420,357 and \$2,161,603, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the City’s financial statements of \$1,401,574 and \$1,352,626, respectively. At December 31, 2018 and 2017, the City’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the City’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 580,985	\$ 157,091	\$ 829,280	
Changes of Assumptions	5,020,241	9,741,308	7,095,363	\$ 7,069,350
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		285,769	239,816	1,403,425
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	650,486	988,210	21,987	-
Total	<u>\$ 6,251,712</u>	<u>\$ 11,172,378</u>	<u>\$ 8,186,446</u>	<u>\$ 8,472,775</u>

**CITY OF PASSAIC
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2019	\$ (60,705)
2020	(556,213)
2021	(2,152,701)
2022	(1,508,770)
2023	(642,277)
	<u>\$ (4,920,666)</u>

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65%-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the City's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the City's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

<u>2018</u>	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 38,307,097</u>	<u>\$ 30,465,692</u>	<u>\$ 23,887,254</u>
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 43,691,238</u>	<u>\$ 35,218,741</u>	<u>\$ 28,160,101</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen’s Retirement System (PFRS)

At December 31, 2018 and 2017, the City reported a liability of \$103,091,720 and \$120,302,403, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The City’s proportionate share of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the City’s proportionate share was .76185 percent, which was a decrease of .01740 percent from its proportionate share measured as of June 30, 2017 of .77925 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the City pension expense to be \$7,615,052 and \$10,950,391, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the City’s financial statements of \$6,896,579 and \$6,795,838, respectively. At December 31, 2018 and 2017, the City’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the City’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,048,824	\$ 426,618	\$ 780,451	\$ 706,075
Changes of Assumptions	8,849,037	26,420,628	14,834,626	19,702,016
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		564,005	2,295,652	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>1,671,634</u>	<u>3,727,207</u>	<u>2,532,364</u>	<u>2,319,233</u>
Total	<u>\$ 11,569,495</u>	<u>\$ 31,138,458</u>	<u>\$ 20,443,093</u>	<u>\$ 22,727,324</u>

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2019	\$ 496,824
2020	(3,310,593)
2021	(8,847,604)
2022	(5,895,106)
2023	<u>(2,012,484)</u>
	<u>\$ (19,568,963)</u>

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the City’s proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the City’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

<u>2018</u>	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 137,975,474</u>	<u>\$ 103,091,720</u>	<u>\$ 74,318,977</u>
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 158,508,323</u>	<u>\$ 120,302,403</u>	<u>\$ 88,911,895</u>

The sensitivity analysis was based on the proportionate share of the City’s net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the City’s net pension liability was not provided by the pension system.

**CITY OF PASSAIC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the City is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$14,003,306 and \$13,474,882, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the City for the PFRS special funding situation is \$1,658,670 and \$1,648,287, respectively, which are more than the actual contributions the State made on behalf of the City of \$829,334 and \$673,801, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the City was .76185 percent, which was an/a increase/decrease of .0174 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .77925 percent. The State's proportionate share attributable to the City was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the City's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

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

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

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

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

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

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

Actuarial Methods and Assumptions

In the June 30, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The City's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and period ended 2016 were \$7,928,183, \$7,927,830 and \$3,643,456, respectively, which equaled the required contributions for each year. In addition, the City's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$555,371, \$497,234 and \$232,883, respectively.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the City reported a liability of \$98,783,197 and \$125,316,194, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The City’s proportionate share of the net OPEB liability was based on the ratio of the City’s proportionate share of the OPEB liability attributable to the City at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the City’s proportionate share was .63053 percent, which was an increase of .01671 percent from its proportionate share measured as of June 30, 2017 of .61382 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the City’s OPEB expense to be \$2,539,255 and \$6,796,004, respectively, based on the actuarial valuations which are less than the actual contributions reported in the City’s financial statements of \$7,928,183 and \$7,927,830, respectively. At December 31, 2018 and 2017, the City’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the City’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 20,056,513		
Changes of Assumptions		25,057,652		\$ 13,909,032
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 52,203		\$ 21,476	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	3,324,590	10,696,675	-	12,467,648
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 3,376,793</u>	<u>\$ 55,810,840</u>	<u>\$ 21,476</u>	<u>\$ 26,376,680</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (7,913,843)
2020	(7,913,843)
2021	(7,913,843)
2022	(7,919,212)
2023	(7,928,236)
Thereafter	<u>(12,845,070)</u>
	<u>\$ (52,434,047)</u>

Actuarial Assumptions

The City's total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the City's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

<u>2018</u>	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 115,898,807</u>	<u>\$ 98,783,197</u>	<u>\$ 85,111,698</u>
<u>2017</u>	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 147,814,187</u>	<u>\$ 125,316,194</u>	<u>\$ 107,464,416</u>

The sensitivity analysis was based on the proportionate share of the City's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the City's net OPEB liability was not provided by the Plan.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the City's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 82,401,025</u>	<u>\$ 98,783,197</u>	<u>\$ 119,984,162</u>
<u>2017</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 104,141,417</u>	<u>\$ 125,316,194</u>	<u>\$ 152,888,207</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The sensitivity analysis was based on the proportionate share of the City's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the City's net OPEB liability was not provided by the pension system.

Special Funding Situation

Under N.J.S.A. 43:3C-24 the City is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the City for the OPEB special funding situation is \$55,543,257 and \$77,785,427, respectively. For the years ended December 31, 2018 and 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the City for the OPEB special funding situation is \$1,681,359 and \$5,566,799, respectively. At December 31, 2018, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the City was .89386 percent, which was an increase of .0007 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .89456 percent. The State's proportionate share attributable to the City was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 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 workman's compensation benefit plan for its employees and a general liability plan of 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 Agreement 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 December 31, 2018 and 2017. 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 December 31, 2018 and 2017 the City has available in the Other Trust Fund \$1,931,518 and \$2,217,067, respectively for the payment of self-insurance claims.

NOTE 15 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 December 31, 2018 and 2017. 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 December 31, 2018 and 2017, the City reserved \$3,073,099 and \$2,450,046, 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 December 31, 2018 and 2017, 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. City is a contracting municipality with the North Jersey District Water Supply Commission – Wanaque North Project (NJDWSC - North). As such, it is entitled to 11% of the water supplied by the NJDWSC - North, and is liable for 11% of the annual operating charges, including debt service, of the NJDWSC - North. The total debt of NJDWSC - North as of December 31, 2018 and 2017 was \$17,079,459 and \$19,375,442, respectively, of which the City the Passaic's share was \$1,878,740 and \$2,131,299, respectively. The operating charges from NJDWSC – North are defrayed by water rates established by the Passaic Valley Water Commission.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Overlapping Debt (Continued)

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 \$113,340,630 and \$124,711,887 of debt outstanding as of December 31, 2018 and 2017, respectively, of which the City of Passaic's share was \$32,381,418 and \$35,630,186, 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.

NOTE 16 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 December 31, 2018 and 2017, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2018 and 2017, the City provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law"), the Five-Year Exemption and Abatement Law (the "FYEA") and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2018 and 2017 the City abated property taxes totaling \$2,452,314 and \$2,678,158, respectively under the LTTE program. The City received \$889,466 and \$881,421 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 17 TAX ABATEMENTS (Continued)

- The Five-Year Exemption and Abatement Law (NJSA 40:21et.seq.) generally concerns rehabilitation of particular buildings and structures, with an abatement period that lasts no more than five years. These “short-term” property tax abatements can be structured as reduced property tax bills that exclude all or part of improvement value or as payments in lieu of taxes (PILOTs). Procedurally, a municipality must first adopt an ordinance invoking its five-year abatement authority and setting forth application procedures. This ordinance, referred to as the general ordinance, defines the eligibility criteria, which may include types of structures, types of permissible improvements, as well as qualifying geographic zones or similar designations. An applicant must satisfy all of the criteria stipulated in the statute and general ordinance to be entitled to approval. Applications for individual short-term abatements are presented to the local governing body and must include a general description of the project, plans demonstrating the structure of the project, a statement of reasons for seeking the abatement, claimed benefits to be realized by the applicant if the application is approved, and a statement of taxes currently being assessed and taxes to be paid during the period of the abatement. The application is approved by an ordinance authorizing execution of a tax agreement. If during any tax year prior to the termination of the tax agreement, the property owner ceases to operate or disposes of the property, or fails to meet the conditions for qualifying, then the property tax which would have otherwise been payable for each year shall become due and payable from the property owner as if no exemption and abatement had been granted. For the years ended December 31, 2018 and 2017 the City abated property taxes totaling \$185,819 and \$202,263, respectively under the FYEA program.

CURRENT FUND

CITY OF PASSAIC
STATEMENT OF CASH AND INVESTMENTS - CURRENT FUND

Balance, December 31, 2017		\$ 35,305,187
Increased by Receipts:		
Tax Collector	\$ 105,672,530	
Revenue Accounts Receivable	20,089,382	
Nonbudget Revenue	961,689	
Due from State of New Jersey - Senior Citizen/Veterans Deductions	73,482	
Receipts from the Parking Authority	748,119	
Receipts for Other Trust Fund	36,922	
Receipts from Other Trust Fund	5,988,168	
Receipts from Community Development Block Grant Fund	6,461	
Receipts from Home Investment Program Trust Fund	268,255	
Fees Payable	106,842	
	133,951,850	133,951,850
		169,257,037
Decreased by Disbursements:		
2018 Budget Appropriations	80,826,824	
2017 Appropriation Reserves	558,630	
Encumbrances Payable	1,222,133	
County Taxes	26,239,353	
Local School Taxes	16,818,577	
Tax Overpayments	132,537	
Special Emergency Note	680,000	
Payments for Parking Authority	35,992	
Payments for Redevelopment Authority	42,500	
Payments to Other Trust Fund	1,570,000	
Payments for Other Trust Fund	4,116,224	
Payments for Community Development Block Grant Fund	36,177	
Payments for Home Investment Program Fund	314,202	
Payments for Sewer Utility Operating Fund	169,730	
Fees Payable	81,065	
Reserve for Tax Appeals	76,947	
Miscellaneous Reserves	85,980	
Reserve for Pension Contributions	92,826	
Reserve for Revaluation Program	3,850	
Refund of Prior Year Revenue	99,100	
	133,202,647	133,202,647
Balance, December 31, 2018		\$ 36,054,390

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

Balance, December 31, 2017		\$	1,381,145
Increased by:			
Grants Receivable	\$	4,187,398	
Receipts for Current Fund		131,063	
Receipts for Other Trust Fund		132,930	
Unappropriated Grant Reserves		<u>60,402</u>	
			<u>4,511,793</u>
			5,892,938
Decreased by:			
Payments to Other Trust Fund		22,458	
Appropriated Grant Reserves		<u>5,288,445</u>	
			<u>5,310,903</u>
Balance, December 31, 2018		\$	<u>582,035</u>

SCHEDULE OF TAX COLLECTOR'S CASH

Increased by:			
Taxes Receivable	\$	103,121,768	
Tax Title Liens Receivable		518,601	
Interest and Cost on Taxes		283,708	
Payment in Lieu of Taxes		889,466	
Tax Overpayments		262,994	
Prepaid Taxes		<u>595,993</u>	
			\$ 105,672,530
Decreased by:			
Payment to Treasurer			<u>\$ 105,672,530</u>

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

Balance, December 31, 2017		\$ <u>2,800</u>
Balance, December 31, 2018		\$ <u><u>2,800</u></u>

**STATEMENT OF DUE TO CURRENT FUND
GRANT FUND**

Balance, December 31, 2017		\$ 1,133,534
Increased by:		
Grants Receivable Anticipated as 2018 Budget Revenue	\$ 6,811,265	
Unappropriated Grants Anticipated as 2018 Budget Revenue	104,387	
Receipts for Current Fund	<u>131,063</u>	
		<u>7,046,715</u>
		8,180,249
Decreased By:		
2018 Budget Appropriation for Grants: Appropriated Grants		<u>6,915,652</u>
Balance, December 31, 2018		\$ <u><u>1,264,597</u></u>

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

Balance, December 31, 2017		\$	23,648
Increased by:			
Senior Citizens/Veterans Deductions Per Tax Duplicate	\$	98,000	
Deductions Allowed by Tax Collector - 2018		9,871	
Deductions Allowed by Tax Collector - Prior Years		<u>6,076</u>	
			<u>113,947</u>
			137,595
Decreased by:			
Cash Received from State		73,482	
Deductions Disallowed by Tax Collector - 2018		7,250	
Deductions Disallowed by Tax Collector - Prior Years		18,267	
Prior Year Reimbursement - State		<u>8,750</u>	
			<u>107,749</u>
Balance, December 31, 2018		\$	<u>29,846</u>

EXHIBIT A-10

STATEMENT OF DUE FROM PARKING AUTHORITY

Balance, December 31, 2017 (Due from)		\$	37,351
Increased by:			
Anticipated as Current Fund Revenue-Interlocal Agreement	\$	653,000	
Payments Made for Parking Authority		<u>35,992</u>	
			<u>688,992</u>
			726,343
Decreased by:			
Cash Receipts			<u>748,119</u>
Balance, December 31, 2018 (Due to)		\$	<u>21,776</u>

EXHIBIT A-11

STATEMENT OF DUE FROM REDEVELOPMENT AUTHORITY

Balance, December 31, 2017		\$	82,719
Increased by:			
Cash Disbursements			
2018 Budget Appropriation	\$	10,000	
Payments Made for Redevelopment Authority		<u>32,500</u>	
			<u>42,500</u>
			125,219
Decreased by:			
2018 Budget Appropriation			<u>10,000</u>
Balance, December 31, 2018		\$	<u>115,219</u>

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

<u>Fiscal Year Ended</u>	Balance, December 31, <u>2017</u>	<u>2018 Levy</u>	Senior Citizens and Veterans Deductions <u>Disallowed</u>	Collections <u>2017</u>	Collections <u>2018</u>	Senior Citizens and Veterans Deductions <u>Allowed</u>	Transferred to Tax Title <u>Liens</u>	<u>Cancelled</u>	Balance, December 31, <u>2018</u>
SFY 2009	\$ 5,732							\$ 5,732	
SFY 2015	2				\$ 2				
SFY 2016	31				31				
TY 2016	17,139				3,572			6,366	\$ 7,201
2017	<u>33,312</u>	-	\$ 18,267	-	<u>26,117</u>	\$ 6,076	\$ 1,710	<u>10,221</u>	<u>7,455</u>
	56,216	-	18,267	-	29,722	6,076	1,710	22,319	14,656
2018	<u>-</u>	\$ <u>107,963,255</u>	<u>7,250</u>	\$ <u>3,025,324</u>	<u>103,092,046</u>	<u>107,871</u>	<u>429,109</u>	<u>1,242,484</u>	<u>73,671</u>
	<u>\$ 56,216</u>	<u>\$ 107,963,255</u>	<u>\$ 25,517</u>	<u>\$ 3,025,324</u>	<u>\$ 103,121,768</u>	<u>\$ 113,947</u>	<u>\$ 430,819</u>	<u>\$ 1,264,803</u>	<u>\$ 88,327</u>
Tax Yield:									
General Purpose Tax			\$ 107,900,976						
Added Taxes			<u>62,279</u>						
					<u>\$ 107,963,255</u>				
Tax Levy:									
Local District School Tax Levy			\$ 16,818,577						
County Taxes:									
County Tax - General		\$ 25,865,170							
County Tax Open Space		359,037							
County Tax - Added/Omitted		<u>15,146</u>							
					26,239,353				
Local Tax for Municipal Purposes		63,674,696							
Minimum Library Tax		1,171,119							
Add Additional Tax Levied		<u>59,510</u>							
					<u>64,905,325</u>				
					<u>\$ 107,963,255</u>				

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

Balance, December 31, 2017		\$ 525,261
Increased by:		
Transfers from Taxes Receivable - Prior Years	\$ 1,710	
Transfers from Taxes Receivable - 2018	429,109	
Interest and Costs on Tax Sale	<u>3,399</u>	
		<u>434,218</u>
		959,479
Decreased by:		
Receipts		<u>518,601</u>
Balance, December 31, 2018		<u>\$ 440,878</u>

**CITY OF PASSAIC
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2017</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
			<u>Treasurer</u> <u>Tax Collector</u>	
Licenses				
Alcoholic Beverages		\$ 140,727	\$ 140,727	
Other		74,296	74,296	
Fees and Permits				
Construction Code Official		1,082,551	1,082,551	
Other		95,523	95,523	
Fines and Costs				
Municipal Court	\$ 134,775	1,699,940	1,722,833	\$ 111,882
Energy Receipts Tax		8,945,764	8,945,764	
Consolidated Municipal Property Tax Relief Aid		3,599,718	3,599,718	
Interest and Costs on Taxes		283,708		\$ 283,708
Interest on Investments and Deposits		478,602	478,602	
Police Record Bureau		11,230	11,230	
Board of Education - Security Watch		3,150,000	3,150,000	
Cable Franchise Fee		431,909	431,909	
Housing Authority Police Program		303,329	303,329	
County of Passaic - Street Lighting		60,000	60,000	
Fire Billings - Insurance Reimbursements	306,350	50,301	7,220	349,431
Overpayment - Rafael Morera	5,818			5,818
Police Outside Duty Vehicle Fee		100,000	100,000	
Payment in Lieu of Taxes:				
St. Mary's Reise Corp.		165,598		165,598
Chestnut Housing Phase I		88,655		88,655
Jack Parker Associates		316,900		316,900
Housing Authority		168,340		168,340
Garden Howe		43,701		43,701
YMCA - River Road		22,500		22,500
Highview Terrace	-	83,772	-	-
	<u>\$ 446,943</u>	<u>\$ 21,397,064</u>	<u>\$ 20,203,702</u> <u>\$ 1,173,174</u>	<u>\$ 467,131</u>
			Cash Receipts \$ 20,089,382 \$ 1,173,174	
			Due from Animal Control Fund 418	
			Due from Other Trust 100,000	
			Due from General Capital Fund <u>13,902</u> <u>-</u>	
			<u>\$ 20,203,702</u> <u>\$ 1,173,174</u>	

**STATEMENT OF DEFERRED CHARGES
SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net</u> <u>Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>Reduced</u> <u>in 2018</u>
3/5/2013	Preparation of Tax Map			<u>\$ 120,000</u>	<u>\$ 120,000</u>
			Raised in 2018 Budget		<u>\$ 120,000</u>

**CITY OF PASSAIC
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2017	\$ 132,537
Increased by:	
Overpayments Received	<u>262,994</u>
	395,531
Decreased by:	
Overpayments Refunded	<u>132,537</u>
Balance, December 31, 2018	<u><u>\$ 262,994</u></u>

EXHIBIT A-17

STATEMENT OF PREPAID TAXES

Balance, December 31, 2017	\$ 3,025,324
Increased by:	
Cash Receipts	<u>595,993</u>
	3,621,317
Decreased by:	
Applied to 2018 Taxes Receivable	<u>3,025,324</u>
Balance, December 31, 2018	<u><u>\$ 595,993</u></u>

EXHIBIT A-18

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Balance, December 31, 2017	<u>\$ 680,000</u>
Decreased by:	
Cash Disbursements	<u><u>\$ 680,000</u></u>

**CITY OF PASSAIC
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
GENERAL GOVERNMENT					
DEPARTMENT OF ADMINISTRATION					
Office of Business Administration					
Salaries & Wages	\$ 100,812		\$ 100,812	\$ 12,877	\$ 87,935
Other Expenses	94,855		94,855	65,811	29,044
Mayor and Council					
Salaries and Wages	3,287		3,287	-	3,287
Other Expenses	12,923	\$ 86	13,009	-	13,009
City Clerk					
Salaries and Wages	42,296		42,296	2,884	39,412
Other Expenses	5,380		5,380	1,053	4,327
Human Resources					
Salaries and Wages	17,470		17,470		17,470
Other Expenses	7,740		7,740	156	7,584
Financial Administration-Treasurer's Office					
Salaries and Wages	6,856		6,856	5,981	875
Other Expenses	147,336		147,336	31,323	116,013
Annual Audit					
Other Expenses	18,500		18,500	8,740	9,760
Revenue Administration					
Salaries and Wages	8,082		8,082	4,447	3,635
Other Expenses	5,545	6	5,551	-	5,551
Tax Assessment Administration					
Salaries and Wages	18,171		18,171	1,285	16,886
Other Expenses	1,134		1,134	1,134	
Legal Services					
Other Expenses	17,000	25,063	42,063		42,063
Office of Engineer					
Salaries and Wages	6,000		6,000	1,740	4,260
Other Expenses	2,674		2,674	302	2,372
Planning and Economic Development					
Salaries and Wages	19,228		19,228		19,228
Other Expenses	4,118	8,295	12,413		12,413
Division of Housing					
Salaries and Wages	4,623		4,623	2,193	2,430
Other Expenses	2,756		2,756	98	2,658
Planning Board					
Other Expenses	2,289		2,289	60	2,229
Board of Adjustment					
Other Expenses	5,115		5,115	14	5,101
Rent Leveling Board					
Other Expenses	200	155	355		355
Insurance					
Employee Group Insurance	647,304		647,304	2,278	645,026
Health Benefit Waiver	8,000		8,000		8,000
DEPARTMENT OF PUBLIC WORKS					
Streets and Road Maintenance					
Salaries & Wages	150,608		150,608	105,604	45,004
Other Expenses	128,152		128,152	46,505	81,647
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	58,615		58,615	14,017	44,598
Building and Grounds					
Salaries & Wages	38,415		38,415		38,415
Other Expenses	6,965		6,965	1,464	5,501
Vehicle Maintenance					
Salaries & Wages	10,918		10,918		10,918
Other Expenses	49,112	13,267	62,379		62,379

**CITY OF PASSAIC
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, December 31, 2017	Encumbrances Cancelled	Balance After Modifications	Paid or Charged	Balance Lapsed
DEPARTMENT OF PUBLIC SAFETY					
Police Department					
Salaries and Wages	\$ 933,215		\$ 933,215	\$ 911,851	\$ 21,364
Other Expenses	3,650		3,650	1,359	2,291
BOE Security Watch and Res. Officer					
Fire Department					
Salaries and Wages	50,714		50,714	50,000	714
Other Expenses	44,471		44,471	547	43,924
Municipal Court					
Salaries and Wages	54,384		54,384	7,482	46,902
Other Expenses	22,645		22,645	747	21,898
Office of Emergency Management					
Salaries and Wages	7,506		7,506		7,506
Other Expenses	1,174		1,174	405	769
Prosecutor 's Office					
Other Expenses	18,500	\$ 46,376	64,876		64,876
Public Defender					
Other Expenses	5,450	16,750	22,200		22,200
Passaic Parking Authority					
Salaries and Wages	156,319		156,319		156,319
Other Expenses	303,000		303,000	13,400	289,600
DEPARTMENT OF HUMAN RESOURCES					
Division of Health					
Salaries & Wages	40,727		40,727	7,267	33,460
Other Expenses	15,402		15,402	1,157	14,245
Animal Regulation					
Salaries & Wages	54,747		54,747		54,747
Other Expenses	530	1,840	2,370		2,370
DEPARTMENT OF PARKS AND RECREATION					
Division of Recreation					
Salaries & Wages	192,479		192,479	5,165	187,314
Other Expenses	2,118	8,651	10,769		10,769
Senior Citizens					
Salaries & Wages	48,850		48,850		48,850
Other Expenses	4,012		4,012	187	3,825
Handicapped Recreation					
Salaries & Wages	4,415		4,415		4,415
Other Expenses	10,017	237	10,254		10,254
Maintenance of Parks					
Salaries & Wages	87,760		87,760	22,000	65,760
Other Expenses	58,101	2,056	60,157		60,157
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave - Other Expenses					
Accumulated Leave					
Other Expenses	236,827		236,827	219,088	17,739
UNIFORM CONSTRUCTION CODE- APPROPRIATIONS OFFSET BY DEDICATED REVENUES					
Division of Code Enforcement					
Salaries & Wages	63,700		63,700	2,378	61,322
Other Expenses	46,129	1,367	47,496		47,496

CITY OF PASSAIC
STATEMENT OF 2017 APPROPRIATION RESERVES

	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
UNCLASSIFIED					
Utilities:					
Electricity	\$ 97,808	\$ 115,271	\$ 213,079		\$ 213,079
Telephone and Telegraph	2,175		2,175	\$ 2,175	
Street Lighting	89,649	89,296	178,945		178,945
Gasoline	127,496	38,485	165,981		165,981
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Tax	2,789		2,789		2,789
Tipping Fees	382,168		382,168	120,046	262,122
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Social Security System (O.A.S.I.)	47,283		47,283		47,283
PERS	68,340		68,340		68,340
PFRS	75,799		75,799	75,000	799
Deferred Compensation Retirement Plan	20,498		20,498	1,119	19,379
GENERAL APPROPRIATIONS - ALL OTHER OPERATIONS EXCLUDED FROM "CAPS"					
Matching Funds for Grants	60,000	-	60,000	-	60,000
	<u>\$ 5,093,326</u>	<u>\$ 367,201</u>	<u>\$ 5,460,527</u>	<u>\$ 1,751,339</u>	<u>\$ 3,709,188</u>
Cash Disbursements				\$ 558,630	
Transferred to Accounts Payable				67,709	
Transferred to Reserve for Pension Contributions				75,000	
Transferred to Miscellaneous Reserves - Other Trust Fund				1,050,000	
				<u>\$ 1,751,339</u>	

**CITY OF PASSAIC
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:		
Levy		<u>\$ 16,818,577</u>
Decreased by:		
Cash Disbursements		<u>\$ 16,818,577</u>

EXHIBIT A-21

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
Levy		
General County	\$ 25,865,170	
County Open Space Preservation	359,037	
County Added/Omitted Taxes	<u>15,146</u>	
		<u>\$ 26,239,353</u>
		26,239,353
Decreased by:		
Cash Disbursed		<u>\$ 26,239,353</u>

EXHIBIT A-22

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2017		\$ 1,589,334
Increased by:		
Transferred from Budget Appropriations		<u>1,345,228</u>
		2,934,562
Decreased by:		
Payments	\$ 1,222,133	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>367,201</u>	
		<u>1,589,334</u>
Balance, December 31, 2018		<u>\$ 1,345,228</u>

**CITY OF PASSAIC
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2017	\$ 31,021
Increased by:	
Transfer from 2017 Appropriation Reserves	67,709
	98,730
Decreased by:	
Cancellation	31,021
Balance, December 31, 2018	\$ 67,709

EXHIBIT A-24

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2017	\$ 2,450,046
Increased by:	
Transferred from 2018 Tax Collections	700,000
	3,150,046
Decreased by:	
Cash Payments	76,947
Balance, December 31, 2018	\$ 3,073,099

EXHIBIT A-25

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2017</u>	<u>Increases</u>	<u>Payments</u>	Balance, December 31, <u>2018</u>
Allowance for Grant Reimbursement	\$ 308,612		\$ 85,980	\$ 222,632
Tax Map		\$ 157,819		157,819
Sale of Municipal Assets	75,000			75,000
PILOT - Housing Authority	183,751	-	-	183,751
	\$ 567,363	\$ 157,819	\$ 85,980	\$ 639,202
Transferred from Other Trust Fund		\$ 157,819		

**CITY OF PASSAIC
STATEMENT OF FEES PAYABLE**

	Balance, December 31, 2017	Receipts	Payments	Balance, December 31, 2018
Construction Code Training Fees	\$ 18,359	\$ 57,521	\$ 70,225	\$ 5,655
Burial Fees	135	10	15	130
Bail Bond Forfeiture Fees	168,590	44,775	10,825	202,540
Ambulance Billing Fees	<u>6,337</u>	<u>4,536</u>	<u>-</u>	<u>10,873</u>
	<u>\$ 193,421</u>	<u>\$ 106,842</u>	<u>\$ 81,065</u>	<u>\$ 219,198</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR PENSION CONTRIBUTIONS

Balance, December 31, 2017	\$ 1,531,755
Increased by:	
Transfer from 2017 Appropriation Reserves	<u>75,000</u>
	1,606,755
Decreased by:	
Cash Disbursements	\$ 92,826
Anticipated Revenue - 2018 Budget	<u>200,000</u>
	<u>292,826</u>
Balance, December 31, 2018	<u>\$ 1,313,929</u>

EXHIBIT A-28

STATEMENT OF RESERVE FOR REVALUATION PROGRAM

Balance, December 31, 2017	\$ 166,932
Decreased by:	
Cash Disbursements	<u>3,850</u>
Balance, December 31, 2018	<u>\$ 163,082</u>

**CITY OF PASSAIC
STATEMENT OF DEFERRED STATE AID**

Balance, December 31, 2017	\$ 8,882,778
Decreased by:	
Anticipated Revenue - 2018 Budget	<u>830,000</u>
Balance, December 31, 2018	<u>\$ 8,052,778</u>

**CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE
GRANT FUND**

	Balance, December 31, <u>2017</u>	Revenue <u>Accrued</u>	Cash <u>Received</u>	Balance, December 31, <u>2018</u>
Market Streetscape Enhancement	\$ 750,000			\$ 750,000
Byrne Memorial - 2014	194,171		\$ 194,171	-
Drive Sober or Get Pulled Over - 2015	50			50
High Drunk Traffic Youth Empowerment	1		1	-
Open Space - 3rd World Memorial - 2015	5,940		5,940	-
Dig In Community Garden - 2016	2,500			2,500
Downtown Merchant Summer Employment - 2016	11,250			11,250
Juvenile Accountability - Station House Adjustment	1,478			1,478
Ryan White - 2016	98,332		98,332	-
Open Space - 3rd Ward Park - 2016	191,578		136,828	54,750
Green Acres - McDonald Brook Project	1,100,000			1,100,000
DOT Various Street Projects - 2016	353,273			353,273
Byrne Memorial - 2016	217,459		201	217,258
Municipal Alliance - 2016	12,965			12,965
Municipal Alliance - 2015	26,650			26,650
OEM - Hazard Mitigation - Generators - 2016	250,000			250,000
Byrne Memorial - TY 2016	225,070			225,070
FEMA - SAFER Program	623,998		566,432	57,566
Ryan White - TY 2016	34,084		13,238	20,846
Drive Sober or Get Pulled Over - TY 2016	200			200
NJ Highway Pedestrian Safety - TY 2016	581			581
Summer Food Program - TY 2016	226,395			226,395
WIC - TY 2016	53,783		52,359	1,424
Municipal Alliance - TY 2016	17,333		17,108	225
HOPWA - TY 2016	27,012		14,897	12,115
Station House Adjustment - 2016	370			370
Station House Adjustment - 2017	19,762		2,466	17,296
Childhood Leadbase Prevention - 2017	114,309	\$ 417,211	531,520	-
Drive Sober or Get Pulled Over - 2017	5,610		5,500	110
Green Acres - 3rd Ward & Veterans Memorial Park	1,000,000			1,000,000
HOPWA - 2017/2018	97,629		97,629	-
Municipal Alliance - 2017/2018	39,478		39,165	313
Co (CDBG) Disaster Recovery 2017	1,374,114		743,351	630,763
County Open Space - Christopher Col. & Dog Park	200,000		52,925	147,075
Summer Food Program - 2017	94,316		9,088	85,228
WIC - 2018	1,091,091		1,060,689	30,402
Ryan White - 2017	50,332		50,332	-
DOT - Various Road Improvements 2017	385,456			385,456
NJDOT - Various 2018 Road Improvements		805,600		805,600
Drunk Driving Enforcement - 2018		20,564	20,564	-
Drunk Driving Enforcement - 2019		17,542	17,542	-
Distracted Driving Crackdown - 2018		6,600	6,435	165
Fire House Subs Public Safety Foundation, Inc		15,298	15,298	-
FM Global Fire Prevention Grant		2,937	2,937	-

**CITY OF PASSAIC
STATEMENT OF GRANTS RECEIVABLE
GRANT FUND**

	Balance, December 31, <u>2017</u>	Revenue <u>Accrued</u>	Cash <u>Received</u>	Balance, December 31, <u>2018</u>
National Rec & Park Association Grant		\$ 20,000	\$ 15,000	\$ 5,000
NJDOT - Various Roadway Safety Improvements		600,000		600,000
NJDEP Stewardship Award - Tree Management		7,000		7,000
Sustainable NJ Grant - Taste of Market Street		10,000	5,000	5,000
Pedestrian Safety Grant - 2018		18,000	15,895	2,105
Alcohol Education Grant - 2018		12,889	12,889	-
Station House Adjustment - 2018		15,169	15,169	-
Clean Communities - 2018		73,545	73,545	-
HEP Inoculation - 2018		3,235	3,235	-
Recreation Opport. For Individuals w/ Disab. - 2018		20,000		20,000
Safe and Secure - 2017		90,000		90,000
Safe and Secure - 2018		90,000		90,000
Municipal Alliance - 2018		39,478		39,478
Ryan White - 2018		166,948	38,046	128,902
Summer Food - 2018		380,807	94,219	286,588
Passaic Co. Open Space - Madison & Hope Plaza		10,000		10,000
Passaic Co. Open Space - 3rd Ward Park Impvmts		250,000		250,000
Click It or Ticket - 2018		5,500	5,500	-
HOPWA 2018		125,000		125,000
Lacrosse National Diversity Grant		2,000	2,000	-
Target Grant - Youth Soccer 2019		1,000		1,000
Drive Sober or Get Pulled Over - Dec 2017		5,500		5,500
Childhood Lead Prevention - 2018		817,000	151,952	665,048
County Historic Partnership Program		1,591		1,591
Body Armor Grant - 2018		40,887		40,887
WIC - 2019		1,091,752		1,091,752
Byrne Memorial - 2017		203,547		203,547
Byrne Memorial - 2018		191,956		191,956
Pedestrian Safety Grant - 2019		25,000		25,000
FEMA - Fire SAFER Program - 2018		1,202,209		1,202,209
Drive Sober or Get Pulled Over - 2018	-	5,500	-	5,500
	<u>\$ 8,896,570</u>	<u>\$ 6,811,265</u>	<u>\$ 4,187,398</u>	<u>\$ 11,520,437</u>
Due to/from Current Fund		\$ 6,811,265		
Cash Receipts		<u>-</u>	<u>\$ 4,187,398</u>	
		<u>\$ 6,811,265</u>	<u>\$ 4,187,398</u>	

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND**

	Balance December 31, 2017		Increased by: Budget Appropriation	Expended	Balance December 31, 2018	
	Encumbered	Reserved			Encumbered	Reserved
Ryan White Title I - 2008	\$ 100	-			\$ 100	
NJDOT - Transportation Trust - Howel/Lincoln/St. Francis		\$ 61,555			\$ 61,555	
		-				
Recycling Tonnage Grant - 2011		28,659				28,659
Body Armor Grant - 2012		282				282
Body Armor - 2013		2,546				2,546
Body Armor - 2014		12,900			9,086	3,814
Byrne Memorial - 2013		7,954				7,954
Clean Community - 2014		2,184		\$ 2,184		
Recycling Tonnage - 2013		23,078		23,078		
Highlands Council Transfer Development Rights	17,193	15,000			17,193	15,000
Stationhouse Adj. - 2015		36				36
Ryan White - 2015		83,667				83,667
Mayor's Wellness - 2015		140				140
DOT Market Streetscape Enhancement		750,000				750,000
Multi Culture - 2015		700				700
HOPWA - 2015		23,543				23,543
Hep Inoculation - 2015	576	2			75	503
Distracted Driving Crackdown - 2015		50				50
Drive Sober - 2015		3,800				3,800
Childhood Lead Paint - 2015		2,461				2,461
Clean Communities - 2015	1,374	28,291		29,516	149	-
Safe & Secure Communities		48,750				48,750
Byrne Memorial - 2015	94,015	-		94,011		4
Drunk Driving - 2014 - Enforcement		7,415		7,415		
UEZA - Commodities - 2015	90	16,255		3,159	10,530	2,656
UEZA - Dundee Canal Redevelopment		3,012				3,012
DOT Various Street Improvements - 2016	287,973	54,507		234,668	53,306	54,506
Municipal Alliance - 2016		1,979				1,979
Drunk Driving Enforcement Fund - 2016		4,000				4,000
Body Armor - 2016		5,036			4,543	493
Byrne Memorial - 2016	17,895	159,672		14,309	163,258	-
Clean Communities - 2016		88,108		67,334	20,774	-
Childhood Lead Paint - 2016		22,524				22,524
Drunk Driving Enforcement - 2015		6,785		6,785		
Dig In Community Garden - 2016		2,500				2,500
Downtown Merchant Summer Employment - 2016		12,554				12,554
Drive Sober - 2015		5,000				5,000

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND

	Balance December 31, 2017		Increased by: Budget Appropriation	Expended	Balance December 31, 2018	
	Encumbered	Reserved			Encumbered	Reserved
Green Acres - McDonald Brook - 2016	\$ 86,642	\$ 38,978		\$ 124,586	\$ 1,034	
High Drug Traffic Youth Empowerment - 2016		2,160			2,160	
HOPWA - 2016		9,247			9,247	
Municipal Alliance - 2015		9,964			9,964	
OEM - Hazard Mitigation - Generators - 2016	109,218	42,979		134,354	\$ 14,730	3,113
Open Space - 3rd Ward Park - 2016	70,990	54,749		125,739		-
Recreation Opportunity - 2016		9,860				9,860
WIC - 2015		4,713				4,713
WIC - 2016		19,326				19,326
Alcohol Ed. - TY 2016		26,650				26,650
Body Armor - TY 2016		13,091				13,091
Byrne Memorial - TY 2016	9,291	169,123		5,010	153,666	19,738
Childhood Lead Paint - TY 2016		344				344
Drive Sober - TY 2016		425				425
Fire SAFER - TY 2016		600,085		452,245		147,840
HOPWA - TY 2016	1,564	7,561		7,931		1,194
Municipal Alliance - TY 2016		119				119
Ryan White - TY 2016		30,350		6,832		23,518
Stationhouse Adj. - TY 2016	258	-		258		-
Summer Food - TY 2016		157,226				157,226
WIC - 2017	1,225	8,548		1,200		8,573
Pedestrian Safety Grant - TY 2016		5,850				5,850
Alcohol Education - 2017		18,116		8,925		9,191
Body Armor - 2017		13,275				13,275
Clean Communities - 2017		76,830		20,774	13,267	42,789
Click It or Ticket - 2017		55				55
Childhood Lead Paint - 2017/2018		81,342	\$ 417,211	485,039	12,063	1,451
Drunk Driving Enforcement - 2017		12,626		8,173	4,453	-
Disaster Recovery McDonald Brook - 2017	50,000	1,324,114		848,150	525,964	-
Drive Sober September - 2017		110				110
Drive Sober December - 2017		5,500		5,500		-
DOT Various Road Improvements - 2017		385,456		9,203	2,447	373,806
Green Acres - 3rd Ward & Veterans Memorial Park		1,000,000		26,760	674,670	298,570
Hep Inoculation - 2017		8,369		2,574	150	5,645
HOPWA - 2017/2018	9,022	104,310		92,582	4,209	16,541
Municipal Alliance - 2017/2018	876	24,566		25,129		313
Open Space - Christopher Columbus Park - 2017	100,000	-		88,735	11,265	-
Open Space - Dog Park - 2017	7,227	85,585		77,490		15,322
Recycling Tonnage - 2014	17,748	-		17,748		-
Recycling Tonnage - 2015	627	71,140		63,907		7,860
Recycling Tonnage - 2016		95,963				95,963

CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND

	Balance December 31, 2017		Increased by: Budget Appropriation	Expended	Balance December 31, 2018	
	Encumbered	Reserved			Encumbered	Reserved
Ryan White - 2017	\$ 9,627	\$ 128,009		\$ 60,391		\$ 77,245
Stationhouse Adj. - 2017		870				870
Summer Food - 2017	24,908	98,475				123,383
Smile Donation - School Walkability		5,000				5,000
UEZA - 2017		79,407				79,407
UEZA - Taste of Market Street		915				915
WIC Facility Grant - 2017	105,800	-		105,800		-
Byrne Memorial - 2017			\$ 203,547			203,547
Drive Sober or Get Pulled Over- 2017			5,500			5,500
Walk Safe Pedestrian Safety Grant - 2017			18,000	11,110		6,890
Municipal Alliance - 2018			39,478	13,355	\$ 701	25,422
Municipal Alliance Alcohol Education - 2018			12,889	1,050		11,839
Body Armor			40,887			40,887
Bill Belichick Foundation			10,000	5,282	3,129	1,589
Byrne Memorial - 2018			191,956			191,956
Clean Communities - 2018			73,545		2,315	71,230
Click it or Ticket - 2018			5,500	5,500		
Child Lead Prevention Grant - 2018			817,000	140,875	3,738	672,387
County Historic Partnership Program			1,591			1,591
Drunk Driving Enforcement Fund - 2018			20,564	9,462	4,192	6,910
Drunk Driving Enforcement Fund - 2018			17,542			17,542
Drive Sober or Get Pulled Over- 2018			5,500			5,500
Distracted Driving Crackdown Statewide - 2018			6,600	3,685		2,915
DOT - 2018 Various Roads Improvements			805,600	422,132	32,915	350,553
DOT - 2018 Roadway Safety			600,000			600,000
FHS Public Safety Foundation Grant - 2018 - Local			15,298		15,298	
FM Global Fire Prevention - 2018 - Local			2,937	2,925		12
FEMA Fire Safer - 2018			1,202,209	9,486		1,192,723
Hep Inoculation - 2018			3,235			3,235
HOPWA - 2018			125,000			125,000
NJDEP Stewardship - Tree Management			7,000			7,000
Open Space 2018 - Madison and Hope Plaza			10,000		6,689	3,311
Open Space 2018 - 3rd Ward Ice Rink			250,000	48,450	197,180	4,370
National Recreation & Park Association - 2018 - Local			20,000		769	19,231
Recreation Opportunity Grant - 2018			20,000	8,311	1,689	10,000
Recycling Tonnage - 2018			74,794			74,794
Ryan White - 2018			166,948	38,046	6,519	122,383
Stationhouse Adj. - 2018			34,762	32,929	767	1,066
Summer Food - 2018			380,807	156,871	145,841	78,095
Taste of Market Street Small Grants Program - 2018 - Local			10,000	3,201	1,879	4,920
Safe & Secure - 2017			90,000			90,000
Safe & Secure - 2018			90,000			90,000

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS
GRANT FUND**

	Balance December 31, 2017		Increased by:	Expended	Balance December 31, 2018	
	Encumbered	Reserved	Budget Appropriation		Encumbered	Reserved
Target Grant - Youth Soccer			\$ 1,000			\$ 1,000
National Divirsity - US Lacrosse - 2018			2,000			2,000
Walk Safe Pedestrian Safety Grant - 2018			25,000			25,000
WIC - 2018	\$ 1,316	\$ 886,041	-	\$ 844,901		42,456
WIC - 2019	-	-	1,091,752	243,380	\$ 990	847,382
	<u>\$ 1,025,555</u>	<u>\$ 7,202,367</u>	<u>\$ 6,915,652</u>	<u>\$ 5,288,445</u>	<u>\$ 2,120,509</u>	<u>\$ 7,734,620</u>
Due from Current Fund			<u>\$ 6,915,652</u>			
Cash Disbursements				<u>\$ 5,288,445</u>		

CITY OF PASSAIC
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS - GRANT FUND

	Balance December 31, <u>2017</u>	Cash <u>Receipts</u>	Realized as Current Fund <u>Revenue</u>	Balance December 31, <u>2018</u>
Sr. Trans - 2014	\$ 120,804			\$ 120,804
Sr. Trans - 2017	60,402			60,402
Sr. Trans - 2018		\$ 60,402		60,402
Multicultural - 2015	700			700
Recycling Tonnage - 2017	74,794		\$ 74,794	
Stationhouse Adj - 2018	19,593		19,593	
Bill Belichick Foundation 2017	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 286,293</u>	<u>\$ 60,402</u>	<u>\$ 104,387</u>	<u>\$ 242,308</u>
			Due to Current Fund	
			<u>\$ 104,387</u>	
			<u>\$ 104,387</u>	

EXHIBIT A-33

STATEMENT OF RESERVE FOR PROGRAM INCOME - GRANT FUND

Balance, December 31, 2017	\$ 488,916
Decreased by:	
Adjustment - Due to HOME Fund Program Income	<u>100,110</u>
Balance, December 31, 2018	<u>\$ 388,806</u>

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, December 31, 2017	\$ 34,858	\$ 9,999,262	\$ 22,495	\$ 84,557
Increased by:				
Animal Licenses	16,919			
Adoption Fees/Late Fees	14,193			
Due State of New Jersey	3,620			
Interest Earned	418		823	
Miscellaneous Reserves and Deposits Received from Current Fund		66,617,516		
Received from Grant Fund		1,570,000		
Program Income		22,458		
HUD - CDBG Program Allotments			1,704,659	
HUD - HOME Program Allotments				991,790
HUD - HOME Loan Program Receipts	-	-	-	-
	<u>35,150</u>	<u>68,209,974</u>	<u>1,705,482</u>	<u>991,790</u>
	<u>70,008</u>	<u>78,209,236</u>	<u>1,727,977</u>	<u>1,076,347</u>
Decreased by:				
Due State of New Jersey	3,444			
Animal Control Expenditures	10,884			
Change Funds		200		
Miscellaneous Reserves and Deposits		63,372,890		
Encumbrances Payable	4,076			
HUD-CDBG Program Expenditures			1,655,419	
Payments to Current Fund		5,988,168	6,461	268,255
Payments made for General Capital Fund		7,589		
HUD - Home Investment Program Expenditures	-	-	-	663,445
	<u>18,404</u>	<u>69,368,847</u>	<u>1,661,880</u>	<u>931,700</u>
Balance, December 31, 2018	<u>\$ 51,604</u>	<u>\$ 8,840,389</u>	<u>\$ 66,097</u>	<u>\$ 144,647</u>

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

Balance, December 31, 2017	\$ 406
Increased by:	
Cash Receipts	3,620
	4,026
Decreased by:	
Cash Disbursed	3,444
Balance, December 31, 2018	\$ 582

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

Balance, December 31, 2017	\$ 30,358
Increased by:	
Dog/Cat Licenses	\$ 16,919
Adoption Fees/Late Fees	14,193
	31,112
	61,470
Decreased by:	
Cash Disbursements	10,884
Statutory Excess Due to Current Fund	10,331
Encumbrances Payable	1,377
	22,592
Balance, December 31, 2018	\$ 38,878

**CITY OF PASSAIC
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Balance, December 31, 2017	\$	18
Increased by:		
Interest Earned	\$	418
Statutory Excess		<u>10,331</u>
	\$	<u>10,749</u>
Balance, December 31, 2018	\$	<u>10,767</u>

**STATEMENT OF ENCUMBRANCES PAYABLE
ANIMAL CONTROL FUND**

Balance, December 31, 2017	\$	4,076
Increased by:		
Charges to Reserve for Expenditures		<u>1,377</u>
		5,453
Decreased by:		
Cash Disbursements		<u>4,076</u>
Balance, December 31, 2018	\$	<u>1,377</u>

**CITY OF PASSAIC
STATEMENT OF CASH - CHANGE FUND
OTHER TRUST FUND**

Increased by:		
Receipt from Treasurer		\$ <u>200</u>
Balance, December 31, 2018		\$ <u>200</u>

**STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2017			\$ 1,359,819
Increased by:			
Other Trust Reserves and Deposits:			
2017 Appropriation Reserves	\$ 1,050,000		
Deposits Received in Current Fund	<u>36,922</u>		
		\$ 1,086,922	
Payments to Current Fund		5,988,168	
Payments made for Current Fund		<u>7,589</u>	
			<u>7,082,679</u>
			8,442,498
Decreased by:			
Other Trust Reserves and Deposits:			
Anticipated as Current Fund Revenue	\$ 100,000		
Reserve Transferred to Current Fund	157,819		
Payments made by Current Fund	<u>4,116,224</u>		
		\$ 4,374,043	
Receipts from Current Fund		<u>1,570,000</u>	
			<u>5,944,043</u>
Balance, December 31, 2018			\$ <u>2,498,455</u>

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

Balance, December 31, 2017			\$ 74,124
Increased by:			
Other Trust Fund Receipts Deposited in the Grant Fund			<u>132,930</u>
			207,054
Decreased by:			
Receipts from Grant Fund			<u>22,458</u>
Balance, December 31, 2018			\$ <u>184,596</u>

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

	Balance, December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
Marriage License Fees	\$ 12,387	\$ 10,275	\$ 10,400	\$ 12,262
Payroll Deductions/Pension/ Salary Deposits	276,917	54,333,068	54,347,833	262,152
Police Funds	78,879		29,072	49,807
Police Off Duty Fees	209,355	1,908,346	1,772,405	345,296
Demolition & Performance Bond Deposits	91,898	3,000	1,000	93,898
Tax Redemption Deposits	220,941	2,525,849	2,476,155	270,635
Developers Housing Escrow Deposits	388,800	104,500	146,350	346,950
Zoning Developers Escrow	93,065	99,315	60,745	131,635
Planning Developers Escrow	31,898	33,540	37,574	27,864
Primary General Election Deposits	16,559	62,914	35,283	44,190
Elevator Inspection Fees	185,758	95,300	93,705	187,353
Fire Permits and Fines	4,629	4,770	6,963	2,436
Fire Line Safety Reg.	163,724	365,462	404,844	124,342
Fire Prevention Security	970			970
Unemployment Compensation Insurance	1,131,978	454,252	145,427	1,440,803
Self-Insurance General Liability Claims	1,612,778	1,921,023	1,735,925	1,797,876
Self Insurance Workman's Compensation Claims	604,289	3,222,562	3,693,209	133,642
Parking Offenses Adjudication Act Fees	27,233	25,772	6,328	46,677
Tax Sale Premium Deposits	2,756,050	1,017,100	1,936,100	1,837,050
Festival Performance Bonds	60,997	14,157	10,860	64,294
Recreation - Donations	(9,667)	43,874	65,505	(31,298)
Recreation Official Fee	7,951	4		7,955
Recreation Team Ceremony Fees	71			71
EMS Facility	547	51		598
Animal Control - Donations	7,830			7,830
Relocation Assistance-Donations	7,720		5,832	1,888
Senior Citizen - Donations	9,342	2,448	7,397	4,393
Substance Abuse - Donations	596		541	55
Nextel Rebanding Escrow Deposit	10,239			10,239
Affordable Housing - Reserve	30,662			30,662
Regional Contribution Agreement	64,742	6		64,748
Police and Firemen's Retirement Pension	279			279
Health Benefit Insurance	1,586,051			1,586,051
Tax Map Assessor Emergency	178,294		178,294	-
Developers Performance Bond	20,000			20,000
Accumulated Sick and Vacation	1,236,314	1,050,000		2,286,314
Drug Court Substance Abuse	64,625	246,933	310,754	804
NJ ACH Death Certificate	106,241	17,470		123,711
Festival Expense	430	175		605
Substance Abuse - NJ Medical Assistance Program	67,825	234,822	179,783	122,864
Storm Recovery	48,339	750		49,089
Flexible Spending Deposits	2,242	23,945	25,268	919
Police Donation SWAT	1,487		722	765
Good Faith Deposit	20,000		20,000	-
Toys for Kids - Donation	100	525	100	525
Mayor - Donation	500	1,100	1,000	600
Soccer Game Escrow (BOE)	1,340			1,340
MultiCultural Affairs - Recreation Donation		2,500		2,500
Turkey Giveaways - Recreation Donation		560	560	-
Park Improvements - Recreation Donation		10,000		10,000
Target - Donation	-	1,000	999	1
	<u>\$ 11,433,205</u>	<u>\$ 67,837,368</u>	<u>\$ 67,746,933</u>	<u>\$ 11,523,640</u>
Cash Receipts		\$ 66,617,516		
Cash Disbursed			\$ 63,372,890	
Due from Grant Fund		132,930		
Due to/from Current Fund		<u>1,086,922</u>	<u>4,374,043</u>	
		<u>\$ 67,837,368</u>	<u>\$ 67,746,933</u>	

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

Balance, December 31, 2017		\$ 1,764,732
Increased by:		
Program Allotment - CDBG Year 44		<u>1,336,919</u>
		3,101,651
Decreased by:		
Cash Receipts		<u>1,704,659</u>
Balance, December 31, 2018		<u>\$ 1,396,992</u>
	CDBG	\$ 1,390,813
	Emergency Solutions Grant	<u>6,179</u>
		<u>\$ 1,396,992</u>

EXHIBIT B-11

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

Balance, December 31, 2017		\$ 1,931,710
Increased by:		
Program Income	\$ 823	
Program Allotment - CDBG Year 44	<u>1,336,919</u>	
		<u>1,337,742</u>
		3,269,452
Decreased by:		
CDBG/ESG Expenditures:		
Payments Made by Current Fund	36,177	
Cash Disbursements		
CDBG	1,596,746	
ESG	<u>58,673</u>	
		<u>1,691,596</u>
Balance, December 31, 2018		<u>\$ 1,577,856</u>

Analysis of Balance - December 31, 2017

Program Income - CDBG - Unapprop.		\$ 36,915
Program Years Appropriated Reserves		1,499,177
Program Income - ESG - Unapprop.		1,191
Emergency Solutions Grant		<u>40,573</u>
		<u>\$ 1,577,856</u>

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

Balance, December 31, 2017	\$ 1,339,006
Increased by:	
Grant Allotments	
Current Year Allotment - Year 44	<u>803,709</u>
	2,142,715
Decreased by:	
Cash Receipts - HUD	<u>991,790</u>
Balance, December 31, 2018	<u>\$ 1,150,925</u>

EXHIBIT B-13

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

Balance, December 31, 2017	\$ <u>155,454</u>
Balance, December 31, 2018	<u>\$ 155,454</u>

Analysis of Balance

Business and Housing Loans	\$ <u>155,454</u>
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EXHIBIT B-14

**STATEMENT OF MORTGAGE RECEIVABLE
HOME INVESTMENT PROGRAM FUND**

Balance, December 31, 2017	\$ <u>455,237</u>
Balance, December 31, 2018	<u>\$ 455,237</u>

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR PROGRAM EXPENDITURES - UDAG
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, December 31, 2017	<u>\$ 8,122</u>
Balance, December 31, 2018	<u><u>\$ 8,122</u></u>

**STATEMENT OF DUE TO CURRENT FUND
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Balance, December 31, 2017	\$ 2,849
Increased by:	
Payments made by Current Fund	<u>36,177</u>
	39,026
Decreased by:	
Payments to Current Fund	<u>6,461</u>
Balance, December 31, 2018	<u><u>\$ 32,565</u></u>

**STATEMENT OF DUE FROM GRANT FUND
HOME INVESTMENT PROGRAM FUND**

Balance, December 31, 2017	\$ 66,926
Increased by:	
Adjustment - HOME Program Income	<u>100,110</u>
Balance, December 31, 2018	<u><u>\$ 167,036</u></u>

**CITY OF PASSAIC
STATEMENT OF DUE TO CURRENT FUND
HOME INVESTMENT PROGRAM FUND**

Balance, December 31, 2017	\$ 323,946
Increased by:	
Payments Made by Current Fund	314,202
	638,148
Decreased by:	
Payments to Current Fund	268,255
Balance, December 31, 2018	\$ 369,893

EXHIBIT B-19

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

Balance, December 31, 2017	\$ 1,166,543
Increased by:	
Grant Allotments	
Current Year Allotment - Year 44	\$ 803,709
Due from Grant Fund - Adjustment	100,110
	903,819
	2,070,362
Decreased by:	
Cash Disbursements Grant Allotment	663,445
Payments made by Current Fund	314,202
	977,647
Balance, December 31, 2018	\$ 1,092,715

Analysis of Balance - December 31, 2018

Program Income - Unappropriated	\$ 49,373
Program Years Appropriated Reserves	1,043,342
	\$ 1,092,715

GENERAL CAPITAL FUND

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

Balance, December 31, 2017		\$ 3,345,392
Increased by Receipts:		
Grants and Loans Receivables	\$ 526,604	
Interest Earned	13,902	
Budget Appropriation		
Capital Improvement Fund	<u>450,000</u>	
		<u>990,506</u>
		4,335,898
Decreased by Disbursements:		
Improvement Authorizations	384,630	
Encumbrances Payable	<u>2,337,044</u>	
		<u>2,721,674</u>
Balance, December 31, 2018		<u>\$ 1,614,224</u>

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

		Balance December 31, <u>2018</u>
Capital Improvement Fund		\$ 43,806
Encumbrances Payable		276,785
Due from Current Fund		(9,548)
Reserve for Curb and Sidewalk Improvements		5,000
Reserve for Payment of Debt		170,651
Improvement Authorizations		
<u>Ord. No.</u>	<u>Improvement Description</u>	
1036-88	Various Improvements	(2,075)
1542-02/1784-08	Various Improvements	20,621
1587-03	Various Improvements	6,667
1675-05-1442-98	Various Park Improvements	5,817
2012-15	Improvement of Website	3,155
2040-16	Various Capital Improvements	79,403
2050-16	Various Capital Improvements	340,568
2101-17	Various Capital Improvements	132,775
2158-18	Remediation of DPW Garage and NJ Clean Energy Direct Install	242,899
2101-17	Various Capital Improvements	297,700
		<u>\$ 1,614,224</u>

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

Ord. No.	<u>Grantor Agency</u>	Balance December 31, 2017	Receipts	Cancelled	Balance December 31, 2018
<u>Loans</u>					
1643-04	Green Acres Trust - Pulaski Park (RC Field)	\$ 92,540	\$ 92,540		
1839-10	Green Acres Trust - Pulaski Park	<u>170,992</u>	<u>170,762</u>	\$ 230	\$ -
	Total Loans	<u>263,532</u>	<u>263,302</u>	<u>230</u>	<u>-</u>
<u>Grants</u>					
1643-04	Green Acres Trust - Pulaski Park (RC Field)	92,540	92,540		
1839-10	Green Acres Trust - Pulaski Park	<u>170,992</u>	<u>170,762</u>	\$ 230	-
	Total Grants	<u>263,532</u>	<u>263,302</u>	<u>230</u>	<u>-</u>
	Grand Total	<u>\$ 527,064</u>	<u>\$ 526,604</u>	<u>\$ 460</u>	<u>\$ -</u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2017	\$ 23,450
Decreased by:	
Interest Earned	<u>13,902</u>
Balance, December 31, 2018	<u>\$ 9,548</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2017	\$ 15,671,012
Increased by:	
Loans Issued	<u>263,302</u>
	15,934,314
Decreased by:	
Payment of Bonds - Budget Appropriation	\$ 1,225,000
Payment of Loans- Budget Appropriation	<u>74,910</u>
	<u>1,299,910</u>
Balance, December 31, 2018	<u>\$ 14,634,404</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2017	2018 <u>Authorizations</u>	<u>Loan Proceeds</u>	Balance, December 31, 2018	Analysis of Balance December 31, 2018	
						<u>Expended</u>	Unexpended Improvement <u>Authorizations</u>
1036-88	Various Improvements	\$ 2,075			\$ 2,075	\$ 2,075	
1643-04	Various Impts - Pulaski Park	92,540		\$ 92,540	-		
1839-10	Improvements to Pulaski Park	111		111	-		
2169-18	Various Capital Improvements	<u>-</u>	<u>\$ 7,345,000</u>	<u>-</u>	<u>7,345,000</u>	<u>-</u>	<u>\$ 7,345,000</u>
		<u>\$ 94,726</u>	<u>\$ 7,345,000</u>	<u>\$ 92,651</u>	<u>\$ 7,347,075</u>	<u>\$ 2,075</u>	<u>\$ 7,345,000</u>
						Improvement Authorizations - U <u>\$ 7,345,000</u>	

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

Balance, December 31, 2017	\$ 156,499
Increased by:	
Cash Receipt - 2018 Budget Appropriation	<u>450,000</u>
	606,499
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>562,693</u>
Balance, December 31, 2018	<u>\$ 43,806</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2017	\$ 2,337,044
Increased by:	
Charges to Improvement Authorizations	<u>276,785</u>
	2,613,829
Decreased by:	
Payments	<u>2,337,044</u>
Balance, December 31, 2018	<u>\$ 276,785</u>

**CITY OF PASSAIC
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Balance, December 31, 2017		2018 Authorizations			Expended	Balance, December 31, 2018	
		Funded	Unfunded	Capital Fund Balance	Capital Improvement Fund	Deferred Charges Unfunded		Funded	Unfunded
1542-02 / 1784-08	Various Improvements	\$ 20,621						\$ 20,621	
1587-03	Various Improvements	6,667						6,667	
1675-05/1442-98	Various Park Improvements - Supplemental	5,817						5,817	
2012-15	Improvement of Website	3,155						3,155	
2040-16	Various Capital Improvements	79,403						79,403	
2050-16	Various Capital Improvements	743,222					\$ 402,654	340,568	
2101-17	Various Capital Improvements	252,135					119,360	132,775	
2158-18	Remediation of DPW Garage and NJ Clean Energy Direct Install Project			\$ 117,307	\$ 172,693		47,101	242,899	
2169-18	Various Capital Improvements	-	-	-	390,000	\$ 7,345,000	92,300	297,700	\$ 7,345,000
		<u>\$ 1,111,020</u>	<u>\$ -</u>	<u>\$ 117,307</u>	<u>\$ 562,693</u>	<u>\$ 7,345,000</u>	<u>\$ 661,415</u>	<u>\$ 1,129,605</u>	<u>\$ 7,345,000</u>
							Cash Disbursements	\$ 384,630	
							Encumbrances Payable	<u>276,785</u>	
								<u>\$ 661,415</u>	

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

Balance, December 31, 2017	\$ 941,012
Increased by:	
Loans Issued	263,302
	1,204,314
Decreased by:	
Paid by Budget Appropriation	74,910
Balance, December 31, 2018	\$ 1,129,404

<u>Ord. No.</u>	<u>Description</u>	
1442-98/1622-04/ 1675-05	Dundee Island Field Rehabilitation	\$ 134,603
1442-98/1474-99/ 1622-04/1675-05	Third Ward Park Improvements	162,390
1442-98/1474-99/ 1622-04/1675-05	Hughes Lake	71,393
1655-05	Pulaski Park Renovation	11,248
1643-04	Roberto Clemente Field Improvements	250,000
1839-10	Pulaski Park Improvements	499,770
		\$ 1,129,404

STATEMENT OF RESERVE FOR CURB AND SIDEWALK IMPROVEMENTS

Balance, December 31, 2017	\$ 5,000
Balance, December 31, 2018	\$ 5,000

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Loan Proceeds	\$ 170,651
Balance, December 31, 2018	\$ 170,651

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

<u>Ord. No.</u>	<u>Description</u>	Balance December 31, <u>2017</u>	2018 <u>Authorizations</u>	Loans <u>Issued</u>	Balance December 31, <u>2018</u>
1036-88	Various Improvements	\$ 2,075			\$ 2,075
1643-04	Various Improvements - Pulaski Park (R.C. Field)	92,540		\$ 92,540	-
1839-10	Various Improvements - Pulaski Park	111		111	-
2169-18	Various Capital Improvements	<u>-</u>	<u>\$ 7,345,000</u>	<u>-</u>	<u>7,345,000</u>
		<u>\$ 94,726</u>	<u>\$ 7,345,000</u>	<u>\$ 92,651</u>	<u>\$ 7,347,075</u>

SEWER UTILITY FUND

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2017	\$ 702,241	\$ 6,560
Increased by Receipts:		
Sewer Rents Received	\$ 5,538,006	
Other Accounts Receivable	204,954	
Due from Passaic Valley Water Commission	19,068	
Non-Budget Revenue	27,968	
Interest Earned	<u>-</u>	<u>\$ 8</u>
	<u>5,789,996</u>	<u>8</u>
	6,492,237	6,568
Decreased by Disbursements:		
2018 Budget Appropriations	5,421,766	
2017 Appropriation Reserves	33,444	
Encumbrances Payable	65,928	
Interest on Bonds	<u>39,730</u>	<u>-</u>
	<u>5,560,868</u>	<u>-</u>
Balance, December 31, 2018	<u>\$ 931,369</u>	<u>\$ 6,568</u>

EXHIBIT D-5

ANALYSIS OF SEWER CAPITAL CASH

Due to Sewer Utility Operating Fund	\$ 5
Due to Current Fund	3
Reserve for Payment of Debt	14,794
Improvement Authorizations:	
<u>Ord. No.</u>	
1611-04 Various Sewer Improvements	(44,000)
2032-15 Improvements and Repairs to Sewer Pipes	<u>35,766</u>
Balance, December 31, 2018	<u>\$ 6,568</u>

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

Balance, December 31, 2017		\$ 937,055
Increased by:		
Sewer Rents Levied - Net		<u>5,622,488</u>
		6,559,543
Decreased by:		
Sewer Rents Collected:		
Cash Receipts from Passaic Valley Water Commission	\$ 5,538,006	
Due From Passaic Valley Water Commission	<u>19,851</u>	
		<u>5,557,857</u>
Balance, December 31, 2018		<u>\$ 1,001,686</u>

EXHIBIT D-7

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

Balance, December 31, 2017		\$ 48,421
Increased by:		
St. Mary's Sewer Rents Levied - Net		<u>173,372</u>
		221,793
Decreased by:		
Cash Receipts		<u>204,954</u>
Balance, December 31, 2018		<u>\$ 16,839</u>

EXHIBIT D-8

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

Balance, December 31, 2017		\$ 19,068
Increased by:		
Rents Due from 2018 Collections		<u>19,851</u>
		38,919
Decreased by:		
Cash Receipts		<u>19,068</u>
Balance, December 31, 2018		<u>\$ 19,851</u>

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

	Balance, December 31, 2017	Balance, December 31, 2018
Sanitary Sewer System	\$ 5,577,974	\$ 5,577,974
Sewer Jet Cleaning Truck	185,000	185,000
T.V. Camera Truck	<u>125,000</u>	<u>125,000</u>
	<u>\$ 5,887,974</u>	<u>\$ 5,887,974</u>

EXHIBIT D-10

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

<u>Ordinance Number</u>	<u>Description</u>	Balance, December 31, 2017	Balance, December 31, 2018
2032-15	Improvements and Repairs to Sewer Pipes	<u>\$ 35,766</u>	<u>\$ 35,766</u>
		<u>\$ 35,766</u>	<u>\$ 35,766</u>

**CITY OF PASSAIC
STATEMENT OF DUE TO CURRENT FUND
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2017	\$ 7,391
Decreased by:	
Payments made by Current Fund	169,730
Balance, December 31, 2018	\$ 177,121

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

Balance, December 31, 2017 (Due to)	\$ 3
Decreased by:	
Interest Earned	8
Balance, December 31, 2018 (Due from)	\$ 5

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

Balance, December 31, 2017	\$ 3
Balance, December 31, 2018	\$ 3

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

Balance, December 31, 2017	\$ 65,928
Increased by:	
Charges to Budget Appropriations	<u>176,175</u>
	242,103
Decreased by:	
Cash Disbursed	<u>65,928</u>
Balance, December 31, 2018	<u><u>\$ 176,175</u></u>

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

Balance, December 31, 2017	<u>\$ 1,165</u>
Balance, December 31, 2018	<u><u>\$ 1,165</u></u>

**CITY OF PASSAIC
STATEMENT OF ACCRUED INTEREST ON BONDS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2017	\$ 10,938
Increased by:	
Charges to Budget Appropriations	
Interest on Bonds	<u>38,493</u>
	49,431
Decreased by:	
Interest Paid	<u>39,730</u>
Balance, December 31, 2018	<u><u>\$ 9,701</u></u>

**CITY OF PASSAIC
STATEMENT OF 2017 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance December 31, <u>2017</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Other Expenses	\$ 98,364	\$ 98,364	\$ 33,444	\$ 64,920
Sewer Treatment Expenses	10	10	-	10
Sewer Maintenance Fee	<u>8,405</u>	<u>8,405</u>	<u>-</u>	<u>8,405</u>
	<u>\$ 106,779</u>	<u>\$ 106,779</u>	<u>\$ 33,444</u>	<u>\$ 73,335</u>
			<u>\$ 33,444</u>	
Cash Disbursed			<u>\$ 33,444</u>	

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

<u>Ordinance Number</u>	<u>Description</u>	<u>Ordinance Amount</u>	<u>Balance December 31, 2017</u>		<u>Balance December 31, 2018</u>	
			<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
2032-15	Improvements and Repairs to Sewer Pipes	\$ 35,766	\$ 35,766	-	\$ 35,766	-
			<u>\$ 35,766</u>	<u>\$ -</u>	<u>\$ 35,766</u>	<u>\$ -</u>

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

Balance, December 31, 2017	\$ 4,477,974
Increased by:	
Paid by Operating Budget:	
Serial Bonds	<u>130,000</u>
Balance, December 31, 2018	<u>\$ 4,607,974</u>

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

Balance, December 31, 2017	<u>\$ 35,766</u>
Balance, December 31, 2018	<u>\$ 35,766</u>

Analysis of Balance - December 31, 2018

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
2032-15	Improvements and Repairs to Sewer Pipes	<u>\$ 35,766</u>

**CITY OF PASSAIC
STATEMENT OF SERIAL BONDS
SEWER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2018</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Sewer Bonds of 2010	7/27/2010	\$ 1,266,000	8/1/2019	\$ 90,000	3.25%			
			8/1/2020	90,000	3.25%			
			8/1/2021	90,000	3.50%			
			8/1/2022	90,000	3.50%			
			8/1/2023	90,000	3.50%			
			8/1/2024	90,000	3.50%			
			8/1/2025	90,000	3.75%	\$ 720,000	\$ 90,000	\$ 630,000
Sewer Bonds of 2017	6/6/2017	646,000	6/15/2019	40,000	2.000%			
			6/15/2020	40,000	2.000%			
			6/15/2021	40,000	2.000%			
			6/15/2022	40,000	2.000%			
			6/15/2023	40,000	2.000%			
			6/15/2024	45,000	2.000%			
			6/15/2025	45,000	2.000%			
			6/15/2026	80,000	2.125%			
			6/15/2027	80,000	3.000%			
			6/15/2028	80,000	3.000%			
			6/15/2029	76,000	3.000%	<u>646,000</u>	<u>40,000</u>	<u>606,000</u>
						<u>\$ 1,366,000</u>	<u>\$ 130,000</u>	<u>\$ 1,236,000</u>
							<u>\$ 130,000</u>	

**CITY OF PASSAIC
STATEMENT OF RESERVE FOR PAYMENT OF DEBT
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2017	\$ <u>14,794</u>
Balance, December 31, 2018	\$ <u>14,794</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2018</u>
1611-04	Various Sewer Improvements	\$ <u>44,000</u>	\$ <u>44,000</u>
		\$ <u>44,000</u>	\$ <u>44,000</u>

CITY OF PASSAIC

PART II

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, the financial statements – regulatory basis of the City of Passaic as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Passaic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Passaic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Passaic's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

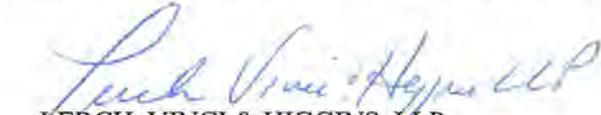
As part of obtaining reasonable assurance about whether the City of Passaic's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 no 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.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the City of Passaic in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Passaic's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Passaic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fair Lawn, New Jersey
July 25, 2019



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CS00398



LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Passaic’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the City of Passaic’s major federal and state programs for the year ended December 31, 2018. 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.

Management’s Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Passaic’s major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance, and New Jersey Circular 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Passaic's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Passaic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the City of Passaic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Passaic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. Uniform Guidance and New Jersey OMB Circular 15-08, 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.

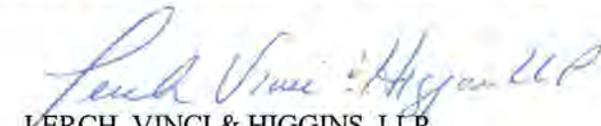
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements - regulatory basis of the City of Passaic as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated July 25, 2019, which contained a modified opinion on those financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared in accordance with the regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CS00398

Fair Lawn, New Jersey
July 25, 2019

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>State Grant Program</u>	<u>CFDA Number</u>	<u>State Acct Number</u>	<u>Grant Award Amount</u>	<u>Grant Receipts</u>	<u>Balance, December 31, 2017</u>	<u>Revenue Realized</u>	<u>Program Income</u>	<u>Expenditures</u>	<u>(Cancelled)/ Adjustment</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
U.S. Department of Health and Human Services											
Ryan White Title I - 2018	93.924	N/A	\$ 166,948	\$ 38,046		\$ 166,948		\$ 38,046		\$ 128,902	\$ 38,046
Ryan White Title I - 2017	93.924	N/A	166,931	50,332	\$ 137,636			60,391		77,245	89,686
Ryan White Title I - 2016 - TY	93.924	N/A	34,084	13,238	30,350			6,832		23,518	10,566
Ryan White Title I - 2015	93.924	N/A	152,343		83,667					83,667	68,676
Ryan White Title I - 2008	93.924	N/A	172,274		100	-	-	100	-	-	172,274
Total Ryan White Title I Cluster					251,753	166,948	-	105,369	-	313,332	379,248
U.S. Department of Health - (Pass through State Division of Family Health Services)											
Women, Infants, and Children-2018	10.557	046-4220-100-113-19	1,091,752			1,091,752		243,380		848,372	243,380
Women, Infants, and Children-2018	10.557	046-4220-100-113-18	1,091,091	1,060,689	887,357			844,902		42,455	1,048,636
Women, Infants, and Children-Facility Grant 2017	10.557	046-4220-100-113-17	108,000		105,800			105,800		-	108,000
Women, Infants, and Children-2017	10.557	046-4220-100-113-17	1,099,400		9,773			1,200		8,573	1,090,827
Women, Infants, and Children-2016	10.557	046-4220-100-113-16	1,045,311	52,359	19,326					19,326	1,025,985
Women, Infants, and Children-2015	10.557	046-4220-100-113-15	278,420		4,713	-	-	-	-	4,713	273,707
Total Women, Infants, and Children Cluster					1,026,969	1,091,752	-	1,195,282	-	923,439	3,790,535
U.S. Department of Agriculture - (Pass through State Division of Food and Nutrition)											
18 Summer Food Program	10.559	010-3350-100-033-18	380,807	94,219		380,807		156,871		223,936	156,871
17 Summer Food Program	10.559	010-3350-100-033-17	259,759	9,088	123,383					123,383	136,376
16 Summer Food Program	10.559	010-3350-100-033-16	374,560		157,226	-	-	-	-	157,226	217,334
Total Summer Food Program Cluster					280,609	380,807	-	156,871	-	504,545	510,581
U.S. Department of Justice											
Neighborhood Crime Prevention	16.710	N/A	54,104								54,038
Neighborhood Crime Prevention	16.710	N/A	33,274								33,225
Total Neighborhood Crime Prevention Cluster											87,263
Pass through Dept of Law and Public Safety-Division of Criminal Justice:											
Byrne Memorial Justice Asst. 2018	16.738	066-1020-100-364-18	191,956			191,956				191,956	-
Byrne Memorial Justice Asst. 2017	16.738	066-1020-100-364-17	203,547			203,547				203,547	-
Byrne Memorial Justice Asst. 2016 - TY	16.738	066-1020-100-364-16	225,070		178,414			5,010		173,404	51,666
Byrne Memorial Justice Asst. 2016	16.738	066-1020-100-364-16	217,459	201	177,567			14,309		163,258	54,201
Byrne Memorial Justice Asst. 2015	16.738	066-1020-100-364-15	246,078		94,015			94,011		4	246,074
Byrne Memorial Justice Asst. 2014	16.738	066-1020-100-364-14	223,632	194,171	7,954	-	-	-	-	7,954	215,678
Total Byrne Memorial Justice Asst. Cluster					457,950	395,503	-	113,330	-	740,123	567,619

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

State Grant Program	CFDA Number	State Acct Number	Grant Award Amount	Grant Receipts	Balance, December 31, 2017	Revenue Realized	Program Income	Expenditures	(Cancelled)/ Adjustment	Balance, December 31, 2018	Cumulative Expended
U.S. Department of Homeland Security (Passed through State Department of Law and Public Safety)											
Fire Safer Program	97.083	N/A	\$ 1,202,209			\$ 1,202,209		\$ 9,486		\$ 1,192,723	\$ 9,486
Fire Safer Program	97.083	N/A	1,094,988	\$ 566,432	\$ 600,085	-	-	452,245	-	147,840	947,148
Total Fire Safer Program Cluster					600,085	1,202,209	-	461,731	-	1,340,563	956,634
U.S. Department of Transportation - (Pass through State Depart of Transportation - Local Municipal Aid)											
Highway Planning and Construction Program	20.205										
Transportation Trust - Howel/Lincoln/St. Francis		078-6320-480-XXX-XX	260,500		61,555					61,555	198,945
U.S. Department of Justice - (Pass through Dept of Law and Public Safety- Division of Highway Traffic Safety)											
Drunk Driver Prevention (Drive Sober) - Dec 2018	20.616	066-1160-100-057-18	5,500			5,500				5,500	-
Drunk Driver Prevention (Drive Sober) - Dec 2017	20.616	066-1160-100-057-17	5,500			5,500				5,500	-
Drunk Driver Prevention (Drive Sober) - Dec 2017	20.616	066-1160-100-057-17	5,500	5,500	5,500			5,500		-	5,500
Drunk Driver Prevention (Drive Sober) - Sept 2017	20.616	066-1160-100-057-17	5,500		110					110	5,390
Drunk Driver Prevention (Drive Sober)	20.616	066-1160-100-057-16	10,000		425					425	9,575
Drunk Driver Prevention (Drive Sober)	20.616	066-1160-100-057-15	5,000		5,000					5,000	-
Drunk Driver Prevention (Drive Sober)	20.616	066-1160-100-057-XX	7,500		3,800					3,800	3,700
Click It or Ticket - Seat Belt Campaign	20.616	066-1160-100-146-18	5,500	5,500		5,500		5,500		-	3,500
Click It or Ticket - Seat Belt Campaign	20.616	066-1160-100-146-17	5,500		55					55	5,445
Pedestrian Safety Grant - Walk Safe	20.609	066-1160-100-146-XX	25,000			25,000				25,000	-
Pedestrian Safety Grant - Walk Safe	20.609	066-1160-100-146-XX	18,000	15,895		18,000		11,110		6,890	10,910
Pedestrian Safety Grant	20.609	066-1160-100-146-XX	16,000		5,850					5,850	10,150
Distracted Driving Crackdown	20.616	N/A-2018	6,600	6,435	-	6,600		3,685		2,915	3,685
Distracted Driving Crackdown	20.616	N/A	5,000		50	-		-		50	4,950
Total Highway Safety Cluster					20,790	66,100	-	25,795	-	61,095	62,805
U.S. Department of Energy											
Energy Efficiency & Conserv. Bl. Grant	81.128	N/A	613,800		-					-	601,604
U.S. Department of Environmental Protection											
Forestry Management	10.664	042-4870-100-038	6,000		-					-	4,200
U.S. Department of Housing and Urban Development											
Disaster Recovery Grant - McDonald Brook	14.269	N/A	1,374,114		1,374,114	-	-	848,150	-	525,964	848,150
Total Disaster Recovery Cluster					1,374,114	-	-	848,150	-	525,964	848,150
CDBG Entitlement Grants											
Emergency Solutions Grant	14.231	N/A	1,371,590		1,832,096	1,336,919		1,632,923		1,536,092	1,632,923
Home Investment Partnership Program	14.239	N/A	579,647		99,614		\$ 823	58,673		41,764	58,673
					1,166,543	803,709	-	977,647	\$ 100,110	1,092,715	977,647
					\$ 7,172,078	\$ 5,443,947	\$ 823	\$ 5,575,771	\$ 100,110	\$ 7,141,187	\$ 12,881,913

N/A - Not Applicable

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Balance, December 31, 2017</u>	<u>Revenue Realized</u>	<u>Local Match</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
Department of Community Affairs											
Clean Communities Grant	042-4900-765-004-17	2018	\$ 73,545	\$ 73,545		\$ 73,545				\$ 73,545	
Clean Communities Grant	042-4900-765-004-17	2017	76,830		\$ 76,830			\$ 20,774		56,056	\$ 20,774
Clean Communities Grant	042-4900-765-004-16	2016	90,435		88,108			67,334		20,774	69,661
Clean Communities Grant	042-4900-765-004-15	2015	79,122		29,665			29,516		149	78,973
Clean Communities Grant	042-4900-765-004-14	2014	65,072		2,184	-	-	2,184	-	-	65,068
Total Clean Communities Cluster					<u>196,787</u>	<u>73,545</u>	<u>-</u>	<u>119,808</u>	<u>-</u>	<u>150,524</u>	<u>234,476</u>
Recreation Opportunity											
Recreation Opportunity	022-8050-100-035-13	2018	20,000			20,000		8,312		11,688	8,312
Recreation Opportunity	022-8050-100-035-13	2015	19,860		9,860	-	-	-	-	9,860	10,000
Total Recreation Opportunity Cluster					<u>9,860</u>	<u>20,000</u>	<u>-</u>	<u>8,312</u>	<u>-</u>	<u>21,548</u>	<u>18,312</u>
Recycling Tonnage											
Recycling Tonnage	042-4900-752-001-17	2017	74,794			74,794				74,794	-
Recycling Tonnage	042-4900-752-001-16	2016	95,963		95,963					95,963	-
Recycling Tonnage	042-4900-752-001-15	2015	97,374		71,767			63,907		7,860	89,514
Recycling Tonnage	042-4900-752-001-14	2014	97,842		17,748			17,748		-	97,842
Recycling Tonnage	042-4900-752-001-13	2013	99,373		23,078			23,078		-	99,373
Recycling Tonnage	042-4900-752-001-12	2012	97,518		28,659	-	-	-	-	28,659	68,859
Total Recycling Tonnage Cluster					<u>237,215</u>	<u>74,794</u>	<u>-</u>	<u>104,733</u>	<u>-</u>	<u>207,276</u>	<u>355,588</u>
Summer Employment											
Summer Employment	N/A	2013	19,400		-					-	19,188
Summer Employment	N/A	2012	19,400		-					-	19,355
Total Summer Employment Cluster					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,543</u>
Department of Health											
Alcohol Education and Rehabilitation	760-046-4240-001	2018	12,889	12,889		12,889		1,050		11,839	1,050
Alcohol Education and Rehabilitation	760-046-4240-001	2017	18,337		18,116			8,925		9,191	9,146
Alcohol Education and Rehabilitation	760-046-4240-001	2016	26,650		26,650	\$ -	-	-	-	26,650	-
Total Alcohol Education & Rehabilitation Cluster					<u>44,766</u>	<u>12,889</u>	<u>-</u>	<u>9,975</u>	<u>-</u>	<u>47,680</u>	<u>10,196</u>
Child Health											
Child Health - 2019	DFHS19CHD023	2019	817,000	151,952		817,000		140,875		676,125	140,875
Child Health - Childhood Lead Exposure - 2018	DFHS18CHD007	2017/2018	575,665	531,520	81,342	417,211	-	485,039	-	13,514	562,151
Total Child Health					<u>81,342</u>	<u>1,234,211</u>	<u>-</u>	<u>625,914</u>	<u>-</u>	<u>689,639</u>	<u>703,026</u>
Childhood Lead Poisoning Prevention											
Childhood Lead Poisoning Prevention - TY	16-348-CHS-L-0	2016	159,250		344					344	158,906
Childhood Lead Poisoning Prevention	16-348-CHS-L-0	2016	159,250		22,524					22,524	136,726
Childhood Lead Poisoning Prevention	15-348-CHS-L-0	2015	159,250		2,461	-	-	-	-	2,461	156,789
Total Childhood Lead Poisoning Prevention Cluster					<u>25,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,329</u>	<u>452,421</u>

**CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Balance, December 31, 2017</u>	<u>Revenue Realized</u>	<u>Local Match</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
Passed Thru County of Passaic											
Municipal Alliance	N/A	2018	\$ 39,478			\$ 39,478		\$ 13,355		\$ 26,123	\$ 13,355
Municipal Alliance	N/A	2017	39,478	\$ 39,165	\$ 25,442			25,129		313	39,165
Municipal Alliance - TY	N/A	2016	39,478	17,108	119					119	39,359
Municipal Alliance	N/A	2016	10,194		9,964					9,964	230
Municipal Alliance	N/A	2015	39,478		1,979	-	-	-	-	1,979	37,499
Total Municipal Alliance Cluster					37,504	39,478	-	38,484	-	38,498	129,608
Multi Cultural	N/A	2015	700		700					700	-
Department of Law and Public Safety											
Drunk Driving Enforcement	1110-448-031020-22	2018	17,542	17,542		17,542				17,542	-
Drunk Driving Enforcement	1110-448-031020-22	2018	20,564	20,564		20,564		9,462		11,102	9,462
Drunk Driving Enforcement	1110-448-031020-22	2017	38,577		12,626			8,173		4,453	34,124
Drunk Driving Enforcement	1110-448-031020-22	2016	28,629		4,000					4,000	24,629
Drunk Driving Enforcement	1110-448-031020-22	2015	23,355		6,785			6,785		-	23,355
Drunk Driving Enforcement	1110-448-031020-22	2014	17,669		7,415	-	-	7,415	-	-	17,669
Total Drunk Driving Enforcement Cluster					30,826	38,106	-	31,835	-	37,097	109,239
Body Armor Replacement	066-1020-718-001-11	2018	40,887			40,887				40,887	-
Body Armor Replacement	066-1020-718-001-11	2017	13,275		13,275					13,275	-
Body Armor Replacement	066-1020-718-001-11	2016	13,091		13,091					13,091	-
Body Armor Replacement	066-1020-718-001-11	2015	13,213		5,036					5,036	8,177
Body Armor Replacement	066-1020-718-001-11	2014	12,900		12,900					12,900	-
Body Armor Replacement	066-1020-718-001-11	2013	17,282		2,546					2,546	14,736
Body Armor Replacement	066-1020-718-001-11	2012	13,022		282	-	-	-	-	282	12,740
Total Body Armor Replacement Cluster					47,130	40,887	-	-	-	88,017	35,653

**CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	Balance, December 31, 2017	Revenue Realized	Local Match	<u>Expended</u>	<u>Adjustments</u>	Balance, December 31, 2018	Cumulative Expended
Department of Law and Public Safety											
Safe and Secure	066-1020-100-232-16	2018	\$ 90,000			\$ 90,000				\$ 90,000	
Safe and Secure	066-1020-100-232-16	2017	90,000			90,000				90,000	
Safe and Secure	066-1020-100-232-14	2014	90,000		\$ 48,750	-	-	-	-	48,750	\$ 41,250
Total Safe and Secure Cluster					48,750	180,000	-	-	-	228,750	41,250
Juvenile Acct. Incen. Bl Grant (Station House)	JAIBG-16-01-02	2018	34,762			34,762		\$ 32,929		1,833	32,929
Juvenile Acct. Incen. Bl Grant (Station House)	JAIBG-16-01-02	2017	19,762		870					870	18,892
Juvenile Acct. Incen. Bl Grant (Station House)	JAIBG-16-01-02	2016	32,349		258			258		-	32,349
Juvenile Acct. Incen. Bl Grant (Station House)	JAIBG-16-01-02	2015	19,792		36	-	-	-	-	36	19,756
Total Juvenile Acct. Incentive Block Cluster					1,164	34,762	-	33,187	-	2,739	103,926
Department of Commerce and Economic Development											
Urban Enterprise Zone Assistance Fund (UEZ)											
17 - Urban Enterprise Zone	UEZA	2017	139,902		79,407					79,407	60,495
17 - Taste of Market Street	UEZA	2017	5,000		915					915	4,085
15 - Administration - Commodities	UEZA	2015	16,925		16,345			3,159		13,186	3,739
15 - Dundee Canal Redevelopment	UEZA	2015	15,000		3,012					3,012	6,988
15 - Downtown Merchants - Youth Corps	UEZA	2015	32,000		12,554					12,554	19,446
14 - Administration - Commodities	UEZA	2014	123,615		-	-	-	-	\$ 9,987	9,987	113,616
Total Urban Enterprise Zone Cluster					112,233	-	-	3,159	9,987	119,061	208,369
Department of Transportation											
Transp. Trust - Various Road Imp - 2018	078-6320-480-XXX	2018	805,600			805,600		422,132		383,468	422,132
Transp. Trust - Roadway Safety - 2018	078-6320-480-XXX	2018	600,000			600,000				600,000	-
Transp. Trust - Various Road Imp - 2017	078-6320-480-XXX	2017	385,456		385,456			9,203		376,253	9,203
Transp. Trust - Various St Imp - 2016	078-6320-480-XXX	2016	353,273		342,480			234,668		107,812	245,461
Transportation Trust - Market Streetscape Enhance	078-6320-480-XXX-XX	2014	750,000		750,000	-	-	-	-	750,000	-
Total Transportation Cluster					1,477,936	1,405,600	-	666,003	-	2,217,533	676,796

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Balance, December 31, 2017</u>	<u>Realized</u>	<u>Local Match</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expended</u>
Other State Departments											
Hepatitis B Inoculation	046-4230-100-241-18	2018	\$ 3,235	\$ 3,235		\$ 3,235				\$ 3,235	-
Hepatitis B Inoculation	046-4230-100-241-17	2017	8,369		\$ 8,369			\$ 2,574		5,795	\$ 2,574
Hepatitis B Inoculation	046-4230-100-241-15	2015	5,000		578	-	-	-	-	578	4,422
Total Hepatitis B Inoculation Cluster					<u>8,947</u>	<u>3,235</u>	<u>-</u>	<u>2,574</u>	<u>-</u>	<u>9,608</u>	<u>6,996</u>
Housing Opportunity Grant	N/A	2018	125,000			125,000				125,000	-
Housing Opportunity Grant	N/A	2017	120,000	97,629	113,332			92,582		20,750	99,250
Housing Opportunity Grant - TY	N/A	2016	160,000	14,897	9,125			7,931		1,194	158,806
Housing Opportunity Grant	N/A	2016	69,610		9,247					9,247	60,363
Housing Opportunity Grant	N/A	2015	75,000		23,543	-	-	-	-	23,543	51,457
Total Housing Opportunity Cluster					<u>155,247</u>	<u>125,000</u>	<u>-</u>	<u>100,513</u>	<u>-</u>	<u>179,734</u>	<u>369,876</u>
Highlands Council Transfer Development	N/A	2014	40,000		32,193					32,193	7,807
High Drug Traffic Youth Empowerment	N/A	2016	2,160		2,160	-	-	-	\$ -	2,160	-
Total High Drug Traffic Youth Empowerment Cluster					<u>2,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,160</u>	<u>-</u>
NJ Office of Emergency Management Hazard Mitigation Grant		2016	250,000		152,197			134,354		17,843	232,157
US Lacrosse National Diversity	N/A	2018	2,000			2,000				2,000	-
Department of Environmental Protection Stewardship Award - Tree Mgmt		2018	7,000			7,000				7,000	-
Green Trust Grant - 3rd Ward & Vet Mem Park	4800-533-852000-60	2017	1,000,000		1,000,000			26,760		973,240	26,760
Green Trust Grant - MacDonald's Brook	4800-533-852000-60	2016	1,100,000		125,620			124,586		1,034	1,098,966
					-	-	-	-	-	-	-
Total Green Trust Cluster					<u>1,125,620</u>	<u>-</u>	<u>-</u>	<u>151,346</u>	<u>-</u>	<u>974,274</u>	<u>1,125,726</u>
					<u>\$ 3,827,906</u>	<u>\$ 3,291,507</u>	<u>\$ -</u>	<u>\$ 2,030,197</u>	<u>\$ 9,987</u>	<u>\$ 5,099,203</u>	<u>\$ 4,859,965</u>

N/A - Not Available

**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 DECEMBER 31, 2018**

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 schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed 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 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	\$ 3,303,319	\$ 3,291,507	\$ 6,594,826
Community Development Grant Fund	1,336,919		1,336,919
Home Loan Program Fund	<u>803,709</u>	<u>-</u>	<u>803,709</u>
	<u>\$ 5,443,947</u>	<u>\$ 3,291,507</u>	<u>\$ 8,735,454</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 DECEMBER 31, 2018**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The City’s state loans outstanding at December 31, 2018, 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	\$ 134,603
Third Ward Park Improvements	162,390
Hughes Lake Rehabilitation	71,393
Pulaski Park Renovation	11,248
Roberto Clemente Field Improvements	250,000
Pulaski Park Improvements	<u>499,770</u>
	<u>\$ 1,129,404</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

- J) Dollar threshold used to determine Type A programs: \$ 750,000
- K) Auditee qualified as low-risk auditee? yes X no
- L) Type of auditors' report on compliance for major programs: Unmodified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? yes X no
- 2) Were significant deficiencies identified that were
 not considered to be material weaknesses? yes X none reported
- N) Any audit findings disclosed that are required to be reported
 in accordance with N.J. OMB Circular 15-08, as amended? yes X no
- O) Identification of major programs:

GMIS Number(s)	Name of State Program
348-CHS-L-0	<u>Childhood Lead Poisoning Prevention</u>
078-6320-480-xxx	<u>Transportation Trust Program</u>

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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*.

There are none.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**CITY OF PASSAIC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2017-001, 2017-002, 2017-003

Fixed assets accounting records have not been updated since 1991.

Current Status

Corrective action has been taken.

CITY OF PASSAIC

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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

	<u>2018</u>			<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 2,500,000	1.74 %		\$ 2,350,000	1.65 %
Miscellaneous - From Other Than Local					
Property Tax Levies	31,068,280	21.66		29,831,737	20.96
Collection of Delinquent Taxes and Tax Title Liens	554,399	0.39		791,338	0.56
Collection of Current Tax Levy	105,517,991	73.57		104,199,227	73.19
Other Credits to Income	<u>3,787,891</u>	<u>2.64</u>		<u>5,182,187</u>	<u>3.64</u>
Total Income	<u>143,428,561</u>	<u>100.00 %</u>		<u>142,354,489</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	95,685,012	68.70 %		93,194,545	68.63 %
County Taxes	26,239,353	18.84		25,032,378	18.43
Local School Taxes	16,818,577	12.07		16,818,577	12.38
Other Expenditures	<u>545,822</u>	<u>0.39</u>		<u>762,115</u>	<u>0.56</u>
Total Expenditures	<u>139,288,764</u>	<u>100.00 %</u>		<u>135,807,615</u>	<u>100.00 %</u>
Excess in Revenue	4,139,797			6,546,874	
Fund Balance, Beginning of Year	<u>9,724,529</u>			<u>5,527,655</u>	
	13,864,326			12,074,529	
Decreased by:					
Utilization as Anticipated Revenue	<u>2,500,000</u>			<u>2,350,000</u>	
Fund Balance, End of Year	<u>\$ 11,364,326</u>			<u>\$ 9,724,529</u>	

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

	<u>2018</u>			<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Anticipated	\$ 434,000	6.89 %	\$	84,159	1.45 %
Collection of Sewer Rents	5,762,811	91.51		5,631,636	96.84
Non-Budget Revenues	27,976	0.44		5,741	0.10
Other Credits to Income	<u>73,335</u>	<u>1.16</u>		<u>93,399</u>	<u>1.61</u>
 Total Income	 <u>6,298,122</u>	 <u>100.00</u> %		 <u>5,814,935</u>	 <u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	5,896,684	97.22 %		5,646,378	97.79 %
Debt Service	<u>168,493</u>	<u>2.78</u>		<u>127,461</u>	<u>2.21</u>
 Total Expenditures	 <u>6,065,177</u>	 <u>100.00</u> %		 <u>5,773,839</u>	 <u>100.00</u> %
 Excess in Revenues	 232,945			 41,096	
 Fund Balance, Beginning of Year	 <u>529,105</u>			 <u>572,168</u>	
	762,050			613,264	
Decreased by:					
Utilization as Anticipated Revenue	<u>434,000</u>			<u>84,159</u>	
 Fund Balance, End of Year	 <u>\$ 328,050</u>			 <u>\$ 529,105</u>	

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$3.598</u>	<u>\$3.487</u>	<u>\$3.368</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$2.162	\$2.105	\$2.044
County	.875	.826	.775
Local School	.561	.556	.549

Assessed Valuation

2018	<u>\$2,998,915,400</u>
2017	<u>\$ 3,026,067,100</u>
2016	<u>\$ 3,065,013,700</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>Year Ended</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
December 31, 2018	\$ 107,963,255	\$ 106,217,991	98.38%
December 31, 2017	105,697,795	104,699,227	99.05%
TY December 31, 2016	52,991,052	51,597,790	97.37%

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>
2018	\$ 440,878	\$ 88,327	\$ 529,205	0.49%
2017	525,261	56,216	581,477	0.55%
TY 2016	397,760	712,470	1,110,230	2.10%

**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>
2018	\$ -0-
2017	-0-
TY 2016	-0-

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(A)</u>	<u>Percentage of Collection</u>
2018	\$ 5,795,860	\$ 5,762,811	99.43%
2017	5,657,788	5,631,636	99.54%
TY 2016	2,924,990	2,880,539	98.48%

(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	2018	\$11,364,326	\$4,260,000
	2017	9,724,529	2,500,000
	TY 2016	5,527,655	2,350,000
	SFY 2016	4,645,518	900,000
	SFY 2015	3,532,484	1,520,000
Sewer Utility	2018	\$328,050	\$327,730
	2017	529,105	434,000
	TY 2016	572,168	84,159
	SFY 2016	492,859	130,980
	SFY 2015	496,796	127,000

**CITY OF PASSAIC
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Hector C. Lora	Mayor	
Gary S. Schaer	Council President	
Jose R. Garcia	Councilman	
Terrence L. Love	Councilman	
Thania Melo	Councilman	
Chaim M. Munk	Councilman	
Zaida Polanco	Councilwoman (1/1/2018-8/8/2018)	
Salim Patel	Councilman (9/5/18-12/31/18)	
Daniel J. Schwartz	Councilman	
Ricardo Fernandez	Business Administrator	
Vidya Nayak	Director of Finance	(A)
Tom Poalillo	Tax Assessor (1/1/2018-7/1/2018)	
Barbara Williams	Tax Assessor (7/9/2018-12/31/18)	
Amada Curling	City Clerk/Registrar of Vital Statistics	
Doris Dudek	Purchasing Agent	
Carrie Malak	Tax Collector	(A)
Ronald Van Rensalier	Director of Community Development	
Florio & Kenny LLP	City Attorney	
John Biegel	Health Officer	
Patrick Trentacost	Fire Chief	
Debbie Klugler-Irwin	Municipal Judge	(A)
Xavier Rodriquez	Municipal Judge	(A)

(A) All statutory personnel are covered by a \$1,000,000 policy of Fidelity and Deposit Company.

All other City employees are also covered by a \$1,000,000 policy of Fidelity and Deposit Company.

**CITY OF PASSAIC
GENERAL COMMENTS**

Prior Year Unresolved

Our audit of the Other Trust Fund revealed that detailed analysis was not maintained for certain escrow deposits and performance bonds. It is recommended that a detailed analysis be maintained for all escrow deposits and performance bonds

Our audit of fire billings – insurance reimbursements revealed a receivable balance of \$349,431 at year end. It is recommended that a review be made of fire billings receivable to determine their collectability and efforts be made to clear of record.

The audit of the municipal court revealed that there were 6,087 tickets assigned but not issued for a period greater than 180 days. It is recommended all tickets assigned but not issued greater than 180 days be recalled by the municipal court.

Current Year Findings

Our audit revealed that a formal resolution was not approved for the emergency purchase of fuel in excess of the bid threshold. It is recommended that emergency purchases for fuel in excess of the bid threshold be approved by formal resolution.

Our audit of the various departments indicated that revenues per the department records were not in agreement with the revenue reports maintained by the finance office. It is recommended that monthly revenue reports be prepared and submitted by each department and be reviewed and reconciled with the respective finance office revenue reports.

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 the bid threshold, except by contract or agreement."

The bid threshold in accordance with N.J.S.A. 40A:11-3 was \$17,500. The City has adopted a resolution increasing the threshold to \$29,000 and has appointed the City Purchasing Agent as qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

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 Council's opinion should be sought before a commitment is made.

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

- | | |
|---|---|
| McDonald Brook Flood Control Project-Phase IV | Third Ward Park Concession Stand Improvements |
| Recycling Services | First Street Road Improvements |
| Field Maintenance at Various Parks | Recreation Uniforms and Sports Equipment |
| Milling Services for William Street Parking Lot | Janitorial Cleaning Services |
| Eastside Firehouse Bathroom Renovations | Outdoor Synthetic Ice Skating Rink |
| Summer Food Program - 2018 | Reconstruction of McDonald Brook Storm Water Management |
| HVAC Maintenance and Repairs | HVAC System Upgrade at Municipal Complex |
| Interior Framing of Dignity House | |

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.

**CITY OF PASSAIC
GENERAL COMMENTS**

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

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 \$29,000 "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 December 11, 2018.

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. A detailed analysis be maintained for all escrow deposits and performance bonds.
- * 2. A review be made of fire billings receivable to determine their collectability and efforts be made to clear of record.
- * 3. All tickets assigned but not issued greater than 180 days be recalled by the municipal court.
- 4. Emergency purchases for fuel in excess of the bid threshold be approved by formal resolution.
- 5. Monthly revenue reports be prepared and submitted by each department and be reviewed and reconciled with the respective finance office revenue reports.

* * * * *

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