

CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017

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, 2017



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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit the financial activities of the General Fixed Assets Account Group for the years ended December 31, 2017 and 2016 because sufficient documentation was not available to support amounts reported in the financial statements – regulatory basis referred to above. We were unable to satisfy ourselves about the amounts reported by means of other auditing procedures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the General Fixed Assets Account Group financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, 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, 2017 and 2016, 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, 2017 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

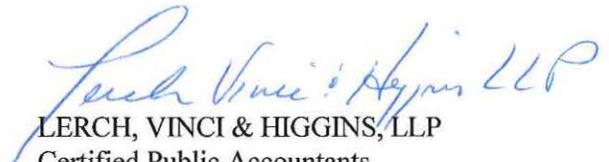
Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Passaic as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform 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.

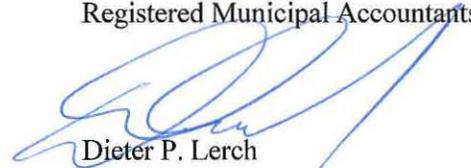
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2018 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
May 30, 2018

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS			
REGULAR FUND			
Cash	A-4	\$ 35,305,187	\$ 25,205,191
Cash - Change Fund	A-7	2,800	2,800
Cash - Petty Cash	A-8		1,050
Due From State of New Jersey - Senior Citizens and Veterans	A-10	<u>23,648</u>	<u>23,237</u>
		<u>35,331,635</u>	<u>25,232,278</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Tax Receivable	A-13	56,216	712,470
Tax Title Liens Receivable	A-14	525,261	397,760
Revenue Accounts Receivable	A-15	446,943	402,894
Due from Grant Fund	A-9	1,133,534	1,362,791
Due from Animal Control Fund	B-4	18	
Due from Other Trust Fund	B-6		1,673,593
Due from Community Development Grant Fund	B-16	2,849	115,836
Due from Home Investment Program Fund	B-18	323,946	594,683
Due from General Capital Fund	C-5		124,788
Due from Sewer Utility Operating Fund	D-11	7,391	935,819
Due from Sewer Utility Capital Fund	D-13	3	
Due from Passaic Parking Authority	A-11	37,351	368,551
Due from Passaic Redevelopment Authority	A-12	<u>82,719</u>	<u>50,018</u>
		<u>2,616,231</u>	<u>6,739,203</u>
Deferred Charges			
Special Emergency Authorizations	A-16	<u>120,000</u>	<u>1,380,000</u>
Total Regular Fund		<u>38,067,866</u>	<u>33,351,481</u>
GRANT FUND			
Cash	A-5	1,381,145	257,500
Grants Receivable	A-31	<u>8,896,570</u>	<u>9,997,471</u>
Total Grant Fund		<u>10,277,715</u>	<u>10,254,971</u>
Grand Total		<u>\$ 48,345,581</u>	<u>\$ 43,606,452</u>

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
REGULAR FUND			
Liabilities and Reserves			
Appropriation Reserves	A-3,A-20	\$ 5,093,326	\$ 3,029,333
Encumbrances Payable	A-23	1,589,334	1,193,334
Accounts Payable	A-24	31,021	115,591
Tax Overpayments	A-17	132,537	217,256
Prepaid Taxes	A-18	3,025,324	898,132
County Taxes Payable	A-22		13,744
Fees Payable	A-27	193,421	170,774
Special Emergency Note Payable	A-19	680,000	1,380,000
Due to Other Trust Fund	B-6	1,359,819	
Due to General Capital Fund	C-5	23,450	
Reserve for Tax Appeals	A-25	2,450,046	2,205,287
Reserve for Pension Contributions	A-28	1,531,755	1,931,755
Reserve for Revaluation Program	A-29	166,932	729,276
Reserve for Deferred State Aid	A-30	8,882,778	8,882,778
Miscellaneous Reserves	A-26	<u>567,363</u>	<u>317,363</u>
		25,727,106	21,084,623
Reserve for Receivables and Other Assets	A	2,616,231	6,739,203
Fund Balance	A-1	<u>9,724,529</u>	<u>5,527,655</u>
Total Regular Fund		<u>38,067,866</u>	<u>33,351,481</u>
GRANT FUND			
Encumbrances Payable	A-32	1,025,555	1,364,447
Due to Current Fund	A-9	1,133,534	1,362,791
Due to Other Trust Fund	B-7	74,124	177,711
Due to Home Investment Program Fund	B-17	66,926	33,567
Due to General Capital Fund	C-8		486
Appropriated Grant Reserves	A-32	7,202,367	6,277,838
Unappropriated Grant Reserves	A-33	286,293	482,289
Reserve for Program Income	A-34	<u>488,916</u>	<u>555,842</u>
Total Grant Fund		<u>10,277,715</u>	<u>10,254,971</u>
Grand Total		<u>\$ 48,345,581</u>	<u>\$ 43,606,452</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 AND THE SIX MONTH TRANSITION
PERIOD ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>2017</u>	<u>TY 2016</u>
REVENUES AND OTHER INCOME REALIZED:			
Fund Balance Utilized	A-2	\$ 2,350,000	\$ 900,000
Miscellaneous Revenue Anticipated	A-2	28,344,766	11,257,953
Receipts from Delinquent Taxes	A-2	791,338	289,165
Receipts from Current Taxes	A-2	104,199,227	51,597,790
Non-Budget Revenues	A-2	1,486,971	568,573
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-20	1,089,112	2,706,363
Appropriated Grant Reserves Cancelled	A-32	422,085	
Interfunds and Other Receivables Liquidated	A-1	<u>3,670,990</u>	<u>-</u>
 Total Income		 <u>142,354,489</u>	 <u>67,319,844</u>
 EXPENDITURES			
Budget Appropriations:			
Operations			
Salaries and Wages	A-3	40,900,027	20,455,600
Other Expenses	A-3	39,117,203	20,101,428
Deferred Charges and Statutory Expenditures	A-3	10,414,625	744,640
Capital Improvements	A-3	25,000	50,000
Municipal Debt Service	A-3	2,737,690	436,602
County Taxes	A-22	25,032,378	12,215,584
Local District School Taxes	A-21	16,818,577	8,409,289
Prior Year Senior Citizen/Veteran Deductions Disallowed	A-13	21,756	
Grant Receivables Cancelled	A-31	377,011	
Disallowed Grant Costs - Reserve	A-26	250,000	
Refund of Prior Year Revenue	A-4	80,626	
Interfunds and Other Receivables Created	A	<u>32,722</u>	<u>3,124,564</u>
 Total Expenditures		 <u>135,807,615</u>	 <u>65,537,707</u>
 Statutory Excess to Fund Balance		 6,546,874	 1,782,137
 Fund Balance, Beginning of Year	A	 <u>5,527,655</u>	 <u>4,645,518</u>
		12,074,529	6,427,655
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>2,350,000</u>	<u>900,000</u>
 Fund Balance, End of Year	A	 <u>\$ 9,724,529</u>	 <u>\$ 5,527,655</u>

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Reference	Anticipated		Realized	Excess (Deficit)
		Budget	Added by 40A:4-87		
Fund Balance Utilized	A-1	\$ 2,350,000	-	\$ 2,350,000	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-15	140,000		143,231	\$ 3,231
Other	A-15	35,000		68,650	33,650
Fees and Permits:					
Uniform Construction Code - Fees	A-15	825,000		1,011,357	186,357
Other	A-15	45,000		91,002	46,002
Fines and Costs:					
Municipal Court	A-15	2,200,000		2,042,534	(157,466)
Energy Receipts Tax	A-15	8,567,388		8,567,388	
Consolidated Municipal Property Tax Relief Aid	A-15	3,978,094		3,978,094	-
Interest and Costs on Taxes	A-15	140,000		325,246	185,246
Interest on Investments & Deposit	A-15	20,000		108,399	88,399
Downtown Merchant's Association	A-15	25,310		50,619	25,309
Police Record Bureau	A-15	20,000		23,819	3,819
Board of Education - Security Watch and Resource Officers	A-15	2,650,000		2,900,000	250,000
Interlocal Agreement - Passaic Parking Authority	A-11	653,000		653,000	-
Public and Private Revenues Offset					
With Appropriations:					
Recycling Tonnage Grant	A-31	95,963		95,963	
Stationhouse Adjustment 2016	A-31	12,587		12,587	
Stationhouse Adjustment 2017	A-31	19,762		19,762	
CDBG DR Grant - Passaic County	A-31	297,890		297,890	
Alcohol Education	A-31		\$ 18,337	18,337	
Body Armor	A-31		13,275	13,275	
CDBG DR Grant - Passaic County	A-31		1,374,114	1,374,114	
Childhood Leadbase Prevention	A-31		158,454	158,454	
Clean Communities program	A-31		76,830	76,830	
Click It or Ticket	A-31		5,500	5,500	
Distracted Driving Statewide Crackdown	A-31		5,500	5,500	
Drive Sober or Get Pulled Over	A-31		5,500	5,500	
Drive Sober or Get Pulled Over-Labor Day Crackdown	A-31		5,500	5,500	
Drunk Driving Enforcement Fund	A-31		38,577	38,577	
Green Acres - 3rd Ward Memorial Park Impvts	A-31		1,000,000	1,000,000	
Hep-B Inoculation	A-33		8,369	8,369	
Housing Opportunity - HOPWA - 2016 Additional	A-32		40,000	40,000	
Housing Opportunity - HOPWA - 2017	A-31		120,000	120,000	
Municipal Alliance on Alcoholism and Drug Abuse	A-31		39,478	39,478	
NJ Dept of Transportation - Various Road Impvts	A-31		385,456	385,456	
Passaic County Open Space - Dog Park Impvts	A-31		100,000	100,000	
Passaic County Open Space - Christopher Columbus Park Impvts	A-31		100,000	100,000	
Recycling Tonnage Grant - Reserve	A-33		195,216	195,216	
Ryan White Title I	A-31		166,931	166,931	
Smile Donation	A-31		5,000	5,000	
Summer Food Program	A-31		259,759	259,759	
Women, Infant & Children (WIC) - 16/17 Additional	A-31		34,100	34,100	
Women, Infant & Children (WIC) - 17/18	A-31		1,091,091	1,091,091	
Women, Infant & Children (WIC) - Facility Grant	A-31		108,000	108,000	
UEZA Programs - Reserve	A-33	139,902		139,902	

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	<u>Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Special Items:					
Cable Franchise Fee	A-15	\$ 360,000		\$ 442,252	\$ 82,252
Saint Mary's Reize Corp. - In Lieu of Taxes	A-15	120,000		125,499	5,499
Chestnut Housing Phase I - In Lieu of Taxes	A-15	66,000		87,924	21,924
Jack Parker Association - In Lieu of Taxes	A-15	300,000		362,990	62,990
Housing Authority - In Lieu of Taxes	A-15	105,000		159,588	54,588
Garden Howe - In Lieu of Taxes	A-15	40,000		42,286	2,286
YMCA - In Lieu of Taxes	A-15	22,000		22,500	500
Highview Terrace - In Lieu of Taxes	A-15	65,000		80,634	15,634
Housing Authority Police Program	A-15	275,000		256,663	(18,337)
County of Passaic - Street Lighting	A-15	60,000		180,000	120,000
Reserve for Deferred State Aid	A-15	400,000		-	(400,000)
Reserve for Health Benefits	B-6	300,000		300,000	-
Reserve for Pension	A-28	400,000	-	400,000	-
		<u>22,377,896</u>	<u>\$ 5,354,987</u>	<u>28,344,766</u>	<u>611,883</u>
Total Miscellaneous Revenues					
Receipts from Delinquent Taxes	A-2	<u>503,167</u>	<u>-</u>	<u>791,338</u>	<u>288,171</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		62,579,554		62,269,886	(309,668)
Minimum Library Tax		<u>1,128,386</u>	<u>-</u>	<u>1,128,386</u>	<u>-</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>63,707,940</u>	<u>-</u>	<u>63,398,272</u>	<u>(309,668)</u>
Total Budget Revenues	A-3	<u>\$ 88,939,003</u>	<u>\$ 5,354,987</u>	<u>\$ 94,884,376</u>	<u>\$ 590,386</u>
Non-Budget Revenues	A-2			<u>1,486,971</u>	
				<u>\$ 96,371,347</u>	

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-13	\$ 104,699,227
Less: Reserve for Tax Appeals Pending	A-25	<u>500,000</u>
Revenues Realized	A-1	104,199,227
Less: Allocated to School and County Taxes	A-21,A-22	<u>41,850,955</u>
Balance for Support of Municipal Budget Appropriations		62,348,272
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,050,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 63,398,272</u>
Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-13	\$ 685,392
Tax Title Liens	A-14	<u>105,946</u>
	A-1,A-2	<u>\$ 791,338</u>

Analysis of Non Budget Revenue

Recreation Fees		\$ 105,430
Recycling		156,355
Motor Vehicle Inspection Fines		32,545
Administrative Fees - Police Outside Duty		236,275
Vehicle Fees - Police Outside Duty		124,365
Board of Health/Vital Statistics Fees		200,518
City Clerk Fees		4,053
Planning/Engineering Fees		66,299
Passaic Valley Water Commission - Hydrant Inspection		69,000
Administration Fees - Senior Citizen and Veterans/Homestead Rebate		2,576
Elevator Fees		15,123
Bus Shelter Franchise		2,400
Sale of Municipal Assets		35,936
Bid Specifications		6,620
Rental Fees		84,861
Fire Alarms		19,350
Refunds/Reimbursements		212,876
Other Miscellaneous Receipts		<u>112,389</u>
		<u>\$ 1,486,971</u>
Cash Receipts	A-4	\$ 1,458,539
Due from Grant Fund	A-9	25,309
Revenue Accounts Receivable	A-15	<u>3,123</u>
	A-2	<u>\$ 1,486,971</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	<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	\$ 773,316	\$ 714,816	\$ 614,004	\$ 100,812	
Other Expenses	389,900	389,900	295,045	94,855	
Human Resources					
Office of Personnel					
Salaries & Wages	191,261	191,261	173,791	17,470	
Other Expenses	17,000	17,000	9,260	7,740	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	314,402	321,902	318,615	3,287	
Other Expenses	33,600	33,600	20,677	12,923	
City Clerk					
Salaries & Wages	398,052	398,052	355,756	42,296	
Other Expenses	163,860	178,860	173,480	5,380	
Financial Administration - Treasurer's Office					
Salaries and Wages	383,792	383,792	376,936	6,856	
Other Expenses	253,850	253,850	106,514	147,336	
Annual Audit					
Other Expenses	83,000	83,000	64,500	18,500	
Revenue Administration - Tax Collector					
Salaries and Wages	271,779	271,779	263,697	8,082	
Other Expenses	31,600	31,600	26,055	5,545	
Tax Assessment Administration					
Salaries and Wages	259,352	259,352	241,181	18,171	
Other Expenses	44,125	44,125	42,991	1,134	
Legal Services					
Other Expenses	630,000	630,000	613,000	17,000	
Office of Engineer					
Salaries and Wages	199,515	199,515	193,515	6,000	
Other Expenses	23,300	23,300	20,626	2,674	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	111,251	111,251	92,023	19,228	
Other Expenses	15,200	15,200	11,082	4,118	
Division of Housing					
Salaries and Wages	364,505	370,505	365,882	4,623	
Other Expenses	7,100	7,100	4,344	2,756	
Redevelopment Agency	10,000	10,000	10,000	-	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	10,850	10,850	8,561	2,289	
Board of Adjustment					
Other Expenses	17,500	17,500	12,385	5,115	
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Other Expenses	15,200	15,200	15,000	200	
INSURANCE					
Liability Insurance	1,520,000	1,520,000	1,520,000	-	
Workmen's Compensation	1,415,000	1,415,000	1,415,000	-	
Employee Group Insurance	16,678,327	16,678,327	16,031,023	647,304	
Health Benefit Waiver	60,000	60,000	52,000	8,000	
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, 2017**

	<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	\$ 17,028,394	\$ 17,028,394	\$ 16,095,179	\$ 933,215	
Other Expenses	443,400	453,400	449,750	3,650	
BOE Security Watch and Res. Off.-Salaries & Wages	2,650,000	2,650,000	2,650,000	-	
Office of Emergency Management					
Salaries & Wages	41,200	41,200	33,694	7,506	
Other Expenses	3,000	3,000	1,826	1,174	
Fire Department					
Salaries and Wages	10,733,710	10,733,710	10,682,996	50,714	
Other Expenses	140,250	140,250	95,779	44,471	
Prosecutor's Office					
Other Expenses	155,000	155,000	136,500	18,500	
Municipal Court					
Salaries and Wages	953,851	953,851	899,467	54,384	
Other Expenses	140,800	140,800	118,155	22,645	
Public Defender (PL 1997 C.256)					
Other Expenses	75,000	75,000	69,550	5,450	
Passaic Parking Authority					
Salaries & Wages	350,000	350,000	193,681	156,319	
Other Expenses	303,000	303,000		303,000	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	2,197,094	2,197,094	2,046,486	150,608	
Other Expenses	368,960	368,960	240,808	128,152	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	2,060,000	2,060,000	2,001,385	58,615	
Buildings and Grounds					
Salaries and Wages	463,928	463,928	425,513	38,415	
Other Expenses	283,950	323,950	316,985	6,965	
Vehicle Maintenance					
Salaries & Wages	525,000	525,000	514,082	10,918	
Other Expenses	408,500	408,500	359,388	49,112	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	721,092	721,092	680,365	40,727	
Other Expenses	174,104	174,104	158,702	15,402	
Animal Regulation					
Salaries and Wages	196,200	196,200	141,453	54,747	
Other Expenses	28,750	28,750	28,220	530	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	\$ 683,697	\$ 631,697	\$ 439,218	\$ 192,479	
Other Expenses	134,000	134,000	131,882	2,118	
Senior Citizens					
Salaries and Wages	203,923	203,923	155,073	48,850	
Other Expenses	7,300	7,300	3,288	4,012	
Handicapped Recreation					
Salaries & Wages	123,600	143,600	139,185	4,415	
Other Expenses	21,200	21,200	11,183	10,017	
Maintenance of Parks					
Salaries & Wages	353,395	353,395	265,635	87,760	
Other Expenses	134,000	134,000	75,899	58,101	
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave					
Other Expenses	950,000	950,000	713,173	236,827	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	484,718	484,718	421,018	63,700	
Other Expenses	160,100	160,100	113,971	46,129	
UNCLASSIFIED:					
Utilities:					
Electricity	600,000	600,000	502,192	97,808	
Street Lighting	720,000	720,000	630,351	89,649	
Telephone and Telegraph	150,000	150,000	147,825	2,175	
Gasoline	430,000	430,000	302,504	127,496	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Tax	100,000	112,000	109,211	2,789	
Tipping Fees	2,120,000	2,120,000	1,737,832	382,168	-
Total Operations Within "CAPS"	72,907,753	72,907,753	68,086,347	4,821,406	-
Detail:					
Salaries & Wages	40,977,027	40,900,027	38,778,445	2,121,582	-
Other Expenses	31,930,726	32,007,726	29,307,902	2,699,824	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY CHARGES					
Public Employees Retirement System	1,424,024	1,424,024	1,376,741	47,283	
Social Security System (O.A.S.I.)	1,430,000	1,430,000	1,361,660	68,340	
Public Employees Retirement System - ERIP	190,179	190,179	190,179	-	
Police and Fireman's Retirement System	6,580,122	6,580,122	6,504,323	75,799	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	<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	\$ 20,300	-	
Deferred Compensation Retirement Plan	70,000	70,000	49,502	\$ 20,498	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	9,714,625	9,714,625	9,502,705	211,920	-
Total General Appropriations for Municipal Purposes Within "CAPS"	82,622,378	82,622,378	77,589,052	5,033,326	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,128,386	1,128,386	1,128,386	-	-
Total Other Operations - Excluded From "CAPS"	1,128,386	1,128,386	1,128,386	-	-
Public and Private Programs Offset by Revenues					
Edward Byrne Memorial Justice Assistance Grant (JAG)					
Matching Funds for Grants	60,000	60,000		60,000	
Juvenile Accountability - Station House Adjustment	32,349	32,349	32,349		
UEZA Programs	139,902	139,902	139,902		
Disaster Recovery Grant	297,890	297,890	297,890		
Recycling Tonnage Grant	95,963	95,963	95,963		
Alcohol Education		18,337	18,337		
Body Armor		13,275	13,275		
CDBG DR Grant - Passaic County		1,374,114	1,374,114		
Childhood Leadbase Prevention		158,454	158,454		
Clean Communities program		76,830	76,830		
Click It or Ticket		5,500	5,500		
Distracted Driving Statewide Crackdown		5,500	5,500		
Drive Sober or Get Pulled Over		5,500	5,500		
Drive Sober or Get Pulled Over-Labor Day Crackdown		5,500	5,500		
Drunk Driving Enforcement Fund		38,577	38,577		
Green Acres - 3rd Ward Memorial Park Impvts		1,000,000	1,000,000		
Hep-B Inoculation		8,369	8,369		
Housing Opportunity - HOPWA - 2016 Additional		40,000	40,000		
Housing Opportunity - HOPWA - 2017		120,000	120,000		
Municipal Alliance on Alcoholism and Drug Abuse		39,478	39,478		
NJ Dept of Transportation - Various Road Impvts		385,456	385,456		
Passaic County Open Space - Dog Park Impvts		100,000	100,000		
Passaic County Open Space - Christopher Columbus Park Impvts		100,000	100,000		
Recycling Tonnage Grant - Reserve		195,216	195,216		
Ryan White Title I		166,931	166,931		
Smile Donation		5,000	5,000		
Summer Food Program		259,759	259,759		
Women, Infant & Children (WIC) - 16/17 Additional		34,100	34,100		
Women, Infant & Children (WIC) - 17/18		1,091,091	1,091,091		
Women, Infant & Children (WIC) - Facility Grant	-	108,000	108,000	-	-
Total Public and Private Program Offset by Revenues	626,104	5,981,091	5,921,091	60,000	-
Total Operations - Excluded from "CAPS"	1,754,490	7,109,477	7,049,477	60,000	-
Detail:					
Other Expenses	1,754,490	7,109,477	7,049,477	60,000	-

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 34,858	\$ 37,158
		<u>34,858</u>	<u>37,158</u>
OTHER TRUST FUND			
Cash	B-1	9,999,262	10,159,003
Due from Current Fund	B-6	1,359,819	
Due from Grant Fund	B-7	74,124	177,711
Due from General Capital Fund	B-8	<u>-</u>	<u>500,000</u>
		<u>11,433,205</u>	<u>10,836,714</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Cash	B-1	22,495	133,765
Due from HUD	B-10	1,764,732	2,331,362
Other Receivables	B-13	<u>155,454</u>	<u>155,454</u>
		<u>1,942,681</u>	<u>2,620,581</u>
HOME INVESTMENT PROGRAM FUND			
Cash	B-1	84,557	455,774
Due from HUD	B-12	1,339,006	1,284,126
Mortgage Receivable	B-14	455,237	455,237
Due from Grant Fund	B-17	<u>66,926</u>	<u>33,567</u>
		<u>1,945,726</u>	<u>2,228,704</u>
Total Assets		<u>\$ 15,356,470</u>	<u>\$ 15,723,157</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Encumbrances Payable	B-5	\$ 4,076	\$ 7,251
Due State of New Jersey	B-2	406	56
Due to Current Fund	B-4	18	
Reserve for Animal Control Expenditures	B-3	<u>30,358</u>	<u>29,851</u>
		<u>34,858</u>	<u>37,158</u>
OTHER TRUST FUND			
Due to Current Fund	B-6		1,673,593
Miscellaneous Reserves and Deposits	B-9	<u>11,433,205</u>	<u>9,163,121</u>
		<u>11,433,205</u>	<u>10,836,714</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Due to Current Fund	B-16	2,849	115,836
Reserve for Program Expenditures - UDAG	B-15	8,122	8,122
Reserve for Program Expenditures - CDBG	B-11	<u>1,931,710</u>	<u>2,496,623</u>
		<u>1,942,681</u>	<u>2,620,581</u>
HOME INVESTMENT PROGRAM FUND			
Due to Current Fund	B-18	323,946	594,683
Reserve for Mortgage Receivable	B-14	455,237	455,237
Reserve for Home Investment Program	B-19	<u>1,166,543</u>	<u>1,178,784</u>
		<u>1,945,726</u>	<u>2,228,704</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 15,356,470</u>	<u>\$ 15,723,157</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 3,345,392	\$ 5,433,848
Grants and Loans Receivable	C-4	527,064	527,064
Due from Current Fund	C-5	23,450	
Due from Grant Fund	C-8		486
Due from Passaic Board of Education	C-16		500,000
Deferred Charges to Future Taxation			
Funded	C-6	15,671,012	9,378,447
Unfunded	C-7	<u>94,726</u>	<u>6,300,726</u>
 Total Assets		 <u>\$ 19,661,644</u>	 <u>\$ 22,140,571</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 14,730,000	\$ 7,249,000
Pension Refunding Bonds	C-13		1,115,000
Green Acres Loans Payable	C-14	941,012	1,014,447
Bond Anticipation Notes Payable	C-12		6,542,500
Due to Current Fund	C-5		124,788
Due to Other Trust Fund	B-6		500,000
Improvement Authorizations			
Funded	C-11	1,111,020	499,907
Unfunded	C-11		2,005,391
Encumbrances Payable	C-10	2,337,044	2,467,440
Capital Improvement Fund	C-9	156,499	256,499
Reserve for Curb and Sidewalk Improvements	C-15	5,000	5,000
Reserve for Grants and Loans Receivable	C-4	263,532	263,532
Fund Balance	C-1	<u>117,537</u>	<u>97,067</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 19,661,644</u>	 <u>\$ 22,140,571</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and December 31, 2016 of \$94,726 and \$94,615, respectively, (See Exhibit C-17).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 AND THE SIX MONTH TRANSITION
PERIOD ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>2017</u>	<u>TY 2016</u>
Balance, January 1,	C	\$ 97,067	\$ 97,067
Increased by:			
Premium on Sale of Bonds	C-2	<u>20,470</u>	<u>-</u>
Balance, December 31,	C	<u>\$ 117,537</u>	<u>\$ 97,067</u>

CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS			
OPERATING FUND			
Cash	D-4	\$ 702,241	\$ 1,347,647
Due from PVWC	D-8	19,068	301,420
		<u>721,309</u>	<u>1,649,067</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	937,055	935,558
Other Accounts Receivable	D-7	48,421	23,766
		<u>985,476</u>	<u>959,324</u>
Total Operating Fund		<u>1,706,785</u>	<u>2,608,391</u>
CAPITAL FUND			
Cash	D-4,D-5	6,560	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	35,766	35,766
Total Capital Fund		<u>5,930,303</u>	<u>5,930,300</u>
		<u>\$ 7,637,088</u>	<u>\$ 8,538,691</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3,D-18	\$ 106,779	\$ 118,510
Encumbrances Payable	D-14	65,928	9,140
Accounts Payable	D-15	1,165	
Accrued Interest on Bonds	D-16	10,938	11,531
Accrued Interest on Notes	D-17		1,899
Due to Current Fund	D-11	7,391	935,819
Due to Sewer Utility Capital Fund	D-12	3	-
		<u>192,204</u>	<u>1,076,899</u>
Reserve for Receivables	D	985,476	959,324
Fund Balance	D-1	529,105	572,168
Total Operating Fund		<u>1,706,785</u>	<u>2,608,391</u>
CAPITAL FUND			
Serial Bonds	D-22	1,366,000	810,000
Bond Anticipation Notes Payable	D-23		646,000
Due to Current Fund	D-13	3	
Improvement Authorizations			
Funded	D-19	35,766	35,766
Reserve for Amortization	D-20	4,477,974	4,402,768
Reserve for Deferred Amortization	D-21	35,766	35,766
Reserve for Payment of Debt	D-24	14,794	-
Total Capital Fund		<u>5,930,303</u>	<u>5,930,300</u>
		<u>\$ 7,637,088</u>	<u>\$ 8,538,691</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and December 31, 2016 of \$44,000 and \$44,000, respectively, (See Exhibit D-25).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 AND THE SIX MONTH TRANSITION
PERIOD ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>2017</u>	<u>TY 2016</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Anticipated	D-2	\$ 84,159	\$ 130,980
Sewer Rents	D-2	5,631,636	2,880,539
Non-Budget Revenues	D-2	5,741	7,693
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-18	<u>93,399</u>	<u>28,057</u>
 Total Income		<u>5,814,935</u>	<u>3,047,269</u>
 EXPENDITURES			
Operating	D-3	5,646,378	2,731,000
Debt Service	D-3	<u>127,461</u>	<u>105,980</u>
 Total Expenditures		<u>5,773,839</u>	<u>2,836,980</u>
 Excess in Revenues		41,096	210,289
 Fund Balance, Beginning of Year,	D	<u>572,168</u>	<u>492,859</u>
		613,264	703,148
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-2	<u>84,159</u>	<u>130,980</u>
 Fund Balance, End of Year,	D	<u>\$ 529,105</u>	<u>\$ 572,168</u>

CITY OF PASSAIC
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 84,159	\$ 84,159	
Sewer Rents and Charges	D-1	<u>5,700,000</u>	<u>5,631,636</u>	\$ (68,364)
Total Budget Revenues	D-3	<u>\$ 5,784,159</u>	5,715,795	<u>\$ (68,364)</u>
Non-Budget Revenues	D-2		<u>5,741</u>	
			<u>\$ 5,721,536</u>	
Analysis of Revenue Realized:				
Sewer Rents and Charges:				
Consumer Accounts Receivable Collections	D-6		\$ 5,500,168	
Other Accounts Receivable Collections	D-7		<u>131,468</u>	
	D-2		<u>\$ 5,631,636</u>	
Non-Budget Revenue:				
Interest on Investments			\$ 2,649	
Prior Year Reimbursements			<u>3,092</u>	
	D-4		<u>\$ 5,741</u>	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATING					
Other Expenses	\$ 283,000	\$ 283,000	\$ 184,636	\$ 98,364	
Sewer Treatment Expenses	4,743,000	4,743,000	4,742,990	10	
Sewer Maintenance Fee - Contractual	<u>620,378</u>	<u>620,378</u>	<u>611,973</u>	<u>8,405</u>	-
 Total Operating	 <u>5,646,378</u>	 <u>5,646,378</u>	 <u>5,539,599</u>	 <u>106,779</u>	 -
DEBT SERVICE					
Payment of Bond Principal	90,000	90,000	90,000		
Interest on Bonds	40,675	40,675	32,847		\$ 7,828
Interest on Notes	<u>7,106</u>	<u>7,106</u>	<u>4,614</u>	-	<u>2,492</u>
 Total Debt Service	 <u>137,781</u>	 <u>137,781</u>	 <u>127,461</u>	 -	 <u>10,320</u>
	 <u>\$ 5,784,159</u>	 <u>\$ 5,784,159</u>	 <u>\$ 5,667,060</u>	 <u>\$ 106,779</u>	 <u>\$ 10,320</u>
	<u>Reference</u>	D-2	D-3	D-1	D,D-1
Disbursed		D-4		\$ 5,563,671	
Encumbrances Payable		D-14		65,928	
Accrued Interest on Bonds		D-16		32,847	
Accrued Interest on Notes		D-17		<u>4,614</u>	
				 <u>\$ 5,667,060</u>	

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016
(UNAUDITED)**

	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS		
Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>
LIABILITIES		
Investments in General Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

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
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016

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
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016

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, 2016 balances to conform to the December 31, 2017 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
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016

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.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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.

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, 2017 and December 31, 2016 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, 2016 and December 31, 2017 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, 2017 and December 31, 2016 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
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016

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 \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks 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 are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

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.

**CITY OF PASSAIC
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017 AND THE
 SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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

- Trust Funds
- General Capital Fund
- Sewer Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than 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 2017 and TY 2016 the City Council increased the original budget by \$5,354,987 and \$3,142,572. The increases were funded by additional aid allotted to the City. In addition, the governing body approved several budget transfers during 2017 and TY 2016.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The City considers petty cash, change funds, cash in banks and certificates of deposit as cash.

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.

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, 2017 and 2016, the book value of the City's deposits were \$50,884,497 and \$43,040,296 and bank and brokerage firm balances of the City's deposits amounted to \$51,236,249 and \$43,739,261, 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,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Insured	\$ <u>51,236,249</u>	\$ <u>43,739,261</u>

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, 2017 and 2016, the City's bank balances were not exposed to custodial credit risk.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

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, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2017 and 2016 the City had no outstanding investments.

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

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 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 utility rents, which represented 71% and 100% of the delinquent tax and sewer charges receivable at December 31, 2016.

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2016</u>			
Property Taxes	\$ 712,470		\$ 712,470
Tax Title Liens	397,760		397,760
Utility Rents and Fees	-	\$ 959,324	959,324
	<u>\$ 1,110,230</u>	<u>\$ 959,324</u>	<u>\$ 2,069,554</u>

In the six month transition period ended December 31, 2016, the City collected \$289,165 and \$914,873 from delinquent taxes and utility rents, which represented 51% and 100% of the delinquent tax and sewer charges receivable at June 30, 2016.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, 2017 and 2016 interfund receivables and payables that resulted from various interfund transactions were as follows:

	December 31,		December 31,	
	2017		2016	
	<u>Due from</u>	<u>Due to</u>	<u>Due from</u>	<u>Due to</u>
	<u>Other Funds</u>	<u>Other Funds</u>	<u>Other Funds</u>	<u>Other Funds</u>
Current Fund				
Regular	\$ 1,467,741	\$ 1,383,269	\$ 4,807,510	
Grant		1,274,584		\$ 1,574,555
Trust Funds				
Animal Control		18		
Other Trust	1,433,943		677,711	1,673,593
Community Development		2,849		115,836
Home Investment Program	66,926	323,946	33,567	594,683
General Capital Fund	23,450		486	624,788
Sewer Utility Fund				
Operating		7,394		935,819
Capital	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,992,063</u>	<u>\$ 2,992,063</u>	<u>\$ 5,519,274</u>	<u>\$ 5,519,274</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.

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, 2017 and 2016 the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance</u>	<u>Subsequent Year</u>	<u>Balance to</u>
	<u>December 31,</u>	<u>Budget</u>	<u>Succeeding</u>
		<u>Appropriation</u>	<u>Budgets</u>
<u>2017</u>			
Current Fund			
Regular Fund			
Special Emergency Authorizations	\$ 120,000	\$ 120,000	
<u>2016</u>			
Current Fund			
Regular Fund			
Special Emergency Authorizations	1,380,000	700,000	\$ 680,000

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and 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, 2017 and 2016 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, 2017 and 2016 which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	2017		2016	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 9,700,881	\$ 2,500,000	\$ 5,504,418	\$ 2,350,000
Non-Cash Surplus	23,648	-	23,237	-
	<u>\$ 9,724,529</u>	<u>\$ 2,500,000</u>	<u>\$ 5,527,655</u>	<u>\$ 2,350,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 529,105	\$ 434,000	\$ 572,168	\$ 84,159
Non-Cash Surplus	-	-	-	-
	<u>\$ 529,105</u>	<u>\$ 434,000</u>	<u>\$ 572,168</u>	<u>\$ 84,159</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the year ended December 31, 2017 and the six month transition period ended December 31, 2016.

	Balance, December 31, 2017 (Unaudited)	Balance, December 31, 2016 (Unaudited)
Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 8 FIXED ASSETS (Continued)

B. Sewer Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the year ended December 31, 2017 and the six month transition period ended December 31, 2016.

Sewer Utility Fund

	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	310,000	-	-	310,000
	<u>\$ 5,887,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,887,974</u>
	Balance June 30, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>TY 2016</u>				
Fixed Capital				
System and System Improvements	\$ 5,577,974			\$ 5,577,974
Vehicles and Equipment	310,000	-	-	310,000
	<u>\$ 5,887,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,887,974</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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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>2017</u>	December 31, <u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 15,671,012	\$ 15,920,947
Sewer Utility		
Bonds and Notes	<u>1,366,000</u>	<u>1,456,000</u>
	17,037,012	17,376,947
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(14,794)</u>	<u>(351,183)</u>
Net Debt Issued	17,022,218	17,025,764
Authorized But Not Issued		
General		
Bonds and Notes	94,726	94,615
Sewer Utility		
Bonds and Notes	<u>44,000</u>	<u>44,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,160,944</u>	<u>\$ 17,164,379</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

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 .49% and .44% at December 31, 2017 and 2016, respectively.

	<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>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 16,015,562	\$ 1,451,389	\$ 14,564,173
Sewer Utility Debt	1,500,000	1,500,000	
Parking Authority Debt	<u>1,040,000</u>	<u>1,040,000</u>	<u>-</u>
Total	<u>\$ 18,555,562</u>	<u>\$ 3,991,389</u>	<u>\$ 14,564,173</u>

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 120,507,067	\$ 114,886,386
Net Debt	<u>16,811,798</u>	<u>14,564,173</u>
Remaining Borrowing Power	<u>\$ 103,695,269</u>	<u>\$ 100,322,213</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</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%	\$ 6,149,000	\$ 6,399,000
\$3,930,000, 2013 Early Retirement Pension Refunding Bonds		1,115,000
\$3,385,000, 2013 General Obligation Refunding Bonds		850,000
\$8,581,000 2017 General Obligation Bonds, due in annual installments of \$550,000 to \$1,100,000 through June 15, 2029, interest at 2.00% to 3.00%	<u>8,581,000</u>	<u>-</u>
	<u>\$ 14,730,000</u>	<u>\$ 8,364,000</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The City has entered into 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
\$200,000, 2006 Loan, due in semi-annual installments of \$5,251 to \$6,157 through March, 2026, interest at 2%	\$ 96,771	\$ 107,116
\$500,000, 2008 Loan, due in semi-annual installments of \$19,213 to \$21,013 through July, 2022, interest at 2%	201,007	238,864
\$100,000, 2008 Loan, due in semi-annual installments of \$2,574 to \$3,078 through June, 2027, interest at 2%	53,558	58,630
\$250,000, 2009 Loan, due in semi-annual installments of \$9,702 to \$10,506 through April, 2022, interest at 2%	90,895	110,012
\$21,000, 2009 Loan, due in semi-annual installments of \$530 to \$646 through June, 2028, interest at 2%	12,313	13,357
\$157,460 2016 Loan, principal maturities, term and interest rate to be determined.	157,460	157,460
\$329,008 2016 Loan, principal maturities, term and interest rate to be determined.	329,008	329,008
	<u>\$ 941,012</u>	<u>\$ 1,014,447</u>

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YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable (Continued)

Utility Bonds

The City pledges revenue from operations to pay debt service on sewer utility bonds issued. The sewer utility bonds outstanding at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</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%	\$ 720,000	\$ 810,000
\$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%	<u>646,000</u>	<u>-</u>
	<u>\$ 1,366,000</u>	<u>\$ 810,000</u>

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

Calendar Year	General				Sewer Utility		Total
	Bonds		Loans		Principal	Interest	
	Principal	Interest	Principal	Interest			
2018	\$ 1,225,000	\$ 415,078	\$ 74,912	\$ 8,718	\$ 130,000	\$ 39,730	\$ 1,893,438
2019	1,250,000	381,890	76,417	7,213	130,000	36,005	1,881,525
2020	1,250,000	348,453	77,953	5,677	130,000	32,280	1,844,363
2021	1,275,000	314,765	79,519	4,110	130,000	28,555	1,831,949
2022	1,275,000	279,140	70,506	2,511	130,000	24,605	1,781,762
2023-2027	6,274,000	837,490	74,591	3,446	560,000	63,725	7,813,252
2028-2029	2,181,000	65,145	646	6	156,000	4,620	2,407,417
	<u>\$ 14,730,000</u>	<u>\$ 2,641,961</u>	<u>\$ 454,544</u>	<u>\$ 31,681</u>	<u>\$ 1,366,000</u>	<u>\$ 229,520</u>	<u>\$ 19,453,706</u>

Amortization Schedule to be determined.

\$ 486,468

\$ 941,012

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	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>
	Balance, June 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One year</u>
<u>2016</u>					
General Capital					
Serial Bonds	\$ 7,499,000		\$ 250,000	\$ 7,249,000	\$ 1,100,000
Pension Refunding Bonds	1,115,000		-	1,115,000	1,115,000
Green Acres Loan Payable	<u>1,050,620</u>	<u>\$ -</u>	<u>36,173</u>	<u>1,014,447</u>	<u>73,435</u>
General Capital Fund					
Long Term Liabilities	<u>\$ 9,664,620</u>	<u>\$ -</u>	<u>\$ 286,173</u>	<u>\$ 9,378,447</u>	<u>\$ 2,288,435</u>
Sewer Utility Capital					
Serial Bonds	<u>\$ 900,000</u>	<u>-</u>	<u>\$ 90,000</u>	<u>\$ 810,000</u>	<u>\$ 90,000</u>
Sewer Utility Capital Fund					
Long Term Liabilities	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 810,000</u>	<u>\$ 90,000</u>

**CITY OF PASSAIC
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NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
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	5,520,000	-	5,520,000	-
Total General Capital Fund			<u>\$ 6,542,500</u>	<u>\$ -</u>	<u>\$ 6,542,500</u>	<u>\$ -</u>
<u>Sewer Utility Capital Fund</u>						
Various Sewer Improvements	1.10%	6/23/2017	\$ 646,000	-	\$ 646,000	-
Total Sewer Utility Capital Fund			<u>\$ 646,000</u>	<u>\$ -</u>	<u>\$ 646,000</u>	<u>\$ -</u>
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
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	5,520,000	-	-	5,520,000
Total General Capital Fund			<u>\$ 6,542,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,542,500</u>
<u>Sewer Utility Capital Fund</u>						
Various Sewer Improvements	1.10%	6/23/2017	\$ 646,000	-	-	\$ 646,000
Total Sewer Utility Capital Fund			<u>\$ 646,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,000</u>

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.

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NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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 special emergency appropriations. This debt which is not included in the City's statutory debt limit calculation is reported in the Current Fund for the year ended December 31, 2016 and the six month transition period ended December 31, 2016 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>	<u>Balance, December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 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			\$ 1,380,000	\$ -	\$ 700,000	\$ 680,000
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2016</u>
<u>2016</u>						
<u>Current Fund</u>						
Sick/Vacation - Terminal Pay	0.72%	3/31/2017	\$ 300,000			\$ 300,000
Preparation of Tax Map	1.10%	6/23/2017	240,000			240,000
Revaluation of Real Property	1.10%	6/23/2017	840,000	-	-	840,000
Total Special Emergency Notes			\$ 1,380,000	\$ -	\$ -	\$ 1,380,000

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2017 and 2016 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>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
<u>2016</u>		
McDonald Brook Flood Control	\$ 512,063	2017
Improvements at Christopher Columbus Park	537,045	2017
2016 Sewer Extension	130,673	2017
Acquisition of Mid Mount Aerial Platform	1,106,070	2017
Acquisition of Heavy Duty Engine/Pumper	484,852	2017

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 \$5,968,281 and \$6,596,397 at December 31, 2017 and 2016, 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, 2017 and 2016, the City has reserved in the Other Trust Fund \$1,236,314 and \$327,343, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 12 OTHER LONG-TERM LIABILITIES

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 (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2017 and 2016 is \$3,304,862 and \$3,529,386, respectively.

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 periods ended December 31, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</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	<u>148,965,896</u>	<u>-</u>	<u>28,663,493</u>	<u>120,302,403</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 204,707,539</u>	<u>\$ 320,045</u>	<u>\$ 39,860,434</u>	<u>\$ 165,167,150</u>	<u>\$ 698,792</u>
	Balance, June 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One year</u>
<u>2016</u>					
Compensated Absences	\$ 6,511,096	\$ 485,475	\$ 400,174	\$ 6,596,397	
Deferred Pension Obligation	3,395,273	134,113	-	3,529,386	\$ 503,345
ERIP Pension Liability	501,989	19,829	-	521,818	190,179
Net Pension Liability - PERS	35,708,670	10,737,998	1,352,626	45,094,042	
Net Pension Liability - PFRS	<u>128,771,309</u>	<u>26,552,790</u>	<u>6,358,203</u>	<u>148,965,896</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 174,888,337</u>	<u>\$ 37,930,205</u>	<u>\$ 8,111,003</u>	<u>\$ 204,707,539</u>	<u>\$ 693,524</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 13 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. CPFPPF is a cost-sharing plan with special funding situations.

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 with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

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.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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.

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. 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/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The CPFPPF system is 25.75 percent funded with an unfunded actuarial accrued liability of \$5.5 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems except CPFPPF (1.00%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee’s annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the year ended December 31, 2017, the six month transition period ended December 31, 2016 and fiscal year ended June 30, 2016, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation 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>
2017	\$ 20,300	\$ 6,795,838	\$ 1,608,515	\$ 49,502
TY 2016				8,105
SFY 2016	19,839	6,717,557	1,622,772	1,233

In addition, the City contributed \$5,688 for PERS Long Term Disability Insurance Premium (LTDI) in 2017.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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)

At December 31, 2017 and 2016, the City reported a liability of \$35,218,741 and \$45,094,042, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the City's proportionate share was .15129 percent, which was a decrease of .30355 percent from its proportionate share measured as of June 30, 2016 of .15226 percent.

For the year ended December 31, 2017 and 2016, the pension system has determined the City's pension expense to be \$2,161,603 and \$3,948,938, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$1,352,626 and \$1,367,600, respectively. At December 31, 2017 and 2016, 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:

	December 31, 2017		December 31, 2016	
	<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	\$ 829,280		\$ 838,612	
Changes of Assumptions	7,095,363	\$ 7,069,350	9,341,077	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	239,816	1,403,425	1,719,477	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>21,987</u>	<u>-</u>	<u>30,998</u>	<u>\$ 1,608,694</u>
Total	<u>\$ 8,186,446</u>	<u>\$ 8,472,775</u>	<u>\$ 11,930,164</u>	<u>\$ 1,608,694</u>

At December 31, 2017 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,	<u>Total</u>
2018	\$ 385,994
2019	840,811
2020	345,303
2021	(1,251,185)
2022	(607,252)
Thereafter	<u>-</u>
	<u>\$ (286,329)</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The City's 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. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
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%	7.65%
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, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 13 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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:

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

* The municipal bond return rate used is 3.58 and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, 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 (4.00% and 2.98% , respectively) or 1-percentage-point higher (6.00% and 4.98% , respectively) than the current rate:

	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>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 55,257,485</u>	<u>\$ 45,094,042</u>	<u>\$ 36,703,239</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

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NOTE 13 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, 2017 and 2016, the City reported a liability of \$120,302,403 and \$148,965,896, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the City’s proportionate share was .77925 percent, which was a decrease of .00057 percent from its proportionate share measured as of June 30, 2016 of .77982 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the City pension expense to be \$10,950,391 and \$15,971,316, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the City’s financial statements of \$6,358,203 and \$6,284,140, respectively. At December 31, 2017 and 2016, 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:

	December 31, 2017		December 31, 2016	
	<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	\$ 780,451	\$ 706,075		\$ 976,494
Changes of Assumptions	14,834,626	19,702,016	\$ 20,633,001	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,295,652		10,437,740	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>2,532,364</u>	<u>2,319,233</u>	<u>2,516,989</u>	<u>2,212,956</u>
Total	<u>\$ 20,443,093</u>	<u>\$ 22,727,324</u>	<u>\$ 33,587,730</u>	<u>\$ 3,189,450</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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, 2017 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 <u>December 31,</u>	<u>Total</u>
2018	\$ 1,467,535
2019	3,948,002
2020	140,585
2021	(5,396,426)
2022	(2,443,927)
Thereafter	<u>-</u>
	<u>\$ (2,284,231)</u>

Actuarial Assumptions

The City’s 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. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
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%	7.65%
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, 2016 and July 1, 2015 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 FINANCIAL STATEMENTS
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NOTE 13 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55% 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 (5.14% and 4.55%, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<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>
	1% Decrease <u>(4.55%)</u>	Current Discount Rate <u>(5.55%)</u>	1% Increase <u>(6.55%)</u>
<u>2016</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$192,080,600</u>	<u>\$ 148,965,896</u>	<u>\$ 113,808,448</u>

The sensitivity analysis was based on the proportionate share of the City’s net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City’s net pension liability was not provided by the pension system.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 13 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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$13,474,882 and \$12,509,440, respectively. For the years ended December 31, 2017 and 2016, 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 \$1,648,282 and \$1,597,751, respectively, which is more than the actual contributions the State made on behalf of the City of \$673,801 and \$587,849, respectively. 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.

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the City. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 580 state and local participating employers and contributing entities for Fiscal Year 2017.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$85.4 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.5 billion for state active and retired members, \$16.1 billion for local active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2016 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 million on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$184.6 million for 10,994 eligible retired members for Fiscal Year 2016. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$52.1 million in Fiscal Year 2016 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the year ended December 31, 2017, the six month transition period ended December 31, 2016, and fiscal year ended June 30, 2016 were \$8,173,145, \$3,643,456, and \$7,433,559, respectively, which equaled the required contributions for each year.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
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NOTE 15 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, 2017 and 2016. 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, 2017 and 2016 the City has available in the Other Trust Fund \$2,217,067 and \$1,952,807, respectively for the payment of self-insurance claims.

NOTE 16 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, 2017 and 2016. 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, 2017 and 2016, the City reserved \$2,450,046 and \$2,205,287, 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, 2017 and 2016, 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.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 16 CONTINGENT LIABILITIES (Continued)

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, 2017 and 2016 was \$19,375,442 and \$23,081,891, respectively, of which the City the Passaic's share was \$2,131,299 and \$2,539,008, respectively. The operating charges from NJDWSC – North are defrayed by water rates established by the Passaic Valley Water Commission.
2. The City owns a portion of the Passaic Valley Water Commission (PVWC). The bonds of the PVWC are secured by water revenues derived from water rate charges by the PVWC. In the event the PVWC funds are inadequate to make principal and interest payments on the bonds, the PVWC is required to adjust its rates to produce amounts sufficient to cover debt service. PVWC had \$124,711,887 and \$112,219,529 of debt outstanding as of December 31, 2017 and 2016, respectively, of which the City of Passaic's share was \$35,630,186 and \$32,061,119, 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 17 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, 2017 and 2016, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 18 TAX ABATEMENTS

For the Year Ended December 31, 2017 and the Six Month Transition Period Ended December 31, 2016, 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).

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND THE
SIX MONTH TRANSITION PERIOD ENDED DECEMBER 31, 2016**

NOTE 18 TAX ABATEMENTS (Continued)

- 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 year ended December 31, 2017 and the six month transition period ended December 31, 2016 the City abated property taxes totaling \$1,500,000 and \$737,000, respectively under the LTTE program. The City received \$881,421 and \$355,150 in PILOT payments under this program for the year ended December 31, 2017 and six month transition period ended December 31, 2016, respectively.
- 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 year ended December 31, 2017 and the six month transition period ended December 31, 2016 the City abated property taxes totaling \$82,200 and \$80,600 respectively under the FYEA program.

CURRENT FUND

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

Balance, December 31, 2016		\$ 25,205,191
Increased by Receipts:		
Tax Collector	\$ 108,841,869	
Petty Cash Fund	1,050	
Revenue Accounts Receivable	19,865,361	
Nonbudget Revenue	1,458,539	
Due from State of New Jersey - Senior Citizen/Veterans Deductions	92,925	
Special Emergency Note	680,000	
Receipts from the Parking Authority	1,023,739	
Receipts from Grant Fund	299,640	
Receipts from Other Trust Fund	1,883,412	
Receipts from Community Development Block Grant Fund	112,987	
Receipts from Home Investment Program Trust Fund	270,737	
Receipts from General Capital Fund	149,990	
Receipts from Sewer Utility Operating Fund	928,428	
Fees Payable	<u>76,405</u>	
		<u>135,685,082</u>
		160,890,273
Decreased by Disbursements:		
2017 Budget Appropriations	79,890,794	
TY 2016 Appropriation Reserves	516,235	
Accounts Payable	100,089	
Encumbrances Payable	1,151,801	
County Taxes	25,046,122	
Local School Taxes	16,818,577	
Tax Overpayments	217,256	
Special Emergency Note	1,380,000	
Payments for Parking Authority	39,539	
Payments for Redevelopment Authority	32,701	
Payments to Sewer Utility Capital Fund	3	
Fees Payable	53,758	
Reserve for Tax Appeals	255,241	
Reserve for Revaluation Program	2,344	
Refund of Prior Year Revenue	<u>80,626</u>	
		<u>125,585,086</u>
Balance, December 31, 2017		<u>\$ 35,305,187</u>

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

Balance, December 31, 2016		\$ 257,500
Increased by:		
Grants Receivable	\$ 6,307,062	
Unappropriated Grant Reserves	<u>168,232</u>	
		<u>6,475,294</u>
		6,732,794
Decreased by:		
Payments to Current Fund	299,640	
Payments to Other Trust Fund	103,587	
Payments to Home Investment Program Fund	33,567	
Payments to General Capital Fund	486	
Appropriated Grant Reserves	<u>4,914,369</u>	
		<u>5,351,649</u>
Balance, December 31, 2017		<u>\$ 1,381,145</u>

SCHEDULE OF TAX COLLECTOR'S CASH

Increased by:		
Taxes Receivable	\$ 104,371,395	
Tax Title Liens Receivable	105,946	
Interest and Cost on Taxes	325,246	
Payment in Lieu of Taxes	881,421	
Tax Overpayments	132,537	
Prepaid Taxes	<u>3,025,324</u>	
		\$ 108,841,869
Decreased by:		
Payment to Treasurer		<u>\$ 108,841,869</u>

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

Balance, December 31, 2016	\$ <u>2,800</u>
Balance, December 31, 2017	\$ <u><u>2,800</u></u>

SCHEDULE OF CASH - PETTY CASH FUND

Balance, December 31, 2016	\$ <u>1,050</u>
Decreased by:	
Returned to Treasurer	\$ <u><u>1,050</u></u>

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

Balance, December 31, 2016	\$ 1,362,791
Increased by:	
Grants Receivable Anticipated as 2017 Budget Revenue	\$ 5,577,604
Unappropriated Grants Anticipated as 2017 Budget Revenue	343,487
Reserve for Appropriated Grants Cancelled to Operations	422,085
Adjustment - Grants Receivable	<u>25,309</u>
	<u>6,368,485</u>
	7,731,276
Decreased By:	
2017 Budget Appropriation for Grants:	
Appropriated Grants	5,921,091
Grants Receivable Cancelled to Operations	377,011
Payments to Current Fund	<u>299,640</u>
	<u>6,597,742</u>
Balance, December 31, 2017	\$ <u><u>1,133,534</u></u>

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

Balance, December 31, 2016		\$ 23,237
Increased by:		
Senior Citizens/Veterans Deductions Per Tax Duplicate	\$ 107,500	
Deductions Allowed by Tax Collector - 2017	5,092	
Deductions Allowed by Tax Collector - Prior Years	<u>2,500</u>	
		<u>115,092</u>
		138,329
Decreased by:		
Cash Received from State	92,925	
Deductions Disallowed by Tax Collector - Prior Years	<u>21,756</u>	
		<u>114,681</u>
Balance, December 31, 2017		<u>\$ 23,648</u>

EXHIBIT A-11

STATEMENT OF DUE FROM PARKING AUTHORITY

Balance, December 31, 2016		\$ 368,551
Increased by:		
Anticipated as Current Fund Revenue-Interlocal Agreement	\$ 653,000	
Payments Made for Parking Authority	<u>39,539</u>	
		<u>692,539</u>
		1,061,090
Decreased by:		
Cash Receipts		<u>1,023,739</u>
Balance, December 31, 2017		<u>\$ 37,351</u>

EXHIBIT A-12

STATEMENT OF DUE FROM REDEVELOPMENT AUTHORITY

Balance, December 31, 2016		\$ 50,018
Increased by:		
Payments Made for Redevelopment Authority		<u>32,701</u>
Balance, December 31, 2017		<u>\$ 82,719</u>

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

Fiscal Year Ended	Balance, December 31, 2016	2017 Levy	Senior Citizens and Veterans Deductions Disallowed	Collections TY 2016	Collections 2017	Senior Citizens and Veterans Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2017
SFY 2009	\$ 5,732								\$ 5,732
SFY 2010	2						\$ 2		
SFY 2011	7						7		
SFY 2012	7						7		
SFY 2013	21						21		
SFY 2014	852				\$ 830		22		
SFY 2015	3,325		\$ 250		3,485		88		2
SFY 2016	5,741		1,250		6,430	\$ 250	280		31
TY 2016	<u>696,783</u>	<u>-</u>	<u>20,256</u>	<u>-</u>	<u>672,147</u>	<u>2,250</u>	<u>490</u>	<u>\$ 25,013</u>	<u>17,139</u>
	712,470	-	21,756	-	682,892	2,500	917	25,013	22,904
2017	<u>-</u>	<u>\$ 105,697,795</u>	<u>-</u>	<u>\$ 898,132</u>	<u>103,688,503</u>	<u>112,592</u>	<u>221,111</u>	<u>744,145</u>	<u>33,312</u>
	<u>\$ 712,470</u>	<u>\$ 105,697,795</u>	<u>\$ 21,756</u>	<u>\$ 898,132</u>	<u>\$ 104,371,395</u>	<u>\$ 115,092</u>	<u>\$ 222,028</u>	<u>\$ 769,158</u>	<u>\$ 56,216</u>
Tax Yield:									
General Purpose Tax			\$ 105,518,964						
Added Taxes			<u>178,831</u>						
				<u>\$ 105,697,795</u>					
Tax Levy:									
Local District School Tax Levy			\$ 16,818,577						
County Taxes:									
County Tax - General		\$ 24,646,999							
County Tax Open Space		343,096							
County Tax - Added/Omitted		<u>42,283</u>							
			25,032,378						
Local Tax for Municipal Purposes		62,579,554							
Minimum Library Tax		1,128,386							
Add Additional Tax Levied		<u>138,900</u>							
			<u>63,846,840</u>						
				<u>\$ 105,697,795</u>					

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

Balance, December 31, 2016		\$ 397,760
Increased by:		
Transfers from Taxes Receivable - Prior Years	\$ 917	
Transfers from Taxes Receivable - 2017	221,111	
Interest and Costs on Tax Sale	<u>11,419</u>	
		<u>233,447</u>
		631,207
Decreased by:		
Receipts		<u>105,946</u>
Balance, December 31, 2017		<u>\$ 525,261</u>

CITY OF PASSAIC
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2016</u>	<u>Accrued</u>	<u>Collected</u>		Balance, December 31, <u>2017</u>
			<u>Treasurer</u>	<u>Tax Collector</u>	
Licenses					
Alcoholic Beverages		\$ 143,231	\$ 143,231		
Other		68,650	68,650		
Fees and Permits					
Construction Code Official		1,011,357	1,011,357		
Other		91,002	91,002		
Fines and Costs					
Municipal Court	\$ 145,635	2,031,674	2,042,534		\$ 134,775
Energy Receipts Tax		8,567,388	8,567,388		
Consolidated Municipal Property Tax Relief Aid		3,978,094	3,978,094		
Interest and Costs on Taxes		325,246		\$ 325,246	
Interest on Investments and Deposits		108,399	108,399		
Downtown Merchants Association		50,619	50,619		
Police Record Bureau		23,819	23,819		
Board of Education - Security Watch		2,900,000	2,900,000		
Cable Franchise Fee		442,252	442,252		
Housing Authority Police Program		256,663	256,663		
County of Passaic - Street Lighting		180,000	180,000		
Fire Billings - Insurance Reimbursements	248,318	58,032			306,350
Overpayment - Rafael Morera	5,818				5,818
Miscellaneous - Due from Merchant Services	3,123		3,123		-
Payment in Lieu of Taxes:					
St. Mary's Reise Corp.		125,499		125,499	
Chestnut Housing Phase I		87,924		87,924	
Jack Parker Associates		362,990		362,990	
Housing Authority		159,588		159,588	
Garden Howe		42,286		42,286	
YMCA - River Road		22,500		22,500	
Highview Terrace	-	80,634	-	80,634	-
	<u>\$ 402,894</u>	<u>\$ 21,117,847</u>	<u>\$ 19,867,131</u>	<u>\$ 1,206,667</u>	<u>\$ 446,943</u>
			Cash Receipts	\$ 19,865,361	\$ 1,206,667
			Due from Animal Control Fund	18	
			Due from General Capital Fund	<u>1,752</u>	<u>-</u>
				<u>\$ 19,867,131</u>	<u>\$ 1,206,667</u>

**CITY OF PASSAIC
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>2016</u>	<u>Reduced</u> <u>in 2017</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
8/2/2011	Sick/Vacation - Terminal Pay	\$ 700,000	\$ 140,000	\$ 140,000	\$ 140,000	
1/24/2012	Sick/Vacation - Terminal Pay	800,000	160,000	160,000	160,000	
3/5/2013	Preparation of Tax Map	600,000	120,000	240,000	120,000	\$ 120,000
4/29/2014	Tax Revaluation Program	1,400,000	280,000	<u>840,000</u>	<u>840,000</u>	<u>-</u>
				<u>\$ 1,380,000</u>	<u>\$ 1,260,000</u>	<u>\$ 120,000</u>
					Raised in 2017 Budget	\$ 700,000
					Cancellations	<u>560,000</u>
					<u>\$ 1,260,000</u>	

**CITY OF PASSAIC
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2016	\$ 217,256
Increased by:	
Overpayments Received	<u>132,537</u>
	349,793
Decreased by:	
Overpayments Refunded	<u>217,256</u>
Balance, December 31, 2017	<u>\$ 132,537</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2016	\$ 898,132
Increased by:	
Cash Receipts	<u>3,025,324</u>
	3,923,456
Decreased by:	
Applied to 2017 Taxes Receivable	<u>898,132</u>
Balance, December 31, 2017	<u>\$ 3,025,324</u>

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Balance, December 31, 2016	<u>\$ 1,380,000</u>
Increased by:	
Cash Receipts	<u>680,000</u>
	2,060,000
Decreased by:	
Cash Disbursements	<u>1,380,000</u>
Balance, December 31, 2017	<u>\$ 680,000</u>

**CITY OF PASSAIC
STATEMENT OF TY 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modifications</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
GENERAL GOVERNMENT						
DEPARTMENT OF ADMINISTRATION						
Office of Business Administration						
Salaries & Wages	\$ 8,784			\$ 8,784	\$ 8,784	
Other Expenses	26,772			26,772	6,181	\$ 20,591
Mayor and Council						
Salaries and Wages	2,762			2,762	2,762	-
Other Expenses	877			877	76	801
City Clerk						
Salaries and Wages	7,176			7,176	7,176	-
Other Expenses	52,328			52,328	57	52,271
Human Resources						
Salaries and Wages	13,013			13,013	13,013	-
Other Expenses	1,592			1,592	-	1,592
Financial Administration-Treasurer's Office						
Salaries and Wages	3,792			3,792	3,792	-
Other Expenses	50,021	\$ (12,000)		38,021	35,482	2,539
Annual Audit						
Other Expenses	38,895			38,895	38,185	710
Revenue Administration						
Salaries and Wages	6,868			6,868	6,868	-
Other Expenses	82	500		582	550	32
Tax Assessment Administration						
Salaries and Wages	307			307	307	-
Other Expenses	11,202			11,202	7,487	3,715
Legal Services						
Other Expenses	11,132	12,000	\$ 2,144	25,276	-	25,276
Office of Engineer						
Salaries and Wages	2,232			2,232	2,232	-
Planning and Economic Development						
Other Expenses	6,200			6,200		6,200
Division of Housing						
Salaries and Wages	17,869			17,869	17,869	-
Other Expenses	3,366			3,366	-	3,366
Planning Board						
Other Expenses	3,534			3,534	2,568	966
Board of Adjustment						
Other Expenses	2,666			2,666		2,666
Rent Leveling Board						
Other Expenses	2,600		1,578	4,178	-	4,178
Insurance						
Employee Group Insurance	450,993			450,993	301,950	149,043
Health Benefit Waiver	3,200			3,200		3,200
DEPARTMENT OF PUBLIC WORKS						
Streets and Road Maintenance						
Salaries & Wages	43,808	(20,000)		23,808	23,808	-
Other Expenses	7,964			7,964	254	7,710
Solid Waste Collection						
Other Expenses						
Garbage Removal Contractual	28,500		5,042	33,542	-	33,542
Building and Grounds						
Salaries & Wages	64,892			64,892	64,892	-
Other Expenses	14,345			14,345	6,862	7,483
Vehicle Maintenance						
Salaries & Wages	12,516			12,516	12,516	-
Other Expenses	18,908			18,908	12,837	6,071

**CITY OF PASSAIC
STATEMENT OF TY 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	<u>Encumbrances Cancelled</u>	Balance After <u>Modifications</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
DEPARTMENT OF PUBLIC SAFETY						
Police Department						
Salaries and Wages	\$ 563,546			\$ 563,546	\$ 563,546	
Other Expenses	17,695	\$ 5,000		22,695	19,649	\$ 3,046
BOE Security Watch and Res. Officer	102,443			102,443	38,859	63,584
Fire Department						
Salaries and Wages	420,384			420,384	420,384	-
Other Expenses	5,140	4,500		9,640	2,274	7,366
Municipal Court						
Salaries and Wages	24,909			24,909	24,909	-
Other Expenses	5,064		\$ 2,031	7,095	-	7,095
Prosecutor 's Office						
Other Expenses	21,250		12,635	33,885	-	33,885
Public Defender						
Other Expenses	3,500		5,350	8,850	-	8,850
Passaic Parking Authority						
Salaries and Wages	112,753			112,753	109,721	3,032
Other Expenses	121,424			121,424	5,000	116,424
DEPARTMENT OF HUMAN RESOURCES						
Division of Health						
Salaries & Wages	31,441			31,441	31,441	-
Other Expenses	15,899			15,899	12,601	3,298
Animal Regulation						
Salaries & Wages	1,022			1,022	1,022	-
Other Expenses	8,716			8,716	7,078	1,638
DEPARTMENT OF PARKS AND RECREATION						
Division of Recreation						
Salaries & Wages	39,729			39,729	39,729	-
Other Expenses	22,349			22,349	809	21,540
Senior Citizens						
Salaries & Wages	25,164			25,164	25,164	-
Other Expenses	3,004			3,004	487	2,517
Handicapped Recreation						
Other Expenses	10,446			10,446		10,446
Maintenance of Parks						
Salaries & Wages	71,941			71,941	71,941	-
Other Expenses	6,504		722	7,226	-	7,226
UNIFORM CONSTRUCTION CODE- APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Division of Code Enforcement						
Salaries & Wages	9,160			9,160	9,160	-
Other Expenses	10,956			10,956	110	10,846

**CITY OF PASSAIC
STATEMENT OF TY 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
UNCLASSIFIED						
Utilities:						
Electricity	\$ 34,777			\$ 34,777	\$ 4,782	\$ 29,995
Telephone and Telegraph	1,167	\$ 10,000		11,167	8,784	2,383
Street Lighting	33,816			33,816	-	33,816
Gasoline	139,315		\$ 12,031	151,346	-	151,346
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Tipping Tax	9,874			9,874	7,796	2,078
Tipping Fees	168,136			168,136	-	168,136
Statutory Expenditures						
Social Security System (O.A.S.I.)	42,982			42,982		42,982
PERS	5,500			5,500		5,500
PFRS	5,000			5,000	-	5,000
GENERAL APPROPRIATIONS - ALL OTHER OPERATIONS EXCLUDED FROM "CAPS"						
Matching Funds for Grants	<u>15,131</u>	<u>-</u>	<u>-</u>	<u>15,131</u>	<u>-</u>	<u>15,131</u>
	<u>\$ 3,029,333</u>	<u>\$ -</u>	<u>\$ 41,533</u>	<u>\$ 3,070,866</u>	<u>\$ 1,981,754</u>	<u>\$ 1,089,112</u>
Cash Disbursements					\$ 516,235	
Transferred to Accounts Payable					15,519	
Transferred to Miscellaneous Reserves - Other Trust Fund					<u>1,450,000</u>	
					<u>\$ 1,981,754</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-22

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2016		\$ 13,744
Increased by:		
Levy		
General County	\$ 24,646,999	
County Open Space Preservation	343,096	
County Added/Omitted Taxes	<u>42,283</u>	
		<u>25,032,378</u>
		25,046,122
Decreased by:		
Cash Disbursed		<u>\$ 25,046,122</u>

EXHIBIT A-23

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2016		\$ 1,193,334
Increased by:		
Transferred from Budget Appropriations		<u>1,589,334</u>
		2,782,668
Decreased by:		
Payments	\$ 1,151,801	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>41,533</u>	
		<u>1,193,334</u>
Balance, December 31, 2017		<u>\$ 1,589,334</u>

**CITY OF PASSAIC
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2016	\$ 115,591
Increased by:	
Transfer from TY 2016 Appropriations	15,519
	131,110
Decreased by:	
Cash Disbursements	100,089
Balance, December 31, 2017	\$ 31,021

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2016	\$ 2,205,287
Increased by:	
Transferred from 2017 Tax Collections	500,000
	2,705,287
Decreased by:	
Cash Payments	255,241
Balance, December 31, 2017	\$ 2,450,046

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2016</u>	<u>Increases</u>	Balance, December 31, <u>2017</u>
Allowance for Grant Reimbursement	\$ 58,612	\$ 250,000	\$ 308,612
Sale of Municipal Assets	75,000		75,000
PILOT - Housing Authority	183,751	-	183,751
	\$ 317,363	\$ 250,000	\$ 567,363

**CITY OF PASSAIC
STATEMENT OF FEES PAYABLE**

	Balance, December 31, 2016	Receipts	Payments	Balance, December 31, 2017
Construction Code Training Fees	\$ 15,384	\$ 53,343	\$ 50,368	\$ 18,359
Burial Fees	160	25	50	135
Bail Bond Forfeiture Fees	155,230	16,700	3,340	168,590
Ambulance Billing Fees	-	6,337	-	6,337
	<u>\$ 170,774</u>	<u>\$ 76,405</u>	<u>\$ 53,758</u>	<u>\$ 193,421</u>

EXHIBIT A-28

STATEMENT OF RESERVE FOR PENSION CONTRIBUTIONS

Balance, December 31, 2016	\$ 1,931,755
Decreased by:	
Anticipated in 2017 Budget	<u>400,000</u>
Balance, December 31, 2017	<u>\$ 1,531,755</u>

EXHIBIT A-29

STATEMENT OF RESERVE FOR REVALUATION PROGRAM

Balance, December 31, 2016	\$ 729,276
Decreased by:	
Cash Disbursements	\$ 2,344
Cancellations	<u>560,000</u>
	<u>562,344</u>
Balance, December 31, 2017	<u>\$ 166,932</u>

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

Balance, December 31, 2016

\$ 8,882,778

Balance, December 31, 2017

\$ 8,882,778

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

	Balance, December 31, <u>2016</u>	Revenue <u>Accrued</u>	Cash <u>Received</u>	<u>Adjustments</u>	<u>Cancellations</u>	Balance, December 31, <u>2017</u>
NJ DCA: Lead Intervention 04	\$ 181,860				\$ 181,860	
NJ DOT: Main Ave Streetscape	3,629				3,629	
Open Space 08 - Parks Rehabilitation	34				34	
JAIBG07:St House + Match	84				84	
Addiction Services	2,270				2,270	
Walk Safe - 2012	6,647				6,647	
Byrne Memorial - 2010	44,953		\$ 44,953			
Walk Safe 2011	1,700				1,700	
Cancer Assessment - 2012	3,000				3,000	
Women Infant Children - 2012	4,413				4,413	
Department of Transportation - 8th Street - 2013	48,913				48,913	
WIC - 2013	14,720				14,720	
Cancer Assessment - 2013	27,985				27,985	
Childhood Lead Paint - 2013	18				18	
Green Acres 2010: Christopher Columbus	900,000		900,000			
Byrne Memorial - 2011	5,603				5,603	
Click It or Ticket - 2012	1,350				1,350	
Byrne Memorial - 2012	180				180	
Summer Employment - 2013	2				2	
Byrne Memorial - 2013	353				353	
Click It or Ticket - 2014	227				227	
Highlands Council Transfer Development Rights	36,001				36,001	
WIC - 2014	37,546				37,546	
Walk Safe - 2014	52				52	
Co (CDBG) Disaster Recovery 2013	957,789		957,789			
JABG 2013	20,165			\$ (19,741)	424	
Open Space 12: Christopher Columbus Park	167,267		167,267			
Market Streetscape Enhancement	750,000					\$ 750,000
Green Acres MacDonald Brook	100,000		100,000			-
Byrne Memorial - 2014	194,377		206			194,171
Drive Sober or Get Pulled Over - 2015	50					50
High Drunk Traffic Youth Empowerment	1					1
Open Space - Pulaski Park - 2015	98,272		98,272			-
Open Space - 3rd World Memorial - 2015	5,940					5,940
DOT Various Street Projects - 2015	88,318		88,318			-
Childhood Lead Prevention - 2016	36,424		36,424			-
Dig In Community Garden - 2016	2,500					2,500
Downtown Merchant Summer Employment - 2016	6,691		20,750	25,309		11,250
Safe and Secure Grant - 2016	90,000		90,000			-
Juvenile Accountability - Station House Adjustment	1,478					1,478
WIC - 2016	241,642		241,642			-
Ryan White - 2016	146,455		48,123			98,332
Ryan White - 2016	48		48			-
HOPWA - 2016	5,057		5,057			-
Open Space - 3rd Ward Park - 2016	550,000		358,422			191,578
Green Acres - McDonald Brook Project	1,100,000					1,100,000
DOT Various Street Projects - 2016	353,273					353,273

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

	Balance, December 31, <u>2016</u>	Revenue <u>Accrued</u>	Cash <u>Received</u>	<u>Adjustments</u>	<u>Cancellations</u>	Balance, December 31, <u>2017</u>
Byrne Memorial - 2016	\$ 217,459					\$ 217,459
Municipal Alliance - 2016	12,965					12,965
Municipal Alliance - 2015	26,650					26,650
DOT 8th Street Project - 2016	91,737		\$ 91,737			-
Recreation Opport. For Individuals w/ Disab. - 2016	9,860		9,860			-
OEM - Hazard Mitigation - Generators - 2016	250,000					250,000
Byrne Memorial - TY 2016	225,070					225,070
Childhood Lead Prevention - TY 2016	118,531		118,531			-
FEMA - SAFER Program	1,094,988		470,990			623,998
Ryan White - TY 2016	34,084		-			34,084
Drive Sober or Get Pulled Over - TY 2016	4,900		4,700			200
NJ Highway Pedestrian Safety - TY 2016	11,000		10,419			581
Summer Food Program - TY 2016	228,561		2,166			226,395
WIC - TY 2016	1,065,300	\$ 34,100	1,045,617			53,783
Municipal Alliance - TY 2016	39,478		22,145			17,333
Open Space - Christopher Columbus Park Impvts	75,000		75,000			-
HOPWA - TY 2016	120,000	40,000	132,988			27,012
Baseball Tomorrow	125,000		125,000			-
Station House Adjustment - TY 2016	9,601		9,601			-
Station House Adjustment - 2016		12,587	12,217			370
Recycling Tonnage Grant - 2017		95,963	95,963			-
Station House Adjustment - 2017		19,762				19,762
Co (CDBG) Disaster Recovery 2013 - Additional		297,890	297,890			-
Body Armor - 2017		13,275	13,275			-
Alcohol Education - 2017		18,337	18,337			-
Childhood Lead Prevention - 2017		158,454	44,145			114,309
Clean Communities - 2017		76,830	76,830			-
Click It or Ticket - 2017		5,500	5,500			-
Drive Sober or Get Pulled Over - 2017		11,000	5,390			5,610
Drunk Driving Enforcement Fund - 2017		38,577	38,577			-
Distracted Driving Crackdown - 2017		5,500	5,500			-
Green Acres - 3rd Ward & Veterans Memorial Park		1,000,000				1,000,000
HOPWA - 2017/2018		120,000	22,371			97,629
Municipal Alliance - 2017/2018		39,478				39,478
Co (CDBG) Disaster Recovery 2017		1,374,114				1,374,114
County Open Space - Christopher Col. & Dog Park		200,000				200,000
Summer Food Program - 2017		259,759	165,443			94,316
Smile Donation - School Walkability		5,000	5,000			-
WIC Facility Grant - 2017		108,000	108,000			-
WIC - 2018		1,091,091				1,091,091
Ryan White - 2017		166,931	116,599			50,332
DOT - Various Road Improvements 2017	-	385,456	-	-	-	385,456
	<u>\$ 9,997,471</u>	<u>\$ 5,577,604</u>	<u>\$ 6,307,062</u>	<u>\$ 5,568</u>	<u>\$ 377,011</u>	<u>\$ 8,896,570</u>
Due to/from Current Fund		\$ 5,577,604		\$ 25,309	\$ 377,011	
Cash Receipts			\$ 6,307,062			
Reserve for Unappropriated Grants		-	-	(19,741)	-	
		<u>\$ 5,577,604</u>	<u>\$ 6,307,062</u>	<u>\$ 5,568</u>	<u>\$ 377,011</u>	

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

	Balance December 31, 2016		Increased by: Budget					Balance December 31, 2017	
	Encumbered	Reserved	Appropriation	Expended	Transfers	Cancelled	Adjustments	Encumbered	Reserved
Relocation Assistance Program		\$ 4,890				\$ 4,890			-
Relocation Assistance Program - City Match		5,435				5,435			-
Columbia Ave/Green Acres/UPAR		3,721				3,721			-
Booster Seat - 2008		1,227				1,227			-
NJ Comprehensive Cancer Awareness - 2009		420				420			-
Ryan White Title I - 2008	\$ 100	-						\$ 100	-
NJDCA - Lead Intervention - 2004		149,440				149,440			-
Passaic County - Open Space - 2008		4				4			-
NJDOT - Transportation Trust - Howel/Lincoln/St. Francis Domestic Violence - 2006		61,555						\$ 61,555	-
Emergency Tel 07: Communications - 911 Grant		1,397				1,397			-
Emergency Tel 08: Communications - 911 Grant		2,829				2,829			-
Hepatitis B Inoculation - 2008		3,888				3,888			-
Municipal Alliance 2008		9				9			-
Summer Food 2009		11				11			-
DCA Neighborhood Preservation Program		11,957				11,957			-
Pedestrian Safety Grant - Division of Highway Traffic Safety		2,689				2,689			-
Energy Efficiency & Conservation Block Grant - US Dept. of Energy		510				510			-
NJDOA-Summer Food Program - 2010		12,196				12,196			-
Byrne Memorial - 2010		10,489				10,489			-
Over the Limit - Under Arrest (Drive Sober) - 2011		5,033				5,033			-
Emergency Preparedness Grant - 2011		2,000				2,000			-
Clean Communities Program - 2010		6				6			-
Summer Food Grant - 2011		367		\$ 367					-
Pedestrian Safety Grant - 2011		1,688				1,688			-
Neighborhood Crime Prevention - 2011		300				300			-
Housing Opportunity HOPWA Grant - 2010		66				66			-
Edward Byrne Memorial - 2011		1,346				1,346			-
Baseball Tomorrow - 2011		5,604				5,604			-
Clean Communities - 2012		279				279			-
Fire Safer - 2012		304		304					-
Green Acres 2010: Christopher Columbus	78,533	3,305				3,305			-
JAIBG - 2010		-		78,533					-
Ryan White I - 2013		13				13			-
Summer Employment - 2012		6,440				6,440			-
Summer Food - 2012		45				45			-
Walk Safe - 2012		45,368				45,368			-
		1,185				1,185			-

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

	Balance		Increased by:					Balance	
	December 31, 2016		Budget	Expended	Transfers	Cancelled	Adjustments	December 31, 2017	
	Encumbered	Reserved	Appropriation					Encumbered	Reserved
Recycling Tonnage Grant - 2011		\$ 28,659						\$ 28,659	
Women Infant Children - 2012		60				\$ 60		-	
Neighborhood Crime Prevention - 2013		49				49		-	
Department of Transportation - 8th Street - 2013		48,912				48,912		-	
Body Armor Grant - 2012		282						282	
Ryan White I - 2014		225				225		-	
WIC - 2013		10,221				10,221		-	
Clean Communities - 2013		184	\$ 184					-	
Byrne Memorial - 2012		580				580		-	
Hep Inoculation - 2013		476				476		-	
Body Armor - 2013		2,546						2,546	
Body Armor - 2014		12,900						12,900	
Byrne Memorial - 2013	\$ 7,955	-		1				7,954	
Clean Community - 2014	2,184	5,593		5,589		4		2,184	
Click It or Ticket - 2014		200				200		-	
Disaster Recovery - 2013	404,790	-		404,790				-	
Forest Management - 2013		1,800				1,800		-	
Hepatitis Inoculation - 2014		533				533		-	
HOPWA - 2012		20,548				20,548		-	
Open Space - Christopher Columbus Park - 2012	162,955	-		162,955				-	
Recreation Opportunity - 2013		4,000				4,000		-	
Recycling Tonnage - 2013		23,078						23,078	
Housing Opportunity - 2011 (HOPWA)		1,435				1,435		-	
Summer Employment - 2013		212				212		-	
Sr. Transportation - 2013		15,420				15,420		-	
Highlands Council Transfer Development Rights	17,193	15,000					\$ 17,193	15,000	
Urban Enterprise Zone - Administration Commodities - 2014		12		12				-	
WIC - 2014		30,031				30,031		-	
Walk Safe - 2014		552				552		-	
Stationhouse Adj. - 2015	450	36		450				36	
Walk Safe - 2015	570	6,200		6,770				-	
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	2,405	1,483		3,310			576	2	
Distracted Driving Crackdown - 2015		50						50	
Drive Sober - 2015		3,800						3,800	

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

	Balance December 31, 2016		Increased by: Budget		Expended	Transfers	Cancelled	Adjustments	Balance December 31, 2017	
	Encumbered	Reserved	Appropriation						Encumbered	Reserved
Childhood Lead Paint - 2015		\$ 2,461								\$ 2,461
Clean Communities - 2015		47,706		\$ 18,041					\$ 1,374	28,291
Safe & Secure Communities		48,750								48,750
Byrne Memorial - 2015	\$ 166,594	19,006			91,585				94,015	-
High Drug Traffic Youth Empowerment		906					\$ 906			-
Drunk Driving - 2014 - Enforcement		7,415								7,415
UEZA - Commodities - 2015	90	16,485			230				90	16,255
UEZA - Dundee Canal Redevelopment		8,012				\$ (5,000)				3,012
Junior Tennis - 2014		600					600			-
Alcohol Ed. - 2014		1,517					1,517			-
DOT Various Street Improvements - 2016		353,273			10,793				287,973	54,507
Municipal Alliance - 2016		1,979								1,979
Alcohol Ed. - 2015		14					14			-
Drunk Driving Enforcement Fund - 2016		24,604			20,604					4,000
Body Armor - 2016	9,086	4,127			8,177					5,036
Byrne Memorial - 2016		217,459			39,892				17,895	159,672
Clean Communities - 2016	2,184	88,251			2,327					88,108
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
Green Acres - McDonald Brook - 2016	196,470	790,978			861,828				86,642	38,978
High Drug Traffic Youth Empowerment - 2016		2,160								2,160
HOPWA - 2016		9,247								9,247
Municipal Alliance - 2015		8,964					\$ 1,000			9,964
OEM - Hazard Mitigation - Generators - 2016	24,700	225,300			97,803				109,218	42,979
Open Space - 3rd Ward Park - 2016		197,518			71,779				70,990	54,749
Recreation Opportunity - 2016		9,860								9,860
Ryan White	213	47,376			47,589					-
Safe & Secure Communities - 2016		5,019			5,019					-
WIC - 2015		4,713								4,713
WIC - 2016		19,326								19,326
Alcohol Ed. - TY 2016		26,650								26,650
Baseball Tomorrow - TY 2016	171,788	-			171,788					-
Body Armor - TY 2016		13,091								13,091
Byrne Memorial - TY 2016		225,070			46,656				9,291	169,123
Childhood Lead Paint - TY 2016	2,270	90,566			92,492					344
Drive Sober - TY 2016		3,150			2,725					425

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

	Balance December 31, 2016		Increased by: Budget		Transfers	Cancelled	Adjustments	Balance December 31, 2017	
	Encumbered	Reserved	Appropriation	Expended				Encumbered	Reserved
Fire SAFER - TY 2016		\$ 1,063,053		\$ 462,968				\$ 600,085	
HOPWA - TY 2016	\$ 5,059	66,758	\$ 40,000	102,692			\$ 1,564	7,561	
Municipal Alliance - TY 2016	123	24,523		24,527				119	
Municipal Alliance - TY 2016 - Local Match		5,966		5,966				-	
Open Space - Christopher Columbus Park - TY 2016	75,000	-		75,000				-	
Ryan White - TY 2016		34,084		3,734				30,350	
Stationhouse Adj. - TY 2016		195	12,587	12,524			258	-	
Summer Food - TY 2016	25,854	203,454		72,082				157,226	
WIC - 2017	7,881	858,746	34,100	890,954			1,225	8,548	
Pedestrian Safety Grant - TY 2016		11,000		5,150				5,850	
Alcohol Education - 2017			18,337	221				18,116	
Body Armor - 2017			13,275					13,275	
Clean Communities - 2017			76,830					76,830	
Click It or Ticket - 2017			5,500	5,445				55	
Childhood Lead Paint - 2017/2018			158,454	77,112				81,342	
Drunk Driving Enforcement - 2017			38,577	25,951				12,626	
Disaster Recovery 2013 - Additional			297,890	297,890				-	
Disaster Recovery McDonald Brook - 2017			1,374,114				50,000	1,324,114	
Drive Sober September - 2017			5,500	5,390				110	
Drive Sober December - 2017			5,500					5,500	
Distracted Driving Crackdown - 2017			5,500	5,500				-	
DOT Various Road Improvements - 2017			385,456					385,456	
Green Acres - 3rd Ward & Veterans Memorial Park			1,000,000					1,000,000	
Hep Inoculation - 2017			8,369					8,369	
HOPWA - 2017/2018			120,000	6,668			9,022	104,310	
Municipal Alliance - 2017/2018			39,478	14,036			876	24,566	
Open Space - Christopher Columbus Park - 2017			100,000				100,000	-	
Open Space - Dog Park - 2017			100,000	7,188			7,227	85,585	
Recycling Tonnage - 2014			97,842	80,094			17,748	-	
Recycling Tonnage - 2015			97,374	25,607			627	71,140	
Recycling Tonnage - 2016			95,963					95,963	
Ryan White - 2017			166,931	29,295			9,627	128,009	
Stationhouse Adj. - 2017			19,762	18,892				870	
Summer Food - 2017			259,759	136,376			24,908	98,475	
Smile Donation - School Walkability			5,000					5,000	

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

	Balance December 31, 2016		Increased by: Budget				Balance December 31, 2017		
	Encumbered	Reserved	Appropriation	Expended	Transfers	Cancelled	Adjustments	Encumbered	Reserved
UEZA - 2017			\$ 139,902	\$ 60,495					\$ 79,407
UEZA - Taste of Market Street				4,085	\$ 5,000				915
WIC Facility Grant - 2017			108,000	2,200				\$ 105,800	-
WIC - 2018	-	-	1,091,091	203,734	-	-	-	1,316	886,041
	<u>\$ 1,364,447</u>	<u>\$ 6,277,838</u>	<u>\$ 5,921,091</u>	<u>\$ 4,914,369</u>	<u>\$ -</u>	<u>\$ 422,085</u>	<u>\$ 1,000</u>	<u>\$ 1,025,555</u>	<u>\$ 7,202,367</u>
Due from Current Fund			<u>\$ 5,921,091</u>						
Reserve for Unappropriated Grants							<u>\$ 1,000</u>		
Grants Receivable									
Due to Current Fund - Operations						<u>\$ 422,085</u>			
Cash Disbursements				<u>\$ 4,914,369</u>					

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

	Balance December 31, <u>2016</u>	Cash <u>Receipts</u>	Realized as Current Fund <u>Revenue</u>	<u>Adjustments</u>	Balance December 31, <u>2017</u>
UEZA Programs	\$ 139,902		\$ 139,902		
Mayor's Wellness	1,000			\$ (1,000)	
Recycling Tonnage - 2014	195,216		195,216		
JABG - 2014	19,741			(19,741)	
Sr. Trans - 2014	120,804				\$ 120,804
Hep. Inoculation - 2015	4,926	\$ 3,443	8,369		-
Multicultural - 2015	700				700
Recycling Tonnage - 2017		74,794			74,794
Sr. Trans - 2017		60,402			60,402
Stationhouse Adj - 2018		19,593			19,593
Bill Belichick Foundation 2017	-	10,000	-	-	10,000
	<u>\$ 482,289</u>	<u>\$ 168,232</u>	<u>\$ 343,487</u>	<u>\$ (20,741)</u>	<u>\$ 286,293</u>
			Due to Current Fund		
			\$ 343,487		
				Grants Receivable	
				\$ (19,741)	
				Reserve for Appropriated Grants	
			-	(1,000)	
			<u>\$ 343,487</u>	<u>\$ (20,741)</u>	

EXHIBIT A-34

STATEMENT OF RESERVE FOR PROGRAM INCOME - GRANT FUND

Balance, December 31, 2016	\$ 555,842
Decreased by:	
Adjustment - Due to HOME Fund Program Income	<u>66,926</u>
Balance, December 31, 2017	<u>\$ 488,916</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, 2016	\$ 37,158	\$ 10,159,003	\$ 133,765	\$ 455,774
Increased by:				
Animal Licenses	11,681			
Adoption Fees/Late Fees	10,652			
Due State of New Jersey	2,452			
Interest Earned	18			
Miscellaneous Reserves and Deposits Received from Current Fund		66,459,673		
Received from Grant Fund		103,587		33,567
Received from General Capital Fund Program Income		500,000		
HUD - CDBG Program Allotments			368	
HUD - HOME Program Allotments			1,938,220	524,767
HUD - HOME Loan Program Receipts	-	-	-	40,000
	<u>24,803</u>	<u>67,063,260</u>	<u>1,938,588</u>	<u>598,334</u>
	<u>61,961</u>	<u>77,222,263</u>	<u>2,072,353</u>	<u>1,054,108</u>
Decreased by:				
Due State of New Jersey	2,102			
Animal Control Expenditures	17,750			
Miscellaneous Reserves and Deposits		65,339,589		
Encumbrances Payable	7,251			
HUD-CDBG Program Expenditures			1,936,871	
Payments to Current Fund		1,883,412	112,987	270,737
Payments to Sewer Utility Operating Fund				
Payments made for General Capital Fund				
HUD - Home Investment Program Expenditures	-	-	-	698,814
	<u>27,103</u>	<u>67,223,001</u>	<u>2,049,858</u>	<u>969,551</u>
Balance, December 31, 2017	<u>\$ 34,858</u>	<u>\$ 9,999,262</u>	<u>\$ 22,495</u>	<u>\$ 84,557</u>

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

Balance, December 31, 2016		\$ 56
Increased by:		
Cash Receipts		<u>2,452</u>
		2,508
Decreased by:		
Cash Disbursed		<u>2,102</u>
Balance, December 31, 2017		<u>\$ 406</u>

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

Balance, December 31, 2016		\$ 29,851
Increased by:		
Dog/Cat Licenses	\$ 11,681	
Adoption Fees/Late Fees	<u>10,652</u>	
		<u>22,333</u>
		52,184
Decreased by:		
Cash Disbursements	17,750	
Encumbrances Payable	<u>4,076</u>	
		<u>21,826</u>
Balance, December 31, 2017		<u>\$ 30,358</u>

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

Increased by:	
Interest Earned	<u>\$ 18</u>
Balance, December 31, 2017	<u>\$ 18</u>

**STATEMENT OF ENCUMBRANCES PAYABLE
ANIMAL CONTROL FUND**

Balance, December 31, 2016	\$ 7,251
Increased by:	
Charges to Reserve for Expenditures	<u>4,076</u>
	11,327
Decreased by:	
Cash Disbursements	<u>7,251</u>
Balance, December 31, 2017	<u>\$ 4,076</u>

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

Balance, December 31, 2016 (Due to)		\$ 1,673,593
Increased by		
Other Trust Reserves and Deposits:		
Anticipated as Current Fund Revenue		<u>300,000</u>
		1,973,593
Decreased by:		
Payments to Current Fund	\$ 1,883,412	
Other Trust Reserves and Deposits:		
TY 2016 Appropriation Reserves		<u>1,450,000</u>
		<u>3,333,412</u>
Balance, December 31, 2017 (Due from)		<u>\$ 1,359,819</u>

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

Balance, December 31, 2016		\$ 177,711
Decreased by:		
Receipts from Grant Fund		<u>103,587</u>
Balance, December 31, 2017		<u>\$ 74,124</u>

**STATEMENT OF DUE FROM GENERAL CAPITAL FUND
OTHER TRUST FUND**

Balance, December 31, 2016		<u>\$ 500,000</u>
Decreased by:		
Receipts from General Capital Fund		<u>\$ 500,000</u>

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

	Balance, December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
Marriage License Fees	\$ 12,737	\$ 11,725	\$ 12,075	\$ 12,387
Payroll Deductions/Pension/ Salary Deposits	298,877	52,956,104	52,978,064	276,917
Police Funds	16,698	90,929	28,748	78,879
Police Off Duty Fees	125,997	1,345,588	1,262,230	209,355
Demolition & Performance Bond Deposits	89,898	2,000		91,898
Tax Redemption Deposits	256,310	2,107,114	2,142,483	220,941
Developers Housing Escrow Deposits	328,050	184,050	123,300	388,800
Zoning Developers Escrow	95,031	39,342	41,308	93,065
Planning Developers Escrow	9,269	52,399	29,770	31,898
Primary General Election Deposits	146	63,452	47,039	16,559
Elevator Inspection Fees	157,164	101,712	73,118	185,758
Fire Permits and Fines	25,974	11,265	32,610	4,629
Fire Line Safety Reg.	189,799	319,574	345,649	163,724
Fire Prevention Security	970			970
Unemployment Compensation Insurance	750,677	453,000	71,699	1,131,978
Self-Insurance General Liability Claims	1,282,497	3,164,368	2,834,087	1,612,778
Self Insurance Workman's Compensation Claims	670,310	2,462,453	2,528,474	604,289
Parking Offenses Adjudication Act Fees	19,848	27,350	19,965	27,233
Tax Sale Premium Deposits	2,114,050	2,432,718	1,790,718	2,756,050
Festival Performance Bonds	66,267	19,794	25,064	60,997
Recreation - Donations	15,206	140,448	165,321	(9,667)
Recreation Official Fee	8,698		747	7,951
Recreation Team Ceremony Fees	129		58	71
EMS Facility	523	24		547
Animal Control - Donations	6,755	1,075		7,830
Relocation Assistance-Donations	2,313	5,407		7,720
Senior Citizen - Donations	8,553	3,805	3,016	9,342
Substance Abuse - Donations	109	487		596
Nextel Rebanding Escrow Deposit	10,239			10,239
Affordable Housing - Reserve	30,662			30,662
Regional Contribution Agreement	65,486	44	788	64,742
Police and Firemen's Retirement Pension	279			279
Health Benefit Insurance	1,586,051	300,000	300,000	1,586,051
Tax Map Assessor Emergency	202,168		23,874	178,294
Developers Performance Bond	20,000			20,000
Accumulated Sick and Vacation	327,393	1,150,000	241,079	1,236,314
Drug Court Substance Abuse	176,806	307,568	419,749	64,625
NJ ACH Death Certificate	92,361	13,880		106,241
Festival Expense	430			430
Substance Abuse - NJ Medical Assistance Program	8,026	91,301	31,502	67,825
Storm Recovery	85,000		36,661	48,339
Flexible Spending Deposits	3,945	24,118	25,821	2,242
Police Donation SWAT	1,420	2,538	2,471	1,487
Good Faith Deposit		20,000		20,000
Toys for Kids - Donation		100		100
Mayor - Donation		1,441	941	500
Soccer Game Escrow (BOE)	-	2,500	1,160	1,340
	<u>\$ 9,163,121</u>	<u>\$ 67,909,673</u>	<u>\$ 65,639,589</u>	<u>\$ 11,433,205</u>
Cash Receipts		\$ 66,459,673		
Cash Disbursed			\$ 65,339,589	
Due to/from Current Fund		<u>1,450,000</u>	<u>300,000</u>	
		<u>\$ 67,909,673</u>	<u>\$ 65,639,589</u>	

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

Balance, December 31, 2016		\$ 2,331,362
Increased by:		
Program Allotment - CDBG Year 43		1,371,590
		3,702,952
Decreased by:		
Cash Receipts		1,938,220
Balance, December 31, 2017		\$ 1,764,732
	CDBG	\$ 1,690,059
	Emergency Solutions Grant	74,673
		\$ 1,764,732

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

Balance, December 31, 2016		\$ 2,496,623
Increased by:		
Program Income	\$ 368	
Program Allotment - CDBG Year 43	1,371,590	
		1,371,958
		3,868,581
Decreased by:		
CDBG Expenditures:		
Cash Disbursements		1,936,871
Balance, December 31, 2017		\$ 1,931,710
	<u>Analysis of Balance - December 31, 2017</u>	
	Program Income - Unappropriated	\$ 36,915
	Program Years Appropriated Reserves	1,795,181
	Emergency Solutions Grant	99,614
		\$ 1,931,710

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

Balance, December 31, 2016	\$ 1,284,126
Increased by:	
Grant Allotments	
Current Year Allotment - Year 43	<u>579,647</u>
	1,863,773
Decreased by:	
Cash Receipts - HUD	<u>524,767</u>
Balance, December 31, 2017	<u>\$ 1,339,006</u>

EXHIBIT B-13

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

Balance, December 31, 2016	\$ <u>155,454</u>
Balance, December 31, 2017	<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, 2016	\$ <u>455,237</u>
Balance, December 31, 2017	<u>\$ 455,237</u>

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

Balance, December 31, 2016	<u>\$ 8,122</u>
Balance, December 31, 2017	<u>\$ 8,122</u>

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

Balance, December 31, 2016	\$ 115,836
Decreased by:	
Payments to Current Fund	<u>112,987</u>
Balance, December 31, 2017	<u>\$ 2,849</u>

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

Balance, December 31, 2016	\$ 33,567
Increased by:	
Adjustment - HOME Program Income	<u>66,926</u>
	100,493
Decreased by:	
Receipts from Grant Fund	<u>33,567</u>
Balance, December 31, 2017	<u>\$ 66,926</u>

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

Balance, December 31, 2016	\$ 594,683
Decreased by:	
Payments to Current Fund	<u>270,737</u>
Balance, December 31, 2017	<u>\$ 323,946</u>

EXHIBIT B-19

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

Balance, December 31, 2016	\$ 1,178,784
Increased by:	
Grant Allotments	
Current Year Allotment - Year 43	\$ 579,647
Program Income - Loan Program	
Cash Receipts	\$ 40,000
Due from Grant Fund - Adjustment	<u>66,926</u>
	<u>106,926</u>
	<u>686,573</u>
	1,865,357
Decreased by:	
Cash Disbursements for Home Program Expenditures:	
Grant Allotment	564,641
Program Income	<u>134,173</u>
	<u>698,814</u>
Balance, December 31, 2017	<u>\$ 1,166,543</u>

Analysis of Balance - December 31, 2017

Program Income - Unappropriated	\$ 49,373
Program Years Appropriated Reserves	<u>1,117,170</u>
	<u>\$ 1,166,543</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2016		\$ 5,433,848
Increased by Receipts:		
Interest Earned	\$ 1,752	
Budget Appropriation		
Capital Improvement Fund	25,000	
Premium on Sale of Bonds	20,470	
Serial Bonds	8,581,000	
Receipts from Grant Fund	486	
Receipts from Passaic Board of Education	<u>500,000</u>	
		<u>9,128,708</u>
		14,562,556
Decreased by Disbursements:		
Improvement Authorizations	1,560,389	
Encumbrances Payable	2,464,285	
Bond Anticipation Notes	6,542,500	
Payments to Current Fund	149,990	
Payments to Other Trust Fund	<u>500,000</u>	
		<u>11,217,164</u>
Balance, December 31, 2017		<u>\$ 3,345,392</u>

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

		Balance December 31, <u>2017</u>
Fund Balance		\$ 117,537
Capital Improvement Fund		156,499
Grants/Loans Receivable		(263,532)
Encumbrances Payable		2,337,044
Due from Current Fund		(23,450)
Reserve for Curb and Sidewalk Improvements		5,000
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
1643-04	Various Improvements - Pulaski Park	(92,540)
1675-05	Various Park Improvements	5,817
1839-10	Various Improvements - Pulaski Park	(111)
2012-15	Improvement of Website	3,155
2040-16	Various Capital Improvements	79,403
2050-16	Various Capital Improvements	743,222
2101-17	Various Capital Improvements	<u>252,135</u>
		<u>\$ 3,345,392</u>

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

Ord. No.	Grantor Agency	Balance December 31, 2016	Balance December 31, 2017	Balance Pledged to Improvement Authorizations	Reserve
<u>Loans</u>					
1643-04	Green Acres Trust - Pulaski Park (RC Field)	\$ 92,540	\$ 92,540		\$ 92,540
1839-10	Green Acres Trust - Pulaski Park	<u>170,992</u>	<u>170,992</u>	-	<u>170,992</u>
	Total Loans	<u>263,532</u>	<u>263,532</u>	-	<u>263,532</u>
<u>Grants</u>					
1643-04	Green Acres Trust - Pulaski Park (RC Field)	92,540	92,540	\$ 92,540	
1839-10	Green Acres Trust - Pulaski Park	<u>170,992</u>	<u>170,992</u>	<u>170,992</u>	-
	Total Grants	<u>263,532</u>	<u>263,532</u>	<u>263,532</u>	-
	Grand Total	<u>\$ 527,064</u>	<u>\$ 527,064</u>	<u>\$ 263,532</u>	<u>\$ 263,532</u>

STATEMENT OF DUE TO/FROM CURRENT FUND

Balance, December 31, 2016 (Due to)	\$ 124,788
Increased by:	
Interest Earned	<u>1,752</u>
	126,540
Decreased by:	
Payments to Current Fund	<u>149,990</u>
Balance, December 31, 2017 (Due from)	<u>\$ 23,450</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2016	\$ 9,378,447
Increased by:	
Bonds Issued	<u>8,581,000</u>
	17,959,447
Decreased by:	
Payment of Bonds - Budget Appropriation	\$ 2,215,000
Payment of Loans- Budget Appropriation	<u>73,435</u>
	<u>2,288,435</u>
Balance, December 31, 2017	<u>\$ 15,671,012</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2016	2017 Authorizations	Transferred to Deferred Taxation - Funded	Balance, December 31, 2017	Analysis of Balance December 31, 2017		
						Financed by Bond Antic. Notes	Expended	Unexpended Improvement Authorizations
1036-88	Various Improvements	\$ 2,075			\$ 2,075		\$ 2,075	
1643-04	Various Impts - Pulaski Park	92,540			92,540		92,540	
1839-10	Improvements to Pulaski Park	170,992		\$ 170,881	111		111	
1865-11	Acquisition of Ambulance	118,750		118,750	-			
1868-11	Replacement of City's Telephone System	231,852		231,852	-			
1917-12	Acquisition of a Fire Apparatus	164,517		164,517	-			
1935-13	Various Capital Improvements	1,235,000		1,235,000	-			
2050-16	Various Capital Improvements	4,285,000		4,285,000	-			
2101-17	Various Capital Improvements	-	\$ 2,375,000	2,375,000	-	-	-	-
		<u>\$ 6,300,726</u>	<u>\$ 2,375,000</u>	<u>\$ 8,581,000</u>	<u>\$ 94,726</u>	<u>\$ -</u>	<u>\$ 94,726</u>	<u>\$ -</u>
								Improvement Authorizations - Unfunded
								<u>\$ -</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM GRANT FUND**

Balance, December 31, 2016		\$ <u>486</u>
Decreased by:		
Receipts from Grant Fund		\$ <u>486</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2016		\$ 256,499
Increased by:		
Cash Receipt - 2017 Budget Appropriation		<u>25,000</u>
		281,499
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>125,000</u>
Balance, December 31, 2017		\$ <u>156,499</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2016		\$ 2,467,440
Increased by:		
Charges to Improvement Authorizations		<u>2,337,044</u>
		4,804,484
Decreased by:		
Payments	\$ 2,464,285	
Cancelled Encumbrances Restored to Improvement Authorization	<u>3,155</u>	
		<u>2,467,440</u>
Balance, December 31, 2017		\$ <u>2,337,044</u>

**CITY OF PASSAIC
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance,</u>		<u>2017 Authorizations</u>		<u>Encumbrances Payable Cancelled</u>	<u>Expended</u>	<u>Balance,</u>	
		<u>December 31, 2016</u>	<u>December 31, 2016</u>	<u>Capital Improvement Fund</u>	<u>Deferred Charges Unfunded</u>			<u>December 31, 2017</u>	<u>December 31, 2017</u>
		<u>Funded</u>	<u>Unfunded</u>					<u>Funded</u>	<u>Unfunded</u>
1542-02 / 1784-08	Various Improvements	\$ 199,824					\$ 179,203	\$ 20,621	
1587-03	Various Improvements	43,762					37,095	6,667	
1675-05/1442-98	Various Park Improvements - Supplemental	12,259					6,442	5,817	
1935-13	Various Capital Improvements		\$ 53,421				53,421		
2012-15	Improvement of Website					\$ 3,155			3,155
2040-16	Various Capital Improvements	244,062					164,659	79,403	
2050-16	Various Capital Improvements		1,951,970				1,208,748	743,222	
2101-17	Various Capital Improvements	-	-	\$ 125,000	\$ 2,375,000	-	2,247,865	252,135	-
		<u>\$ 499,907</u>	<u>\$ 2,005,391</u>	<u>\$ 125,000</u>	<u>\$ 2,375,000</u>	<u>\$ 3,155</u>	<u>\$ 3,897,433</u>	<u>\$ 1,111,020</u>	<u>\$ -</u>
							Cash Disbursements	\$ 1,560,389	
							Encumbrances Payable	2,337,044	
								<u>\$ 3,897,433</u>	

**CITY OF PASSAIC
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2016	<u>Decreases</u>
1839-10	Improvements to Pulaski Park	\$ 500,000	6/27/2014	6/24/2016	6/23/2017	1.10%	\$ 500,000	\$ 500,000
1865-11	Acquisition of Ambulance	118,750	6/27/2014	6/24/2016	6/23/2017	1.10%	118,750	118,750
1868-11	Replacement of City's Telephone System	237,500	6/27/2014	6/24/2016	6/23/2017	1.10%	237,500	237,500
1917-12	Acquisition of Fire Apparatus	166,250	6/27/2014	6/24/2016	6/23/2017	1.10%	166,250	166,250
1935-13	Various Capital Improvements	1,235,000	6/27/2014	6/24/2016	6/23/2017	1.10%	1,235,000	1,235,000
2050-16	Various Capital Improvements	4,285,000	6/24/2016	6/24/2016	6/23/2017	1.10%	<u>4,285,000</u>	<u>4,285,000</u>
							<u>\$ 6,542,500</u>	<u>\$ 6,542,500</u>
							Paid by Capital Cash	<u>\$ 6,542,500</u>

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

Balance, December 31, 2016	\$ 1,014,447
Decreased by:	
Paid by Budget Appropriation	<u>73,435</u>
Balance, December 31, 2017	<u>\$ 941,012</u>

Ord. No.	<u>Description</u>	
1442-98/1622-04/ 1675-05	Dundee Island Field Rehabilitation	\$ 150,329
1442-98/1474-99/ 1622-04/1675-05	Third Ward Park Improvements	201,007
1442-98/1474-99/ 1622-04/1675-05	Hughes Lake	90,895
1655-05	Pulaski Park Renovation	12,313
1643-04	Roberto Clemente Field Improvements	157,460
1839-10	Pulaski Park Improvements	<u>329,008</u>
		<u>\$ 941,012</u>

STATEMENT OF RESERVE FOR CURB AND SIDEWALK IMPROVEMENTS

Balance, December 31, 2016	<u>\$ 5,000</u>
Balance, December 31, 2017	<u>\$ 5,000</u>

**CITY OF PASSAIC
STATEMENT OF DUE FROM PASSAIC BOARD OF EDUCATION**

Balance, December 31, 2016	\$ <u>500,000</u>
Decreased by:	
Cash Receipts	\$ <u>500,000</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Description</u>	<u>Balance December 31, 2016</u>	<u>Note Paydown Not Provided in Budget</u>	<u>2017 Authorizations</u>	<u>Bonds Issued</u>	<u>Balance December 31, 2017</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
2101-17	Various Capital Improvements	<u>-</u>	<u>-</u>	<u>\$ 2,375,000</u>	<u>\$ 2,375,000</u>	<u>-</u>
		<u>\$ 94,615</u>	<u>\$ 111</u>	<u>\$ 2,375,000</u>	<u>\$ 2,375,000</u>	<u>\$ 94,726</u>

SEWER UTILITY FUND

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2016	\$ 1,347,647	\$ 6,560
Increased by Receipts:		
Sewer Rents Received	\$ 5,481,100	
Other Accounts Receivable	131,468	
Due from Passaic Valley Water Commission	301,420	
Non-Budget Revenue	5,741	
Serial Bonds		\$ 646,000
Received from Current Fund		3
Received from Sewer Utility Capital Fund	<u>3</u>	<u>-</u>
	<u>5,919,732</u>	<u>646,003</u>
	7,267,379	652,563
Decreased by Disbursements:		
2017 Budget Appropriations	5,563,671	
TY 2016 Appropriation Reserves	23,946	
Encumbrances Payable	9,140	
Interest on Bonds	33,440	
Interest on Notes	6,513	
Bond Anticipation Notes		646,000
Payments made to Current Fund	928,428	
Payments made to Sewer Utility Operating Fund	<u>-</u>	<u>3</u>
	<u>6,565,138</u>	<u>646,003</u>
Balance, December 31, 2017	<u>\$ 702,241</u>	<u>\$ 6,560</u>

EXHIBIT D-5

ANALYSIS OF SEWER CAPITAL CASH

Due from Sewer Utility Operating Fund	\$ (3)
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, 2017	<u>\$ 6,560</u>

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

Balance, December 31, 2016		\$ 935,558
Increased by:		
Sewer Rents Levied - Net		<u>5,501,665</u>
		6,437,223
Decreased by:		
Sewer Rents Collected:		
Cash Receipts from Passaic Valley Water Commission	\$ 5,481,100	
Due From Passaic Valley Water Commission	<u>19,068</u>	
		<u>5,500,168</u>
Balance, December 31, 2017		<u>\$ 937,055</u>

EXHIBIT D-7

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

Balance, December 31, 2016		\$ 23,766
Increased by:		
St. Marys Sewer Rents Levied - Net		<u>156,123</u>
		179,889
Decreased by:		
Cash Receipts		<u>131,468</u>
Balance, December 31, 2017		<u>\$ 48,421</u>

EXHIBIT D-8

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

Balance, December 31, 2016		\$ 301,420
Increased by:		
Rents Due from 2017 Collections		<u>19,068</u>
		320,488
Decreased by:		
Cash Receipts		<u>301,420</u>
Balance, December 31, 2017		<u>\$ 19,068</u>

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

	Balance, December 31, 2016	Balance, December 31, 2017
Sanitary Sewer System	\$ 5,577,974	\$ 5,577,974
Sewer Jet Cleaning Truck	185,000	185,000
T.V. Camera Truck	125,000	125,000
	<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, 2016	Balance, December 31, 2017
2032-15	Improvements and Repairs to Sewer Pipes	\$ 35,766	\$ 35,766
		<u>\$ 35,766</u>	<u>\$ 35,766</u>

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

Balance, December 31, 2016	\$ 935,819
Decreased by:	
Payments to Current Fund	<u>928,428</u>
Balance, December 31, 2017	<u>\$ 7,391</u>

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

Increased by:	
Receipts from Sewer Utility Capital Fund	<u>\$ 3</u>
Balance, December 31, 2017	<u>\$ 3</u>

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

Increased by:	
Receipts from Current Fund	<u>\$ 3</u>
Balance, December 31, 2017	<u>\$ 3</u>

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

Balance, December 31, 2016	\$	9,140
Increased by:		
Charges to Budget Appropriations		65,928
		75,068
Decreased by:		
Cash Disbursed		9,140
Balance, December 31, 2017	\$	65,928

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

Increased by:		
Transfer from TY 2016 Appropriation Reserves	\$	1,165
Balance, December 31, 2017	\$	1,165

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

Balance, December 31, 2016	\$	11,531
Increased by:		
Charges to Budget Appropriations		
Interest on Bonds		32,847
		44,378
Decreased by:		
Interest Paid		33,440
Balance, December 31, 2017	\$	10,938

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

Balance, December 31, 2016	\$	1,899
Increased by:		
Charges to Budget Appropriations		
Interest on Note		4,614
		6,513
Decreased by:		
Interest Paid		6,513
	\$	6,513

**CITY OF PASSAIC
STATEMENT OF TY 2016 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance December 31, <u>2016</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	<u>Balance Lapsed</u>
OPERATING				
Other Expenses	\$ 117,067	\$ 117,067	\$ 25,111	\$ 91,956
Sewer Treatment Expenses	<u>1,443</u>	<u>1,443</u>	<u>-</u>	<u>1,443</u>
	<u>\$ 118,510</u>	<u>\$ 118,510</u>	<u>\$ 25,111</u>	<u>\$ 93,399</u>
			Cash Disbursed \$ 23,946	
			Transferred to Accounts Payable <u>1,165</u>	
			<u>\$ 25,111</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, 2016</u>		<u>Balance December 31, 2017</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, 2016	\$ 4,402,768
Increased by:	
Paid by Operating Budget:	
Serial Bonds	90,000
	4,492,768
Decreased by:	
Excess Bond Proceeds	14,794
Balance, December 31, 2017	\$ 4,477,974

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

Balance, December 31, 2016	\$ 35,766
Balance, December 31, 2017	\$ 35,766

Analysis of Balance - December 31, 2017

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

**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, 2017</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Sewer Bonds of 2010	7/27/2010	\$ 1,266,000	8/1/2018	\$ 90,000	3.25%	\$ 810,000			\$ 720,000
			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%				
			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%							
						-	\$ 646,000	-	646,000
						<u>\$ 810,000</u>	<u>\$ 646,000</u>	<u>\$ 90,000</u>	<u>\$ 1,366,000</u>
Issued for Cash							\$ 646,000		
Paid by Budget Appropriation							-	\$ 90,000	
						<u>\$ 646,000</u>	<u>\$ 90,000</u>		

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

Ord. No.	<u>Improvement Description</u>	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2016	<u>Decreased</u>
1871-11	Various Sewer Improvements	\$ 266,000	6/27/2014	6/24/2016	6/23/2017	1.10%	\$ 266,000	\$ 266,000
1913-12	Various Sewer Improvements	380,000	6/27/2014	6/24/2016	6/23/2017	1.10%	<u>380,000</u>	<u>380,000</u>
							<u>\$ 646,000</u>	<u>\$ 646,000</u>
						Paid by Capital Cash		<u>\$ 646,000</u>

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

Increased by:			
Excess Bond Proceeds			
Ordinance 1871-11		\$ 13,957	
Ordinance 1913-12		<u>837</u>	
			<u>\$ 14,794</u>
Balance, December 31, 2017			<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>2016</u>	Balance, December 31, <u>2017</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

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

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2018. 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. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited General Fixed Assets Account Group financial statements.

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 City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Passaic's financial statements are free 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying of findings and questioned costs as item 2017-001.

We also 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".

City of Passaic's Responses to Findings

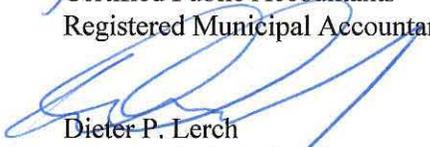
The City of Passaic's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Passaic's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CS00398

Fair Lawn, New Jersey
May 30, 2018



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND 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**

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 City of Passaic’s major federal and state programs for the year ended December 31, 2017. 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, contracts, 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 (CFR) 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, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003. Our opinion on each major federal and state program is not modified with respect to these matters.

The City of Passaic's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Passaic's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 that we consider to be material weaknesses.

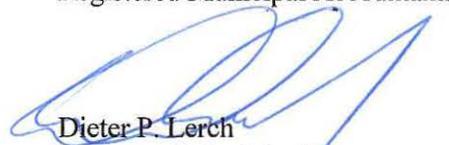
The City of Passaic's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Passaic's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Schedules of Expenditures of Federal Awards Required by Uniform Guidance and 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, 2017, and the related notes to the financial statements and have issued our report thereon dated May 30, 2018, 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 a modified opinion on those financial statements prepared in accordance with the regulatory basis of accounting because of the presentation of the unaudited General Fixed Assets Account Group financial statements. 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 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
May 30, 2018

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

State Grant Program	CFDA Number	State Acct Number	Grant Award Amount	Grant Receipts	Balance, December 31, 2016	Revenue Realized	Program Income	Expenditures	(Cancelled/ Adjustment	Balance, December 31, 2017	Cumulative Expended
U.S. Department of Health and Human Services											
Ryan White Title I - 2017	93.924	N/A	\$ 166,931	\$ 116,599		\$ 166,931		\$ 29,295		\$ 137,636	\$ 29,295
Ryan White Title I - 2016 - TY	93.924	N/A	34,084	48	\$ 34,084			3,734		30,350	3,734
Ryan White Title I - 2016	93.924	N/A	143,303	48,123	47,589			47,589		-	143,303
Ryan White Title I - 2015	93.924	N/A	152,343		83,667					83,667	68,676
Ryan White Title I - 2014	93.924	N/A	58,098		225				\$ (225)	-	57,873
Ryan White Title I - 2013	93.924	N/A	169,787		6,440				(6,440)	-	163,347
Ryan White Title I - 2008	93.924	N/A	172,274		100				-	100	172,174
Total Ryan White Title I Cluster					172,105	166,931	-	80,618	(6,665)	251,753	638,402
Department of Parks And Recreation											
Columbia Park/UPAR/Green Acres	15.919	N/A			3,721				(3,721)	-	
U.S. Department of Community Affairs - (Pass through State Depart of Community Affairs - Housing Services)											
Neighborhood Preservation	14.000	022-8020-100-017-12	2,207,775		2,689				(2,689)	-	2,205,086
U.S. Department of Health - (Pass through State Division of Family Health Services)											
Women, Infants, and Children-2018	10.557	046-4220-100-113-18	1,091,091			1,091,091		203,734		887,357	203,734
Women, Infants, and Children-Facility Grant 2017	10.557	046-4220-100-113-17	108,000	108,000		108,000		2,200		105,800	2,200
Women, Infants, and Children-2017	10.557	046-4220-100-113-17	1,099,400	1,045,617	866,627	34,100		890,954		9,773	1,089,627
Women, Infants, and Children-2016	10.557	046-4220-100-113-16	1,045,311	241,642	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
Women, Infants, and Children-2014	10.557	046-4220-100-113-14	949,520		30,031				(30,031)	-	919,489
Women, Infants, and Children-2013	10.557	046-4220-100-113-13	837,516		10,221				(10,221)	-	827,295
Women, Infants, and Children-2012	10.557	046-4220-100-113-12	779,507		60				(60)	-	779,447
Total Women, Infants, and Children Cluster					930,978	1,233,191	-	1,096,888	(40,312)	1,026,969	5,121,484
U.S. Department of Agriculture - (Pass through State Division of Food and Nutrition)											
17 Summer Food Program	10.559	010-3350-100-033-17	259,759	165,443		259,759		136,376		123,383	136,376
16 Summer Food Program	10.559	010-3350-100-033-16	374,560	2,166	229,308			72,082		157,226	217,334
12 Summer Food Program	10.559	010-3350-100-033-12	216,924		45,368				(45,368)	-	171,556
11 Summer Food Program	10.559	010-3350-100-033-11	458,147		1,688				(1,688)	-	456,459
10 Summer Food Program	10.559	010-3350-100-033-10	287,527		10,489				(10,489)	-	277,038
09 Summer Food Program	10.559	010-3350-100-033-09	369,547		11,957				(11,957)	-	357,590
Total Summer Food Program Cluster					298,810	259,759	-	208,458	(69,502)	280,609	1,616,353
U.S. Department of Justice											
Neighborhood Crime Prevention	16.710	N/A	54,104		66				(66)	-	54,038
Neighborhood Crime Prevention	16.710	N/A	33,274		49				(49)	-	33,225
Total Neighborhood Crime Prevention Cluster					115	-	-	-	(115)	-	87,263
Pass through Dept of Law and Public Safety-Division of Criminal Justice:											
Byrne Memorial Justice Asst. 2016 - TY	16.738	066-1020-100-364-16	225,070		225,070			46,656		178,414	46,656
Byrne Memorial Justice Asst. 2016	16.738	066-1020-100-364-16	217,459		217,459			39,892		177,567	39,892
Byrne Memorial Justice Asst. 2015	16.738	066-1020-100-364-15	246,078		185,600			91,585		94,015	152,063
Byrne Memorial Justice Asst. 2014	16.738	066-1020-100-364-14	223,632	206	7,955			1		7,954	215,678
Byrne Memorial Justice Asst. 2012	16.738	066-1020-100-364-12	232,746		580				(580)	-	232,166
Byrne Memorial Justice Asst. 2011	16.738	066-1020-100-364-11	284,032		5,604				(5,604)	-	278,428
Byrne Memorial Justice Asst. 2010	16.738	066-1020-100-364-10	362,938	44,953	5,033				(5,033)	-	357,905
Total Byrne Memorial Justice Asst. Cluster					647,301	-	-	178,134	(11,217)	457,950	1,322,788

See Accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<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, 2016</u>	<u>Revenue Realized</u>	<u>Program Income</u>	<u>Expenditures</u>	<u>(Cancelled)/ Adjustment</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expended</u>
U.S. Department of Homeland Security (Passed through State Department of Law and Public Safety)											
Fire Safer Program	97.083	N/A	\$ 1,094,988	\$ 470,990	\$ 1,063,053	-	-	\$ 462,968	-	\$ 600,085	\$ 494,903
Fire Safer Program	97.083	N/A	1,530,304		3,305	-	-	-	\$ (3,305)	-	1,526,999
Total Fire Safer Program Cluster					1,066,358	-	-	462,968	(3,305)	600,085	2,021,902
U.S. Department of Transportation - (Pass through State Department of Transportation - Local Municipal Aid) Highway Planning and Construction Program											
Transportation Trust - Howel/Lincoln/St. Francis	20.205	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 2017	20.616	066-1160-100-057-17	5,500			\$ 5,500				5,500	-
Drunk Driver Prevention (Drive Sober) - Sept 2017	20.616	066-1160-100-057-17	5,500	5,390		5,500		5,390		110	5,390
Drunk Driver Prevention (Drive Sober)	20.616	066-1160-100-057-16	10,000	4,700	3,150			2,725		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
Drunk Driver Prevention (Drive Sober)	20.616	066-1160-100-057-XX	9,400		2,000				(2,000)	-	7,400
Click It or Ticket - Seat Belt Campaign	20.616	066-1160-100-146-17	5,500	5,500		5,500		5,445		55	5,445
Click It or Ticket - Seat Belt Campaign	20.616	066-1160-100-146-XX	4,000		200				(200)	-	3,800
Pedestrian Safety Grant	20.609	066-1160-100-146-XX	16,000	10,419	11,000			5,150		5,850	10,150
Pedestrian Safety Grant	20.609	066-1160-100-146-XX	17,000		300				(300)	-	16,700
Pedestrian Safety Grant	20.609	066-1160-100-146-17	18,000		510				(510)	-	17,490
Distracted Driving Crackdown	20.616	N/A-2017	5,500	5,500		5,500		5,500		-	5,500
Distracted Driving Crackdown	20.616	N/A	5,000		50					50	4,950
Booster Seat Enforcement Grant	20.613	N/A	20,000		1,227				(1,227)	-	18,773
Total Highway Safety Cluster					27,237	22,000	-	24,210	(4,237)	20,790	108,873
U.S. Department of Energy											
Energy Efficiency & Conserv. Bl. Grant	81.128	N/A	613,800		12,196				(12,196)	-	601,604
U.S. Department of Environmental Protection											
Forestry Management	10.664	042-4870-100-038	6,000		1,800				(1,800)	-	4,200
U.S. Department of Housing and Urban Development											
Disaster Recovery Grant - 2013	14.269	N/A	2,040,000	957,789	404,790			404,790		-	2,040,000
Disaster Recovery Grant Additional - 2013	14.269	N/A	297,890	297,890		297,890		297,890		-	297,890
Disaster Recovery Grant - McDonald Brook	14.269	N/A	1,374,114		-	1,374,114		-		1,374,114	-
Total Disaster Recovery Cluster					404,790	1,672,004	-	702,680	-	1,374,114	2,337,890
CDBG Entitlement Grants											
Emergency Solutions Grant	14.218	N/A	1,371,590	1,843,220	2,302,711	1,371,590		1,842,205		1,832,096	1,842,205
Relocation Assistance Program	14.231	N/A		95,000	193,912		\$ 368	94,666		99,614	94,666
Home Investment Partnership Program	14.000	N/A			10,325			-	(10,325)	-	
Home Investment Partnership Program	14.239	N/A	579,647	524,767	1,178,784	579,647	40,000	698,814	66,926	1,166,543	698,814
					\$ 7,315,387	\$ 5,305,122	\$ 40,368	\$ 5,389,641	\$ (99,158)	\$ 7,172,078	\$ 18,900,475

N/A - Not Applicable

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, December 31, 2016	Revenue Realized	Local Match	Expended	Adjustments	Balance, December 31, 2017	Cumulative Expended
Department of Community Affairs											
Clean Communities Grant	042-4900-765-004-17	2017	\$ 76,830	\$ 76,830		\$ 76,830				\$ 76,830	-
Clean Communities Grant	042-4900-765-004-16	2016	90,435		\$ 90,435			\$ 2,327		88,108	\$ 2,327
Clean Communities Grant	042-4900-765-004-15	2015	79,122		47,706			18,041		29,665	49,457
Clean Communities Grant	042-4900-765-004-14	2014	65,072		7,777			5,589	\$ (4)	2,184	62,884
Clean Communities Grant	042-4900-765-004-13	2013	69,402		184			184		-	69,402
Clean Communities Grant	042-4900-765-004-12	2012	59,112		304			304		-	59,112
Clean Communities Grant	042-4900-765-004-10	2010	63,927		367			367		-	63,927
Total Clean Communities Cluster					146,773	76,830	-	26,812	(4)	196,787	307,109
Lead Intervention	022-8020-076-022750	2004	531,600		149,440				(149,440)	-	382,160
Recreation Opportunity	022-8050-100-035-13	2015	19,860	9,860	9,860					9,860	10,000
Recreation Opportunity	022-8050-100-035-13	2013	24,000		4,000				(4,000)	-	20,000
Total Recreation Opportunity Cluster					13,860	-	-	-	(4,000)	9,860	30,000
Domestic Violence Training Program	N/A	2006	3,000		1,397				(1,397)	-	1,603
Recycling Tonnage	042-4900-752-001-17	2017	74,794	74,794							
Recycling Tonnage	042-4900-752-001-16	2016	95,963	95,963		95,963				95,963	-
Recycling Tonnage	042-4900-752-001-15	2015	97,374		97,374			25,607		71,767	25,607
Recycling Tonnage	042-4900-752-001-14	2014	97,842		97,842			80,094		17,748	80,094
Recycling Tonnage	042-4900-752-001-13	2013	99,373		23,078					23,078	76,295
Recycling Tonnage	042-4900-752-001-12	2012	97,518		28,659					28,659	68,859
Total Recycling Tonnage Cluster					51,737	291,179	-	105,701	-	237,215	250,855
Summer Employment	N/A	2013	19,400		212				(212)	-	19,188
Summer Employment	N/A	2012	19,400		45				(45)	-	19,355
Total Summer Employment Cluster					257	-	-	-	(257)	-	38,543
Department of Health											
Alcohol Education and Rehabilitation	760-046-4240-001	2017	18,337	18,337		18,337		221		18,116	221
Alcohol Education and Rehabilitation	760-046-4240-001	2016	26,650		26,650					26,650	-
Alcohol Education and Rehabilitation	760-046-4240-001	2015	24,339		14				(14)	-	24,325
Alcohol Education and Rehabilitation	760-046-4240-001	2014	17,724		1,517				(1,517)	-	16,207
Total Alcohol Education & Rehabilitation Cluster					28,181	18,337	-	221	(1,531)	44,766	40,753
Childhood Lead Poisoning Prevention	17-348-CHS-L-0	2017	158,454	44,145		158,454		77,112		81,342	77,112
Childhood Lead Poisoning Prevention - TY	16-348-CHS-L-0	2016	159,250	118,531	92,836			92,492		344	158,906
Childhood Lead Poisoning Prevention	16-348-CHS-L-0	2016	159,250	36,424	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					117,821	158,454	-	169,604	-	106,671	529,533

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, December 31, 2016	Revenue Realized	Local Match	Expended	Adjustments	Balance, December 31, 2017	Cumulative Expended
Passed Thru County of Passaic											
Municipal Alliance	N/A	2017	\$ 39,478			\$ 39,478		\$ 14,036		\$ 25,442	\$ 14,036
Municipal Alliance - TY	N/A	2016	39,478	\$ 22,145	\$ 30,612			30,493		119	39,359
Municipal Alliance	N/A	2016	10,194		8,964				\$ 1,000	9,964	230
Municipal Alliance	N/A	2015	39,478		1,979					1,979	37,499
Municipal Alliance	N/A	2008	46,300		11	-	-	-	(11)	-	46,289
Total Municipal Alliance Cluster					<u>41,566</u>	<u>39,478</u>	<u>-</u>	<u>44,529</u>	<u>989</u>	<u>37,504</u>	<u>137,413</u>
Sr. Citizen & Disabled Resident Transport	N/A	2017	60,402	60,402							
Sr. Citizen & Disabled Resident Transport	N/A	2013	60,402		15,420				(15,420)	-	44,982
Cancer Control and Prevention Grant	09-32-CCC-L-1	2008	64,807		420				(420)	-	64,387
Multi Cultural	N/A	2015	700		700					700	-
Department of Law and Public Safety											
Drunk Driving Enforcement	1110-448-031020-22	2017	38,577	38,577		38,577		25,951		12,626	25,951
Drunk Driving Enforcement	1110-448-031020-22	2016	28,629		24,604			20,604		4,000	24,629
Drunk Driving Enforcement	1110-448-031020-22	2015	23,355		6,785					6,785	16,570
Drunk Driving Enforcement	1110-448-031020-22	2014	17,669		7,415	-	-	-	-	7,415	10,254
Total Drunk Driving Enforcement Cluster					<u>38,804</u>	<u>38,577</u>	<u>-</u>	<u>46,555</u>	<u>-</u>	<u>30,826</u>	<u>77,404</u>
Body Armor Replacement	066-1020-718-001-11	2017	13,275	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		13,213			8,177		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					<u>42,032</u>	<u>13,275</u>	<u>-</u>	<u>8,177</u>	<u>-</u>	<u>47,130</u>	<u>35,653</u>

**CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, December 31, 2016	Revenue Realized	Local Match	Expended	Adjustments	Balance, December 31, 2017	Cumulative Expended
Department of Law and Public Safety											
Safe and Secure	066-1020-100-232-16	2016	\$ 90,000	\$ 90,000	\$ 5,019			\$ 5,019		-	\$ 90,000
Safe and Secure	066-1020-100-232-14	2014	90,000		48,750	-	-	-	-	48,750	41,250
Total Safe and Secure Cluster					<u>53,769</u>	<u>-</u>	<u>-</u>	<u>5,019</u>	<u>-</u>	<u>48,750</u>	<u>131,250</u>
Juvenile Acct. Incen. B1 Grant (Station House)											
Juvenile Acct. Incen. B1 Grant (Station House)	JAIBG-16-01-02	2018	19,593	19,593							
Juvenile Acct. Incen. B1 Grant (Station House)	JAIBG-16-01-02	2017	19,762			\$ 19,762		18,892		870	18,892
Juvenile Acct. Incen. B1 Grant (Station House)	JAIBG-16-01-02	2016	32,349	21,818	195	12,587		12,524		258	32,091
Juvenile Acct. Incen. B1 Grant (Station House)	JAIBG-16-01-02	2015	19,792		486			450		36	19,756
Juvenile Acct. Incentive Block Grant	JAIBG-16-01-02	2012	30,328		13				\$ (13)	-	30,315
Juvenile Acct. Incentive Block Grant	JAIBG-16-01-02	2010	32,000		100	-	-	-	(100)	-	32,100
Total Juvenile Acct. Incentive Block Cluster					<u>794</u>	<u>32,349</u>	<u>-</u>	<u>31,866</u>	<u>(113)</u>	<u>1,164</u>	<u>133,154</u>
Walk Safe Passaic											
Walk Safe Passaic	066-1160-100-131-15	2015	16,000		6,770			6,770		-	16,000
Walk Safe Passaic	066-1160-100-131-14	2014	15,000		552				(552)	-	14,448
Walk Safe Passaic	066-1160-100-131-12	2012	16,000		1,185	-	-	-	(1,185)	-	14,815
Total Walk Safe Passaic Cluster					<u>8,507</u>	<u>-</u>	<u>-</u>	<u>6,770</u>	<u>(1,737)</u>	<u>-</u>	<u>45,263</u>
Department of Commerce and Economic Development											
Urban Enterprise Zone Assistance Fund (UEZ)											
2830-763-250-XXX-50											
17 - Urban Enterprise Zone	UEZA	2017	139,902		-	139,902		60,495		79,407	60,495
17 - Taste of Market Street	UEZA	2017	5,000		-			4,085	5,000	915	4,085
15 - Administration - Commodities	UEZA	2015	16,925		16,575			230		16,345	580
15 - Dundee Canal Redevelopment	UEZA	2015	15,000		8,012				(5,000)	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		12	-	-	12		-	123,603
Total Urban Enterprise Zone Cluster					<u>37,153</u>	<u>139,902</u>	<u>-</u>	<u>64,822</u>	<u>-</u>	<u>112,233</u>	<u>215,197</u>
Department of Transportation											
Transp. Trust - Various Road Imp - 2017	078-6320-480-XXX	2017	385,456			385,456				385,456	-
Transp. Trust - Various St Imp - 2016	078-6320-480-XXX	2016			353,273			10,793		342,480	10,793
Transportation Trust - 8th Street	078-6320-480-ALL/ALG	2013	309,160	91,737	48,912				(48,912)	-	260,248
Transportation Trust - Market Streetscape Enhance	078-6320-480-XXX-XX	2014	750,000		750,000	-	-	-	-	750,000	-
Total Transportation Cluster					<u>1,152,185</u>	<u>385,456</u>	<u>-</u>	<u>10,793</u>	<u>(48,912)</u>	<u>1,477,936</u>	<u>271,041</u>

CITY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

State Grant Program	Account Numbers	Grant Year	Grant Award	Grant Receipts	Balance, December 31, 2016	Realized	Local Match	Expended	Adjustments	Balance, December 31, 2017	Cumulative Expended
Other State Departments											
Hepatitis B Inoculation	046-4230-100-241-17	2017	\$ 8,369	\$ 3,443		\$ 8,369				\$ 8,369	-
Hepatitis B Inoculation	046-4230-100-241-15	2015	5,000		\$ 3,888			\$ 3,310		578	\$ 4,422
Hepatitis B Inoculation	046-4230-100-241-14	2014	5,000		533				\$ (533)	-	4,467
Hepatitis B Inoculation	046-4230-100-241-13	2013	700		476				(476)	-	224
Hepatitis B Inoculation	046-4230-100-241-08	2008	5,000		9				(9)	-	4,991
Total Hepatitis B Inoculation Cluster					<u>4,906</u>	<u>8,369</u>	<u>-</u>	<u>3,310</u>	<u>(1,018)</u>	<u>8,947</u>	<u>14,104</u>
Emergency Telecommunication	2034-100-082-SBE7-050-UOAB-6120	2008	579,761		3,888				(3,888)	-	575,873
Emergency Telecommunication	2034-100-082-SBE7-050-UOAB-6120	2007	68,000		2,829				(2,829)	-	65,171
Total Emergency Telecommunication Cluster					<u>6,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,717)</u>	<u>-</u>	<u>641,044</u>
Housing Opportunity Grant	N/A	2017	120,000	22,371		120,000		6,668		113,332	6,668
Housing Opportunity Grant - TY	N/A	2016	160,000	132,988	71,817	40,000		102,692		9,125	150,875
Housing Opportunity Grant	N/A	2016	69,610	5,057	9,247					9,247	60,363
Housing Opportunity Grant	N/A	2015	75,000		23,543					23,543	51,457
Housing Opportunity Grant	N/A	2014	120,389		20,548				(20,548)	-	99,841
Housing Opportunity Grant	N/A	2013	100,000		1,435				(1,435)	-	98,547
Housing Opportunity Grant	N/A	2012	144,908		1,346				(1,346)	-	143,562
Total Housing Opportunity Cluster					<u>127,936</u>	<u>160,000</u>	<u>-</u>	<u>109,360</u>	<u>(23,329)</u>	<u>155,247</u>	<u>611,313</u>
Emergency Preparedness Grant	N/A	2011	10,000		6				(6)	-	9,994
Baseball Tomorrow	N/A	2016	250,000	125,000	171,788			171,788		-	250,000
Baseball Tomorrow	N/A	2012	95,597		279				(279)	-	95,318
Total Baseball Tomorrow Cluster					<u>172,067</u>	<u>-</u>	<u>-</u>	<u>171,788</u>	<u>(279)</u>	<u>-</u>	<u>345,318</u>
Highlands Council Transfer Development	N/A	2014	40,000		32,193					32,193	7,807
Junior Tennis	N/A	2014	2,000		600				(600)	-	1,400
High Drug Traffic Youth Empowerment	N/A	2016	2,160		2,160					2,160	-
High Drug Traffic Youth Empowerment	N/A	2015	2,708		906				(906)	-	1,802
Total High Drug Traffic Youth Empowerment Cluster					<u>3,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(906)</u>	<u>2,160</u>	<u>1,802</u>
NJ Office of Emergency Management											
Hazard Mitigation Grant		2016	250,000		250,000			97,803		152,197	97,803
Department of Environmental Protection											
Green Trust Grant - 3rd Ward & Vet Mem Park	4800-533-852000-60	2017	1,000,000			1,000,000				1,000,000	-
Green Trust Grant - MacDonald's Brook	4800-533-852000-60	2016	1,100,000	100,000	987,448			861,828		125,620	974,380
Green Trust Grant - Christopher Columbus	4800-533-852000-60	2012	900,000	900,000	78,533			78,533		-	900,000
Total Green Trust Cluster					<u>1,065,981</u>	<u>1,000,000</u>	<u>-</u>	<u>940,361</u>	<u>-</u>	<u>1,125,620</u>	<u>1,874,380</u>
					<u>\$ 3,564,288</u>	<u>\$ 2,362,206</u>	<u>\$ -</u>	<u>\$ 1,843,491</u>	<u>\$ (255,097)</u>	<u>\$ 3,827,906</u>	<u>\$ 6,341,265</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, 2017**

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	\$ 3,353,885	\$ 2,362,206	\$ 5,716,091
Community Development Grant Fund	1,371,590		1,371,590
Home Loan Program Fund	<u>579,647</u>	<u>-</u>	<u>579,647</u>
	<u>\$ 5,305,122</u>	<u>\$ 2,362,206</u>	<u>\$ 7,667,328</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, 2017**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The City's state loans outstanding at December 31, 2017, 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	\$ 150,329
Third Ward Park Improvements	201,007
Hughes Lake Rehabilitation	90,895
Pulaski Park Renovation	12,313
Roberto Clemente Field Improvements	157,460
Pulaski Park Improvements	<u>329,008</u>
	<u>\$ 941,012</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 Uniform Guidance.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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? X yes 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? X yes no
- O) Identification of major programs:

GMIS Number(s)	Name of State Program
4800-533-852000-60	Green Trust Grant Program

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-001

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

Criteria or specific requirement:

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

Condition:

Fixed assets accounting records have not been updated since 1991. However the City did award a contract to Asset Works on December 5, 2017 for the update of the Fixed Assets.

Context:

Fixed asset records are not currently maintained in accordance with NJAC. Balance reported for fixed assets was \$91,441,474 at December 31, 2017.

Effect:

The auditors' report on the December 31, 2017 financial statements is modified with respect to the General Fixed Assets Account Group.

Cause:

See condition.

Recommendation:

The City's financial statements be updated to reflect the value of the fixed assets upon completion by the vendor.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed the recommendation and corrective action will be taken.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Finding 2017-002

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

Federal program information:

14.218 - Community Development Block Grant – Entitlement Programs

Criteria or specific requirement:

Federal Grant Compliance Supplement

Condition:

Fixed assets accounting records have not been updated since 1991. However, the City did award a contract to Asset Works on December 5, 2017 for the update of the Fixed Assets.

Questioned Costs:

Unknown.

Context:

Fixed asset records are not currently maintained in accordance with grant compliance supplement. Balance reported for fixed assets was \$91,441,474 at December 31, 2017.

Effect:

Noncompliance with federal grant compliance requirements.

Cause:

See Condition.

Recommendation:

The City's financial statements be updated to reflect the value of the fixed assets upon completion by the vendor.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed the recommendation and corrective action will be taken.

**CITY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 STATE AWARDS

Finding 2017-003

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

State program information:

Department of Environmental Protection – Green Trust Grant

Criteria or specific requirement:

State Grant Compliance Supplement.

Condition:

Fixed asset accounting records have not been updated since 1991. However, the City did award a contract to Asset Works on December 5, 2017 for the update of the Fixed Assets.

Questioned Costs:

Unknown.

Context:

Fixed asset records are not currently maintained in accordance with grant compliance supplement. Balance reported for fixed assets was \$91,441,474 at December 31, 2017.

Effect:

Noncompliance with state grant compliance requirements.

Cause:

See Condition.

Recommendation:

The City's financial statements be updated to reflect the value of the fixed assets upon completion by the vendor.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed the recommendation and corrective action will be taken.

**CITY OF PASSAIC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 TY 2016-001, TY 2016-002, TY 2016-003

Fixed assets accounting records have not been updated since 1991.

Current Status

See Finding 2017-001, 2017-002 and 2017-003.

CITY OF PASSAIC

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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

	<u>2017</u>			<u>TY 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 2,350,000	1.65 %	\$	900,000	1.34 %
Miscellaneous - From Other Than Local					
Property Tax Levies	29,831,737	20.96		11,826,526	17.57
Collection of Delinquent Taxes and Tax Title Liens	791,338	0.56		289,165	0.43
Collection of Current Tax Levy	104,199,227	73.19		51,597,790	76.64
Other Credits to Income	<u>5,182,187</u>	<u>3.64</u>		<u>2,706,363</u>	<u>4.02</u>
 Total Income	 <u>142,354,489</u>	 <u>100.00</u> %		 <u>67,319,844</u>	 <u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	93,194,545	68.63 %		41,788,270	63.76 %
County Taxes	25,032,378	18.43		12,215,584	18.64
Local School Taxes	16,818,577	12.38		8,409,289	12.83
Other Expenditures	<u>762,115</u>	<u>0.56</u>		<u>3,124,564</u>	<u>4.77</u>
 Total Expenditures	 <u>135,807,615</u>	 <u>100.00</u> %		 <u>65,537,707</u>	 <u>100.00</u> %
 Excess in Revenue	 6,546,874			 1,782,137	
 Fund Balance, Beginning of Year	 <u>5,527,655</u>			 <u>4,645,518</u>	
	12,074,529			6,427,655	
Decreased by:					
Utilization as Anticipated Revenue	<u>2,350,000</u>			<u>900,000</u>	
 Fund Balance, End of Year	 <u>\$ 9,724,529</u>			 <u>\$ 5,527,655</u>	

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

	<u>2017</u>			<u>TY 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Anticipated	\$ 84,159	1.45 %	\$	130,980	4.30 %
Collection of Sewer Rents	5,631,636	96.84		2,880,539	94.53
Non-Budget Revenues	5,741	0.10		7,693	0.25
Other Credits to Income	<u>93,399</u>	<u>1.61</u>		<u>28,057</u>	<u>0.92</u>
 Total Income	 <u>5,814,935</u>	 <u>100.00</u> %		 <u>3,047,269</u>	 <u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Operating	5,646,378	97.79 %		2,731,000	96.26 %
Debt Service	<u>127,461</u>	<u>2.21</u>		<u>105,980</u>	<u>3.74</u>
 Total Expenditures	 <u>5,773,839</u>	 <u>100.00</u> %		 <u>2,836,980</u>	 <u>100.00</u> %
 Excess in Revenues	 41,096			 210,289	
 Fund Balance, Beginning of Year	 <u>572,168</u>			 <u>492,859</u>	
	613,264			703,148	
Decreased by:					
Utilization as Anticipated Revenue	<u>84,159</u>			<u>130,980</u>	
 Fund Balance, End of Year	 <u>\$ 529,105</u>			 <u>\$ 572,168</u>	

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$3.487</u>	<u>\$3.368</u>	<u>\$7.573</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$2.105	\$2.044	\$4.569
County	.826	.775	1.738
Local School	.556	.549	1.266

Assessed Valuation

2017	<u>\$3,026,067,100</u>
2016	<u>\$ 3,065,013,700</u>
2015	<u>\$ 1,328,633,000</u>

The City undertook a revaluation of real property which became effective in 2016.

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, 2017	\$ 105,697,795	\$ 104,699,227	99.05%
TY December 31, 2016	52,991,052	51,597,790	97.37%
SFY June 30, 2016	100,554,217	99,615,615	99.06%

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>
2017	\$ 525,261	\$ 56,216	\$ 581,477	0.55%
TY 2016	397,760	712,470	1,110,230	2.10%
SFY 2016	510,181	10,518	520,699	0.52%

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

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(A)</u>	<u>Percentage of Collection</u>
2017	\$ 5,657,788	\$ 5,631,636	99.54%
TY 2016	2,924,990	2,880,539	98.48%
SFY 2016	5,293,947	5,266,697	99.49%

(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	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
	SFY 2014	3,466,874	1,330,000
Sewer Utility	2017	\$529,105	\$434,000
	TY 2016	572,168	84,159
	SFY 2016	492,859	130,980
	SFY 2015	496,796	127,000
	SFY 2014	199,581	-

**CITY OF PASSAIC
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Hector C. Lora	Mayor	
Gary S. Schaer	Council President	
Jose R. Garcia	Councilman	
Thania Melo	Councilman	
Terrence L. Love	Councilman	
Chaim M. Munk	Councilman	
Zaida Polanco	Councilwoman	
Daniel J. Schwartz	Councilman	
Ricardo Fernandez	Business Administrator	
Vidya Nayak	Director of Finance	(A)
Tom Poalillo	Tax Assessor	
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

The audit of the municipal court revealed that there were 4,129 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 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 \$306,350 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.

Our audit revealed payments received for outside tax title liens redeemed on April 12, May 2, and May 3 remain outstanding with respect to the outside lien holder. The City issued a check to the outside lien holder on May 22, 2017 for taxes and tax sale premiums in the amounts of \$21,781 and \$72,000 respectively, however these checks remain uncashed. It is recommended that a review be made of the redemption of certain outside tax title liens.

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 Counsel'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 III	Gymnasium Re-Roofing
Marketing of Recyclable Materials	Broadway Storm Sewer Replacement
Christopher Columbus Sanitary Sewer Lateral	Roof Replacement of Various City Buildings
Resurfacing of City Hall Parking Lots	Summer Food Program - 2017
Howe Avenue Sewer Improvements	Emergency Generator Installation
John Street Sanitary Sewer Improvements	Sanitary Sewer Manhole Improvements
Acquisition of Two (2) Dump Trucks	Acquisition of New Street Sweeper
WIC Building Upgrades	Christopher Columbus Rubberized Walkway
Howe Avenue Sewer Improvements-Phase II	Terhune Avenue and Spring Street Reconstruction

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 19, 2017.

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

**CITY OF PASSAIC
RECOMMENDATIONS**

It is recommended that:

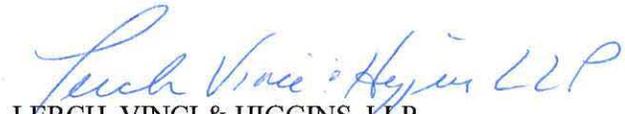
1. The City's financial statements be updated to reflect the value of the Fixed Assets upon completion by the vendor.
2. A detailed analysis be maintained for all escrow deposits and performance bonds.
3. A review be made of fire billings receivable to determine their collectability and efforts be made to clear of record.
4. A review be made of the redemption of certain outside tax title liens.
- * 5. All tickets assigned but not issued greater than 180 days be recalled by the municipal court.

* * * * *

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