

PRELIMINARY OFFICIAL STATEMENT DATED JULY 19, 2010

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

In the opinion of GluckWalrath, LLP Bond Counsel, assuming continuing compliance with provisions of the Internal Revenue Service Code of 1986, as amended (the "Code"), applicable to the Bonds, and subject to certain provisions of the Code which are described herein, under laws, regulations, ruling and judicial decisions existing on the date of original delivery of the Bonds, interest received by holders of the Bonds will be excludable from gross income for Federal income tax purposes and will not be treated as a tax preference item for individuals or corporations. However, interest on the Bonds may become taxable retroactively if certain requirements under the Code are not complied with. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds.

\$8,515,000 BONDS
Consisting of
\$7,249,000 GENERAL IMPROVEMENT BONDS, SERIES 2010A
and
\$1,266,000 SEWER UTILITY BONDS, SERIES 2010B
of the
CITY OF PASSAIC
County of Passaic, New Jersey
(Callable) (Bank-Qualified) (Book-Entry Only)

Dated: Date of Delivery

Due: August 1, as shown below

The \$8,515,000 Bonds, consisting of \$7,249,000 General Improvement Bonds, Series 2010A (the "General Bonds") and \$1,266,000 Sewer Utility Bonds, Series 2010B (the "Sewer Bonds" and together with the General Bonds, the "Bonds") of the City of Passaic, in the County of Passaic, New Jersey (the "City"), will be issued as fully registered bonds, one for each maturity, in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of the beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$1,000 or any integral multiple thereof. Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Principal on the Bonds is payable on August 1 in each of the years set forth below. Interest on the Bonds will be paid semiannually on the first day of February and August in each year until maturity, commencing on February 1, 2011. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal and interest on the Bonds will be made by the City directly to DTC or its nominee Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15th and July 15th "Record Dates" for the payment of interest on the Bonds.

The Bonds are subject to redemption prior to maturity. See "THE BONDS – Prior Redemption" herein.

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

Maturity Schedule
Interest Rates and Yields

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2011				2019			
2012				2020			
2013				2021			
2014				2022			
2015				2023			
2016				2024			
2017				2025			
2018							

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

The Bonds are offered for delivery when, as and if issued and delivered, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by the law firm of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the City, and certain other conditions described herein. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about August 5, 2010.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY
UNTIL 11:00 A.M. ON JULY 27, 2010.

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

CITY OF PASSAIC
PASSAIC COUNTY, NEW JERSEY

Mayor

Dr. Alex D. Blanco

City Council

Gary Schaer, Council president
Jose Garcia
Terrence L. Love
Kenneth J. Lucianin
Maritza Colón-Montañez
Chaim Munk
Daniel J. Schwartz

City Business Administrator

Anthony Iacono

City Clerk

Amada Curling

Chief Financial Officer

Jose Agosto

Municipal Attorney

Donald Scarinci, Esquire
Scarinci Hollenbeck
Lyndhurst, New Jersey

City Auditor

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

Bond Counsel

GluckWalrath LLP
Trenton, New Jersey

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

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

This Official Statement is deemed final as of the date hereof by the City, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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OFFICIAL STATEMENT

of

CITY OF PASSAIC
in the County of Passaic, New Jersey

\$8,515,000 BONDS
Consisting of
\$7,249,000 GENERAL IMPROVEMENT BONDS, SERIES 2010A
and
\$1,266,000 SEWER UTILITY BONDS, SERIES 2010B

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the Appendices attached hereto, has been prepared by the City of Passaic (the "City"), in the County of Passaic (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$8,515,000 Bonds consisting of \$7,249,000 General Improvement Bonds, Series 2010A (the "General Bonds") and \$1,266,000 Sewer Utility Bonds, Series 2010B (the "Sewer Bonds" and together with the General Bonds the "Bonds"), dated their date of delivery. This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c 2-12").

THE BONDS

General Description

The Bonds are dated their date of delivery, and will mature on August 1 in the years and in the principal amounts and will bear interest from their date, payable on each February 1 and August 1, (each, an "Interest Payment Date"), in each year until maturity commencing February 1, 2011, at the rates shown on the cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds of each series and in the aggregate principal amount of such maturity.

The Bonds may be purchased in book-entry only form in the amount of any integral multiple of \$1,000 with a minimum purchase of \$1,000 required, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co., (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the close of business on January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry Only System" herein.

Redemption

The Bonds of this issue maturing prior to August 1, 2021 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after August 1, 2021 are redeemable at the option of the City in whole or in part on any date on or after August 1, 2020 at 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for

redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the City; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

Authorization of the Bonds

The Bonds have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), the various bond ordinances of the City, as set forth below, and a resolution adopted by the Council of the City on July 1, 2010 (the "Resolution").

On July 14, 2010, the City received the approval of the Local Finance Board to issue the General Bonds with a maturity schedule that does not conform with N.J.S.A. 40A:2-26(b). Such statute requires that no annual principal installment exceed by more than 100% the amount of the smallest prior installment and that the first principal payment be made no later than one year after the date of the Bonds. The Local Finance Board permitted the City to use a maturity schedule for each series of the Bonds with low principal installments in the early years in order to stabilize the City's outstanding debt over the next several years.

The Bonds are being issued to (i) currently refund \$7,605,792 aggregate principal amount of the City's Bond Anticipation Notes, maturing August 6, 2010, (ii) provide \$909,208 to fund the unfinanced portion of the certain projects and (ii) pay costs and expenses incidental to the issuance of the delivery of the Bonds.

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>
<u>General Bonds:</u>		
1508-01	Various Improvements	\$1,198,533
1542-02/1784-08	Various Improvements	658,054
1587-03	Various Improvements	999,621
1623-04	Various Park Improvements	1,005,502
1655-05	Various Improvements	1,082,221
1697-06	Acquisition of Property & Easements	646,000
1746-07	Acquisition of Tractor Drawn Aerial & Equipment	519,650
1769-08	Acquisition of Building	<u>1,139,419</u>
	Total General Bonds	7,249,000
<u>Sewer Bonds:</u>		
1611-04	Various Sewer Improvements	477,380
1667-05	Various Sewer Improvements	256,828
1698-06	Various Sewer Improvements	265,792
1822-10	Various Sewer Improvements	<u>266,000</u>
	Total Sewer Bonds	<u>1,266,000</u>
	Total Bonds	<u>\$8,515,000</u>

BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City as paying agent (the "Paying Agent"). Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

Discontinuation of Book-Entry Only System

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

shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the City has provided that upon receipt of the Bond certificates from DTC and the Participant information, the City will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the City, and the City has pledged its full faith and credit to the payment of the principal of and interest on the Bonds. The Bonds are direct obligations of the City and, unless paid from other sources, the City is required by law to levy ad valorem taxes upon all the real property taxable within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

NO DEFAULT

The City has never defaulted in the payment of any bonds or notes, nor are any payments of principal of or interest on the City's indebtedness past due.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

The Local Bond Law (N.J.S.A. 40A:2-1 et seq.) governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

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

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The annual audit report is filed with the City Clerk and is available for review during business hours.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

Debt Limits

The authorized bonded indebtedness of a municipality in the State of New Jersey is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

On June 30, 2010 (Unaudited), the City's percentage of statutory net debt was 0.48% and was comprised of the following:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 24,525,413	\$ 8,985,718	\$ 15,575,003
Local School Debt	2,350,261	2,350,261	
Self-Liquidating Debt	<u>2,270,804</u>		<u>2,270,804</u>
	<u>\$ 29,146,478</u>	<u>\$11,335,979</u>	<u>\$17,810,499</u>

Exceptions to Debt Limits-Extensions of Credit

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the City to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition, debt in excess of the statutory debt limit may be issued without the approval of the Local Finance Board to fund certain notes, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The City may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the City, may be issued for a period not exceeding one year and may be renewed annually for one-year periods. Generally, bond anticipation notes may not be outstanding longer than 10 years. Additionally, beginning in the third year and continuing in each year that the notes are outstanding, the amount of notes that may be issued is decreased by the minimum amount required for the first year principal payment of bonds in anticipation of which such notes are issued.

School Debt Subject to Voter Approval

State Law permits the school district, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit of 4% of the equalized valuation basis, by using the available borrowing capacity of the City. If such debt is in excess of the school district debt limit, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

Property Tax Reform

In recent years, the New Jersey Legislature has considered various proposals to lessen the dependence of local governments on property taxes and to find alternative means to fund vital governmental services.

In November, 2006, the voters approved a constitutional amendment which dedicated the annual revenue derived from 1/2% of the 7% State sales tax for the purpose of property tax reform. In 2006, the Legislature also created four joint legislative committees to review and formulate proposals that address (i) public school funding reform, (ii)

government consolidation and shared services, (iii) public employee benefits reform and (iv) property tax reform (including through amendments to the State Constitution), and Governor Corzine also introduced a Blueprint for Property Tax Relief and Reform, calling for legislative consideration of a number of proposals, including a 4% cap in the annual increase in property tax bills.

Any legislation or constitutional amendments which alter the existing system of real property taxation in New Jersey may adversely affect the security and/or market value of bonds, notes and other obligations of counties and municipalities (such as the City).

The Municipal Finance Commission (R.S. 52:27-1 et seq.)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. The local finance system is intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the "Municipal Finance Commission Statutes" are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations causes the "Municipal Finance Commission" to become operative in that community.

The "Municipal Finance Commission" exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act was substantially revised in 1976 so as to permit municipalities to have access to bankruptcy court for protection against suits by bondholders and without prior warranty for creditors' approvals in cases of impending default.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the City is required to have a balanced budget in which debt service is included in full for each fiscal year.

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the

Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of City revenues are real estate taxes and miscellaneous revenues, including State Aid.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes, are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of the fiscal year.

Real Estate Taxes

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

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

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to Balance Budget}}{\text{Prior Year's Percentage of Current Tax Collections (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute.

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof. (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Municipal Appropriations and Tax Levy

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but essentially, it permits a municipality to increase its

overall appropriations by the lesser of 2.5% or the “Index Rate.” The Index Rate is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years’ tax levy in years when the Index Rate is 2.5% or less.

Additionally, new legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Deferral of Current Expense

Emergency appropriations, *i.e.*, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years; and tax map preparation, revaluation of real property, codification of ordinances and master plan preparations, which may be amortized over five years.

Budget Transfers

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

Fiscal Year

The City's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal

year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. The City did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the City's budget process lies with the City Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the City operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the City may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Impact of State Fiscal Emergency

On February 11, 2010, Governor Christie signed Executive Order No. 14, declaring that a state of fiscal emergency exists in the State of New Jersey and directing that certain fiscal actions be taken in response to such emergency.

As part of his March 16, 2010 budget address, Governor Christie indicated that his proposed FY 2011 State Budget will recommend a reduction in various forms of municipal aid of \$445 million, including a reduction of approximately \$271.4 million in municipal aid provided under the Consolidated Municipal Property Tax Relief Aid and the Energy Tax Receipts Property Relief Fund programs. In addition, Governor Christie indicated that his proposed FY 2011 State Budget will recommend the elimination of the existing Special Municipal Aid, Extraordinary Aid, Capital City Aid, Consolidated Fund Aid and Regional Efficiency Aid programs, to be replaced by a Transitional Aid to Localities program for temporarily distressed municipalities (the funding for which would be decided under a competitive process, and would represent a 10% reduction from the FY 2010 appropriation for the programs it replaces).

Governor Christie's proposal represents a reduction of approximately 17% in combined COMPTRA and Energy Tax Receipts aid statewide. While the City cannot predict the outcome of the FY 2011 State Budget or of the proposed legislation and constitutional amendment noted above. However, it appears likely that there will be significant reductions in State aid to the City during the State's 2011 fiscal year, with corresponding financial pressures upon the City to offset such reductions through either spending reductions or increased revenues. Projected State aid figures by the Department of Community Affairs ("DCA") on March 18, 2010 reflect an approximately 14.45% decrease in COMPTRA and Energy Tax Receipts aid, from \$14,664,502 in State FY 2010 to \$12,545,482 in State FY 2011. In addition, DCA announced that 5% of State FY 2011 aid would be withheld unless the municipality certifies compliance with certain best-practices standards.

The New Jersey Legislature passed legislation lowering the annual tax levy cap to 2% for both the State and local governments. The legislation provides for exception to this cap for items including debt service. If the legislation is signed by Governor Christie the cap is expected to impact the City beginning in its 2012 fiscal year.

TAX INFORMATION OF THE CITY

Tax Collection Procedures

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-valuation of all property in the City was last completed in 2007.

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

Tax bills are mailed annually in June by the City. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any delinquent amount in excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. The City has no liens itself. The liens are held by third party borrowers.

Tax Appeals

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

TAX MATTERS

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item for individuals or corporations.

The Code contains a number of provisions that apply to the Bonds, including restrictions relating to the use or investment of the proceeds of the Bonds (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Bonds not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with these requirements.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Bonds will be designated by the City as qualified tax exempt obligations under Section 265(b) of the Code.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

In addition, prospective purchasers should be aware that on May 17, 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). TIPRA amended Section 6049 of the Code to provide that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax-exempt obligations were issued. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. The new reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. In addition, the Internal Revenue Service (“IRS”) has established an expanded audit program for tax-exempt Bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

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

State Taxation

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Bonds and net gains from the sale of the Bonds are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Bonds should consult with their tax advisors in order to understand the tax consequences of ownership of the Bonds under the laws of other states.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

LITIGATION

To the knowledge of the City Attorney, Esther Suarez, Esq., Wayne, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or delivery of the Bonds, or in any manner questioning the authority or the proceeding for the issuance of the Bonds or the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. A certificate to such effect will be executed by the City’s Attorney and delivered to the Underwriter at the closing.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 *et seq.*, as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by An Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditor's rights and municipalities in general ("Chapter IX"). Chapter IX permits a state or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 thru 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

LEGALITY FOR INVESTMENT

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, sale, issuance and delivery of the Bonds are subject to the approval of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the City, whose approving legal opinion will be substantially in the form provided in Appendix C. Certain legal matters will be passed on for the City by the City Attorney, Esther Suarez, Esq., Wayne, New Jersey.

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the City will deliver concurrently with the delivery of the Bonds a Continuing Disclosure Certificate in substantially the form annexed hereto as Appendix D (the "Continuing Disclosure Certificate"). The City has covenanted for the benefit of the Bondholders, in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided, in accordance with the requirements of the Rule, certain financial information and operating data to each National Repository and to the appropriate State Depository, if any (as defined in the Continuing Disclosure Certificate). The City has also covenanted in the Continuing Disclosure Certificate to provide notices of the occurrence of certain enumerated events, if material.

The City is in compliance with previous undertakings specified by paragraph (b)(5)(i) of the Rule.

RATING

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned their rating of "___" to the Bonds.

An explanation of the significance of such rating may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Standard & Poor's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating by Standard & Poor's may have an adverse effect on the market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

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

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement, and takes responsibility for the financial statements to the extent specified in the Accountants' Compilation Report.

All other information has been obtained from sources which Lerch, Vinci & Higgins, LLP considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

GluckWalrath LLP has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein, may be directed to, Jose Agosto, Chief Financial Officer, City of Passaic, 330 Passaic Street, Passaic, New Jersey 07055, telephone (973) 365-5578.

MISCELLANEOUS

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

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

The execution and delivery of this Official Statement as of the dated date hereof has been duly authorized by the City.

THE CITY OF PASSAIC,
IN THE COUNTY OF PASSAIC,
NEW JERSEY

By /s/ _____
Jose Agosto
Chief Financial Officer

Dated: July ___, 2010

APPENDIX A
CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
OF THE CITY OF PASSAIC

GENERAL INFORMATION REGARDING THE CITY OF PASSAIC

Size and Geographical Location

The City is located in the southeasterly part of Passaic County and encompasses an area of about 3.25 square miles. Neighboring municipalities include the City of Clifton, the City of Garfield, the Borough of Wallington and the Borough of Rutherford.

Governmental Structure

The City was incorporated in 1917 and operates with a Mayor-Council form of government. Under this form of government, the Mayor is elected directly by the voters for a four year term. Seven Council Members serve overlapping four year terms. Council meetings are open to the public, and are held in the City's Council Chambers generally on the first and third Monday evenings of each month.

Transportation

The City is located approximately 12 miles from the Lincoln Tunnel, Holland Tunnel and George Washington Bridge. Residents have access to all parts of New York and State via nearby highways including Routes 3, 46, 80, 21, the Garden State Parkway and the New Jersey Turnpike.

Utilities

Electricity and gas are supplied by Public Service Electric and Gas Company. Water is supplied by the Passaic Valley Water Commission which is owned and operated by the cities of Passaic, Paterson and Clifton.

Public Safety

The City is served by a Police Department consisting of 142 full-time police officers and operates 47 vehicles, 3 motorcycles and 1 arson van. Its fire department has 102 paid firefighters and operates 6 pumpers, 2 ladder trucks, 2 chief's vehicles, 1 rescue truck and 7 other vehicles. Twenty-four hour emergency ambulance service is provided by 18 paid employees and 22 volunteers using 3 ambulances.

Sanitation

Garbage collection is provided to residents twice weekly. Some main streets receive garbage collection services five times weekly. Recycling collection services are provided once weekly. For both of these services the City contracts with a private contractor.

The City is a member of the Passaic Valley Sewerage Commission ("PVSC") and is responsible for payment of the final cost of maintenance, repair and operation, including debt service, based on the City's proportionate share of sewerage delivered and discharged into the system. The City's obligation with respect to the PVSC is provided for in the City's budget.

Educational System

The City's school district, coterminous with the City, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is not part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of 12 elementary schools (grades K-6), 1 middle school (grades 7-8) and 1 high school (grades 9-12).

Population

	City of <u>Passaic</u>	County of <u>Passaic</u>
2008	66,884	490,948
2000	67,861	489,049
1990	58,041	453,060
1980	52,463	447,585
1970	55,124	460,782

Source: U.S. Census Reports

Unemployment Rate

According to the State of New Jersey, Department of Labor, the unemployment percentages for the years 2006 to 2009 (on an annual average basis) were as follows:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
City of Passaic				
2009	29,013	25,267	3,746	12.9%
2008	28,537	26,092	2,445	8.6
2007	28,309	26,333	1,976	7.0
2006	28,609	26,574	2,035	7.1
County of Passaic				
2009	244,700	217,300	27,400	11.2%
2008	240,400	224,000	16,400	6.8
2007	237,600	224,900	12,700	5.3
2006	238,700	225,300	13,400	5.6
State of New Jersey				
2009	4,536,700	4,118,400	418,400	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Division of Planning & Research.

SUMMARY OF THE CITY OF PASSAIC BUDGETS

Current Fund For the Fiscal Year Ended June 30, (As Adopted)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Anticipated Revenues					
Fund Balance	\$3,000,000	\$3,500,000	\$3,200,000	\$ 3,100,000	\$ 2,500,000
Miscellaneous Revenues	25,690,531	30,720,398	26,901,291	26,065,333	29,549,231
Receipts from Delinquent Taxes	40,000	25,000	17,746	41,060	87,976
Amount to be Raised by Taxes for Municipal Purposes	<u>52,862,501</u>	<u>48,968,067</u>	<u>47,838,404</u>	<u>43,647,510</u>	<u>40,071,261</u>
Total Anticipated Revenues	<u>\$81,593,032</u>	<u>\$83,213,465</u>	<u>\$77,957,441</u>	<u>\$72,853,903</u>	<u>\$72,208,468</u>
Appropriations					
Salaries and Wages	\$41,864,472	\$40,944,867	\$39,812,146	\$37,558,810	\$35,678,930
Other Expenses	29,386,147	32,122,647	32,038,889	29,066,771	30,859,479
Deferred Charges and Statutory Expenditures	6,399,317	5,875,180	2,489,918	2,475,971	2,193,235
Capital Improvements		260,500		60,000	
Municipal Debt Service	3,043,096	3,010,271	2,616,488	2,692,351	2,476,824
Reserve for Uncollected Taxes	<u>900,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Appropriations	<u>\$81,593,032</u>	<u>\$83,213,465</u>	<u>\$77,957,441</u>	<u>\$72,853,903</u>	<u>\$72,208,468</u>

Comparative Schedule of Fund Balances Current Fund

<u>Year</u>	<u>Fund Balance June 30</u>	<u>Utilized In Budget of Succeeding Year</u>
2009	\$3,607,834	\$3,000,000
2008	4,257,048	3,500,000
2007	3,870,165	3,200,000
2006	4,141,786	3,100,000
2005	3,285,094	2,500,000

Source: City of Passaic Annual Audit Reports.

TAX INFORMATION OF THE CITY

Current Tax Collections

<u>Year</u>	<u>Fiscal Total Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>
2009	\$84,254,641	84,064,218	99.77%
2008	79,479,649	79,351,725	99.83
2007	73,700,689	73,610,131	99.87
2006	67,129,976	67,012,208	99.82
2005	62,125,850	61,955,640	99.72

Source: City of Passaic Annual Audit Reports.

Delinquent Taxes and Tax Title Liens at June 30,

<u>Fiscal Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Levy</u>
2009	\$29,946	\$74,235	\$104,181	0.12%
2008	23,135	102,494	125,629	0.16
2007	19,984	54,413	74,397	0.10
2006	24,208	57,962	82,170	0.12
2005	20,435	79,390	99,825	0.16

Source: City of Passaic Annual Audit Reports.

Assessed Valuations of Property Owned by the City Acquired for Taxes

<u>Year</u>	<u>June 30,</u>
2009	\$ -0-
2008	-0-
2007	-0-
2006	-0-
2005	-0-

Source: City of Passaic Annual Audit Reports.

Ten Largest Assessments

The ten largest assessments in the City and their 2010 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Passaic Industrial Center	\$10,000,000
Passaic Inv c/o Home Depot	8,247,900
Cahn Estates	7,045,600
Barry Gar Owns Corp	6,896,100
Passaic Plaza Associates, LLC	6,500,000
Robin Lester Trustee	6,082,300
Verizon – New Jersey	6,067,600
Chestnut Hill c/o Greystone Serv Co.	5,626,600
CPL Hamilton LLC	5,400,000
Kranbro Realty LLC	5,206,000

Source: City of Passaic Tax Assessor.

Assessed Valuations Land and Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2010	\$7,639,300	\$825,430,000	\$288,642,600	\$82,984,300	\$146,477,600	\$1,351,173,800
2009	8,139,300	824,650,600	290,600,600	88,434,800	151,225,300	1,363,050,600
2008	8,267,000	818,038,000	298,389,400	90,357,100	152,157,700	1,367,209,200
2007	7,989,700	805,216,400	299,716,900	92,631,000	151,687,100	1,357,241,100
2006	5,148,300	796,387,300	300,577,300	95,050,000	152,186,100	1,349,349,000
2005	5,169,700	789,124,300	301,459,500	97,632,000	154,322,600	1,347,708,100

Source: City of Passaic Tax Assessor.

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property Net of Exemptions</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value To True Value Of Real Property</u>	<u>Total True Value Of Assessed Property</u>
2010	\$1,351,173,800	\$6,094,400	\$1,357,268,200	N/A	N/A
2009	1,363,050,600	5,140,000	1,368,190,600	36.11%	\$3,880,268,606
2008	1,367,209,200	4,930,600	1,372,139,800	37.34	3,755,261,817
2007	1,357,241,100	4,871,600	1,362,112,700	41.71	3,345,540,426
2006	1,349,349,000	5,745,000	1,355,094,000	50.11	2,778,499,130
2005	1,347,708,100	7,850,300	1,355,558,400	60.53	2,305,812,093

Source: Tax Duplicate and Abstract of Ratables of Passaic County

**Apportionment of Tax Levy
Including School and County Purposes**

<u>Fiscal Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2009	\$84,254,641	\$49,119,211	\$14,943,783	\$20,191,647
2008	79,479,649	47,753,531	14,115,485	17,610,633
2007	73,700,689	43,938,600	14,006,547	15,755,542
2006	67,129,976	40,247,769	14,195,307	12,686,900
2005	62,125,850	36,999,406	13,580,113	11,546,331

Source: City of Passaic Annual Audit Reports.

**Components of Real Estate Tax Rate
(per \$100 of Assessment)**

<u>Calendar Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2009	\$6.103	\$3.563	\$1.113	\$1.427
2008	6.067	3.625	1.059	1.383
2007	5.600	3.348	1.033	1.219
2006	5.250	3.138	1.041	1.071
2005	4.710	2.787	1.025	0.898

Source: City of Passaic Annual Audit Reports.

DEBT INFORMATION OF THE CITY

Debt Incurring Capacity as of June 1, 2010 (Unaudited)

Municipal:

Equalized Valuation (last 3 years average)	\$ 3,717,273,461
3½ Borrowing Margin	\$ 130,104,571
Net Debt Issued, Outstanding and Authorized	<u>17,810,499</u>
Remaining Municipal Borrowing Capacity	<u>\$ 112,294,072</u>

School:

4% Borrowing Margin	\$ 148,690,938
Debt Issued, Outstanding and Authorized	<u>2,350,261</u>
Remaining School Borrowing Capacity	<u>\$ 146,340,677</u>

Source: City of Passaic 2010 Annual Debt Statement.

Gross and Statutory Net Debt (Exclusive of Overlapping Debt) as of June 30,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2010 (Unaudited)	\$29,146,478	\$17,810,499	0.49%
2009	32,110,014	19,494,497	0.55
2008	33,520,172	18,579,092	0.58
2007	32,284,420	20,639,438	0.75
2006	33,943,491	21,402,999	0.94

Source: City of Passaic Annual Audit Reports and 2010 Annual Debt Statement.

**CITY OF PASSAIC
STATEMENT OF INDEBTEDNESS
AS OF JUNE 30, 2010 (UNAUDITED)**

SCHOOL PURPOSES

Bonds & Loans	\$ 2,350,261
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GENERAL PURPOSES

Bonds, Notes and Loans Issued and Outstanding	
Bonds	\$13,103,404
Notes	6,855,792
Loans	970,832
Bonds and Notes Authorized But Not Issued	<u>645,385</u>
	21,574,413

PARKING AUTHORITY PURPOSES

Bonds & Loans	2,950,000
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SEWER UTILITY PURPOSES

Bonds and Notes Issued and Outstanding	
Bonds	960,596
Notes	1,044,208
Bonds and Notes Authorized But Not Issued	<u>266,000</u>
	<u>2,270,804</u>

TOTAL GROSS DEBT	29,146,478
------------------	------------

STATUTORY DEDUCTIONS	<u>11,335,979</u>
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TOTAL NET DEBT	<u>\$ 17,810,499</u>
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OVERLAPPING DEBT

County of Passaic (Note 1)	\$ 23,847,946	
Passaic County Utilities Authority	4,143,915	
North Jersey District Water Supply Commission	3,985,244	
Passaic Valley Water Commission	37,245,278	
Passaic Valley Sewerage Commission	<u>11,170,897</u>	
		<u>\$ 80,393,280</u>

GROSS MUNICIPAL DEBT

Per Capita (2008 Census – 66,884)	\$436
Percent of Net Valuation Taxable (2010 – \$1,357,268,200)	2.15%
Percent of True Value of Real Property (2009 – \$3,880,268,606)	0.75%

NET MUNICIPAL DEBT

Per Capita (2008 Census – 66,884)	\$266
Percent of Net Valuation Taxable (2010 – \$1,357,268,200)	1.31%
Percent of True Value of Real Property (2009 – \$3,880,268,606)	0.46%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2008 Census – 66,884)	\$1,638
Percent of Net Valuation Taxable (2010 – \$1,357,268,200)	8.07%
Percent of True Value of Real Property (2009 – \$3,880,268,606)	2.83%

Note (1): Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2008 Abstract of Ratables published by the Passaic County Board of Taxation.

APPENDIX B

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets - statutory basis of the various funds of the City of Passaic as of June 30, 2009 and 2008 and the related statements of operations and changes in fund balance - statutory basis for the years then ended and the related statement of revenues - statutory basis and statement of expenditures - statutory basis of the various funds for the year ended June 30, 2009. These financial statements are the responsibility of the City of Passaic's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described more fully in Note 1, the City has prepared these financial statements using accounting practices that demonstrate compliance with the statutory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. In addition, we were unable to audit the financial activities of the General Fixed Assets Account Group because sufficient documentation was not available to support amounts reported in the financial statements - statutory basis. The amount by which this departure would affect the financial statements of the City of Passaic from accounting practices prescribed or permitted by the Division of Local Government Services is not reasonably determinable.

INDEPENDENT AUDITORS' REPORT (Continued)

In our opinion, because of the effects of the City preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Passaic as of June 30, 2009 and 2008, or the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Assets Account Group as described in the third paragraph, the financial statements - statutory basis referred to above present fairly, in all material respects, the financial position - statutory basis of the various funds of the City of Passaic as of June 30, 2009 and 2008 and the results of operations and changes in fund balance - statutory basis of such funds for the years then ended and the statement of revenues - statutory basis and the statement of expenditures - statutory basis of the various funds for the year ended June 30, 2009 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 29, 2010 on our consideration of the City of Passaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
January 29, 2010

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
CURRENT FUND
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
REGULAR FUND		
Cash	\$ 9,327,308	\$ 10,476,017
Cash - Change Fund	2,600	2,600
Cash - Petty Cash Fund	-	4,200
Due From State of New Jersey - Senior Citizens and Veterans	<u>44,757</u>	<u>39,395</u>
	<u>9,374,665</u>	<u>10,522,212</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Tax Receivable	74,235	102,494
Tax Title Liens Receivable	29,946	23,135
Revenue Accounts Receivable	275,016	379,225
Due from Passaic Parking Authority	304,355	150,702
Due from Grant Fund	267,122	172,547
Due from Animal Control Fund		21,580
Due from Other Trust Fund	67,602	
Due from Community Development Block Grant Fund	23,248	441,524
Due from Home Investment Program Fund	44,953	169,953
Due from Sewer Utility Operating Fund	<u>209,750</u>	<u>-</u>
	<u>1,296,227</u>	<u>1,461,160</u>
Total Regular Fund	<u>10,670,892</u>	<u>11,983,372</u>
GRANT FUND		
Cash	34,560	360,364
Grants Receivable	<u>11,412,389</u>	<u>10,027,252</u>
Total Grant Fund	<u>11,446,949</u>	<u>10,387,616</u>
Grand Total	<u>\$ 22,117,841</u>	<u>\$ 22,370,988</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
CURRENT FUND
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
LIABILITIES, RESERVES AND FUND BALANCE		
REGULAR FUND		
Liabilities and Reserves		
Appropriation Reserves	\$ 1,819,776	\$ 1,808,928
Encumbrances Payable	1,349,631	1,044,938
Accounts Payable	13,128	13,258
Prepaid Taxes	71,166	20,374
Tax Overpayments	95,801	161,954
Fees Payable	22,693	16,852
Due to Other Trust Fund		240,005
Due to General Capital Fund	213,331	
Due to Sewer Utility Capital Fund	17,452	217,452
Miscellaneous Reserves	676,233	1,136,119
Reserve for Tax Appeals	587,522	630,187
Reserve for Sale of Assets	<u>900,098</u>	<u>975,097</u>
	5,766,831	6,265,164
Reserve for Receivables and Other Assets	1,296,227	1,461,160
Fund Balance	<u>3,607,834</u>	<u>4,257,048</u>
Total Regular Fund	<u>10,670,892</u>	<u>11,983,372</u>
GRANT FUND		
Due to Current Fund	267,122	172,547
Due to General Capital Fund	1,222,378	799,378
Due to Other Trust Fund	20,856	20,856
Appropriated Grant Reserves	9,925,629	9,308,242
Unappropriated Grant Reserves	<u>10,964</u>	<u>86,593</u>
Total Grant Fund	<u>11,446,949</u>	<u>10,387,616</u>
Grand Total	<u>\$ 22,117,841</u>	<u>\$ 22,370,988</u>

**CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
REVENUES AND OTHER INCOME REALIZED:		
Fund Balance Utilized	\$ 3,500,000	\$ 3,200,000
Miscellaneous Revenue Anticipated	31,361,934	35,811,833
Receipts from Delinquent Taxes	52,897	11,910
Receipts from Current Taxes	84,064,218	79,351,725
Non-Budget Revenues	732,689	917,534
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,169,443	1,499,366
Unexpended Balance of Sewer Utility Appropriation Reserves	339	
Statutory Excess- Animal Control Fund		5,180
Cancelled - Grant Reserves	54,365	
Interfunds and Other Receivables Liquidated	<u>564,856</u>	<u>741,017</u>
Total Income	<u>121,500,741</u>	<u>121,538,565</u>
EXPENDITURES		
Budget Appropriations:		
Operations		
Salaries and Wages	40,437,500	39,685,853
Other Expenses	33,424,879	41,325,631
Deferred Charges and Statutory Expenditures	5,875,180	2,073,404
Capital Improvement Fund	260,500	
Municipal Debt Service	2,969,306	2,618,051
County Taxes	20,191,647	17,610,633
Local District School Taxes	14,943,783	14,115,485
Interfunds Created	525,580	498,382
Refund of Prior Year Revenues	21,580	2,655
Cancelled Grants Receivable	<u>-</u>	<u>21,588</u>
Total Expenditures	<u>118,649,955</u>	<u>117,951,682</u>
Excess in Revenue (Brought Forward)	<u>2,850,786</u>	<u>3,586,883</u>

**CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Excess in Revenue (Carried Forward)	\$ 2,850,786	\$ 3,586,883
Fund Balance, Beginning of Year	<u>4,257,048</u>	<u>3,870,165</u>
	7,107,834	7,457,048
Decreased by:		
Utilization of Fund Balance	<u>3,500,000</u>	<u>3,200,000</u>
Fund Balance, End of Year	<u><u>\$ 3,607,834</u></u>	<u><u>\$ 4,257,048</u></u>

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2009</u>		<u>2008</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Utilized	\$ 3,500,000	\$ 3,500,000	\$ 3,200,000	\$ 3,200,000
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	40,000	57,578	40,000	59,532
Other	50,000	68,743	50,000	64,093
Fees and Permits:				
Uniform Construction Code - Fees	675,000	615,803	675,000	689,766
Other	9,000	12,131	9,000	10,879
Fines and Costs:				
Municipal Court	3,360,000	3,074,312	3,700,000	3,359,451
Energy Receipts Tax	3,172,710	3,172,710	2,659,244	2,659,244
Leg. Initiative Municipal Block Grant			266,085	266,085
Consol. Municipal Property Tax Relief Aid	11,491,792	11,491,792	12,182,417	12,182,417
Supplemental Energy Receipts Tax			107,457	107,457
Municipal Homeland Security Assistance			140,000	140,000
Municipal Property Tax Assistance			300,098	300,098
Extraordinary Aid			700,000	700,000
Interest and Costs on Taxes	219,000	244,823	219,000	239,766
Interest on Investments & Deposit	262,160	51,363	300,000	247,383
Police Record Bureau	24,000	33,144	30,000	24,234
Ambulance Billing	625,000	807,849	625,000	647,386
Board of Education - Security Watch	1,212,000	1,212,000	1,462,000	1,462,000
Passaic Parking Authority	719,155	719,155	719,155	719,155
RENT: Passaic Head Start				38,200
Fire Life Safety Registration and Permits	119,000	100,828	102,390	119,480
Public and Private Revenues Offset				
With Appropriations:				
Cancer Assessment	65,000	65,000		
Women, Infant, Children (WIC)	736,300	736,300	660,664	660,664
NJDEP - Recycling Tonnage Grant	30,033	30,033	13,081	13,081
Housing Opportunity (HOPWA)	66,910	66,910	47,655	47,655
Body Armor Fund	18,754	18,754	20,629	20,629
Byrne Memorial Justice Assist.			529,683	529,683
Booster Seat Enforcement			20,000	20,000
NJ Comprehensive Cancel Awareness			65,000	65,000
DOT Municipal Aid: Market St.			322,000	322,000
Fire Prevention Award	2,248	2,248		
Fire SAFER Program	216,760	216,760		
Alcohol Ed & Rehab	8,163	8,163	7,871	7,871
Drunk Driving Enforcement Fund	24,507	24,507	32,323	32,323
Juvenile Accountability Incentive Block Grant-2007	43,681	43,681	22,072	22,072
NJ Childhood Lead Prevention	143,000	143,000	120,000	120,000
COPS Secure Our School			43,450	43,450
Pandemic Flu Preparedness Plan			11,664	11,664
Pedestrian Safety Grant			22,000	22,000
Stationhouse Adjustment			37,538	37,538
COPS TECH Grant	210,443	210,443		
Summer Employment	16,959	16,959		
Ryan White Title I	124,803	124,803	248,900	248,900
Summer Food	369,547	369,547	323,387	323,387

CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>		<u>2008</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Public and Private Revenues Offset				
With Appropriations: (Continued)				
Safe & Secure Communities Grant	\$ 87,647	\$ 87,647	\$ 83,499	\$ 83,499
Senior Citizen Transportation	60,402	60,402	60,402	60,402
Municipal Alliance on Alcoholism and Drug Abuse	45,800	45,800	46,300	46,300
Multijurisdictional Narcotics Task Force Program	40,718	40,718	58,344	58,344
Clean Community	66,718	66,718	42,495	42,495
Walk Safe Passaic	22,000	22,000		
Over the Limit DWI	10,000	10,000	5,000	5,000
Open Space Passaic	50,405	50,405	97,101	97,101
State Records Committee (PARIS)			49,500	49,500
Public Health Priority Funding	58,463	58,463	28,262	28,262
Recreation Opportunity	20,000	20,000	25,000	25,000
Transportation Trust: Howe/Parker Ave., Holdsworth Crt.			75,000	75,000
Multi Cultural Events	1,000	1,000	1,250	1,250
UEZA 027: Commercial Redevelopment III			90,000	90,000
UEZA 08-034: Commercial Redevelopment	2,482,990	2,482,990	1,416,000	1,416,000
UEZA 08-082: Project Clean Sweep VII	342,450	342,450	342,450	342,450
UEZA 08-083: Graffiti Eradication	94,128	94,128	89,037	89,037
UEZA 08-095: Landscape Maintenance			48,110	48,110
UEZA 08-108: Infrastructure			1,018,300	1,018,300
UEZA 07-155: Market St.			1,463,300	1,463,300
UEZA 08-179: Security Patrol	912,273	912,273	531,758	531,758
UEZA 08 Administration	454,948	454,948	426,783	426,783
Tobacco Control, Prevention, Treatment Educ. Serv.	5,940	5,940	5,400	5,400
NJDEP - Improvements to Various Roads- Passaic/Colum	249,967	249,967		
NJDEP - Improvements to Various Roads- Howe/Lincoln	260,500	260,500		
Click It or Ticket	4,000	4,000	4,000	4,000
DCA - Domestic Violence Training Program			1,250	1,250
Emergency Telecommunication - 911 Grant			607,761	607,761
GREAT Program			94,463	94,463
Hepatitis B Inoculation			5,000	5,000
Housing Authority Police Interlocal			81,250	48,750
Special Items:				
Cable Franchise Fee	100,000	132,320	77,813	100,180
Saint Mary's Reise Corp. - In Lieu of Taxes	135,000	141,661	135,000	144,786
Chestnut Housing Phase I - In Lieu of Taxes	66,000	67,100	67,388	66,317
Jack Parker Association - In Lieu of Taxes	170,000	208,023	170,000	181,200
YMCA	30,000	30,000	30,000	30,000
Housing Authority - In Lieu of Taxes	30,000	52,615	27,000	
Highview Terrace - In Lieu of Taxes	60,000	82,238	59,331	61,542
Housing Authority Police Program	390,000	430,300	150,000	118,750
County of Passaic - Street Lighting	60,000	60,000	60,000	60,000
Sale of Municipal Assets	975,000	975,000	1,400,000	1,400,000
Due from Community Development Block Grant			300,000	300,000
Reserve for PFRS	141,000	141,000		
Reserve for Debt Service	31,989	31,989	-	-
Total Miscellaneous Revenues	<u>31,515,263</u>	<u>31,361,934</u>	<u>36,108,310</u>	<u>35,811,833</u>
Receipts from Delinquent Taxes	<u>25,000</u>	<u>52,897</u>	<u>17,746</u>	<u>11,910</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>48,968,067</u>	<u>49,928,788</u>	<u>47,838,404</u>	<u>48,625,607</u>
Total Revenues	<u>\$ 84,008,330</u>	<u>\$ 84,843,619</u>	<u>\$ 87,164,460</u>	<u>\$ 87,649,350</u>

See Accompanying Notes to Financial Statements

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SFY 2009 STATEMENT OF EXPENDITURES

CURRENT FUND

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Canceled</u>
		<u>Modification</u>	<u>Charged</u>		
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Office of Business Administration					
Salaries & Wages	\$ 493,383	\$ 494,883	\$ 494,359	\$ 524	
Other Expenses	119,000	122,500	120,073	2,427	
Human Resources					
Office of Personnel					
Salaries & Wages	148,102	148,102	146,760	1,342	
Other Expenses	7,000	7,000	5,296	1,704	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	271,926	271,926	264,307	7,619	
Other Expenses	34,000	34,000	32,805	1,195	
City Clerk					
Salaries & Wages	211,452	213,952	213,951	1	
Other Expenses	102,000	102,000	100,440	1,560	
Financial Administration - Treasurer's Office					
Salaries and Wages	542,444	542,444	541,090	1,354	
Other Expenses	60,000	60,000	57,724	2,276	
Annual Audit					
Other Expenses	63,000	63,000	56,500	6,500	
Revenue Administration - Tax Collector					
Salaries and Wages	218,681	213,681	192,921	20,760	
Other Expenses	25,000	30,000	26,532	3,468	
Tax Assessment Administration					
Salaries and Wages	254,552	263,552	262,473	1,079	
Other Expenses	52,000	52,000	48,761	3,239	
Legal Services					
Other Expenses	490,000	535,000	535,000		
Office of Engineer					
Salaries and Wages	168,361	167,361	157,047	10,314	
Other Expenses	10,000	11,000	10,010	990	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	214,197	219,197	218,809	388	
Other Expenses	23,000	22,000	338	21,662	
Division of Housing					
Salaries and Wages	385,988	400,988	398,968	2,020	
Other Expenses	8,000	8,000	6,664	1,336	
Redevelopment Agency	50,100	50,100	50,100		
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	12,000	12,000	8,772	3,228	
Board of Adjustment					
Other Expenses	10,000	16,000	13,269	2,731	

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	\$ 11,960	\$ 11,960	\$ 11,945	\$ 15	
Other Expenses	5,200	5,200	5,040	160	
INSURANCE					
Liability Insurance	1,251,065	1,291,065	1,291,065		
Workmen's Compensation	897,479	897,479	897,478	1	
Employee Group Insurance	12,076,479	11,947,479	11,487,158	460,321	
Unemployment Insurance	180,353	180,353	180,353		
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	17,960,857	17,887,357	17,659,030	228,327	
Other Expenses	434,000	427,000	346,164	80,836	
Office of Emergency Management					
Salaries & Wages	770,000	770,000	717,112	52,888	
Other Expenses	30,000	30,000	20,259	9,741	
Fire Department					
Salaries and Wages	11,132,912	11,202,912	11,196,477	6,435	
Other Expenses	96,000	103,000	100,575	2,425	
Prosecutor's Office					
Other Expenses	126,900	156,900	151,300	5,600	
Fire Life Safety					
Salaries and Wages	102,390	102,390	99,793	2,597	
Municipal Court					
Salaries and Wages	1,092,922	1,114,922	1,104,335	10,587	
Other Expenses	130,000	130,000	127,459	2,541	
Public Defender (PL 1997 C.256)					
Other Expenses	51,700	51,700	51,700		
Passaic Parking Authority					
Salaries & Wages	490,867	490,867	490,867		
Other Expenses	189,445	189,445	189,445		
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	1,705,693	1,705,693	1,644,952	60,741	
Other Expenses	163,000	163,000	140,605	22,395	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	2,004,000	2,004,000	1,967,615	36,385	
Buildings and Grounds					
Salaries and Wages	667,135	667,135	653,266	13,869	
Other Expenses	165,000	178,000	162,606	15,394	
Vehicle Maintenance					
Salaries & Wages	419,069	419,069	396,975	22,094	
Other Expenses	285,000	298,000	274,808	23,192	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	896,251	834,251	743,669	90,582	
Other Expenses	152,500	157,500	152,717	4,783	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES (Continued)					
Animal Regulation					
Salaries and Wages	\$ 119,676	\$ 119,676	\$ 102,801	\$ 16,875	
Other Expenses	30,000	32,000	32,000		
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	229,195	229,195	220,992	8,203	
Other Expenses	100,000	100,000	97,518	2,482	
Senior Citizens					
Salaries and Wages	187,578	187,578	162,178	25,400	
Other Expenses	8,000	8,000	7,123	877	
Handicapped Recreation					
Salaries & Wages	72,000	72,000	66,508	5,492	
Other Expenses	26,000	26,000	25,842	158	
Maintenance of Parks					
Salaries & Wages	544,222	544,222	511,574	32,648	
Other Expenses	45,000	45,000	43,099	1,901	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events	8,500	8,500	8,500		
Retired III Employees					
Other Expenses	100	100		100	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	421,054	421,054	404,576	16,478	
Other Expenses	12,000	12,000	9,183	2,817	
UNCLASSIFIED:					
Utilities:					
Electricity	625,000	625,000	595,021	29,979	
Street Lighting	800,000	840,000	836,692	3,308	
Telephone and Telegraph	150,000	150,000	150,000		
Heating Oil	1,000	1,000	975	25	
Gasoline	540,000	483,000	389,337	93,663	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Fees	<u>2,667,926</u>	<u>2,667,926</u>	<u>2,492,859</u>	<u>175,067</u>	<u>-</u>
Total Operations Within "CAPS"	<u>64,049,614</u>	<u>64,049,614</u>	<u>62,384,515</u>	<u>1,665,099</u>	<u>-</u>
Detail:					
Salaries & Wages	39,242,000	39,225,500	38,586,868	638,632	-
Other Expenses	<u>24,807,614</u>	<u>24,824,114</u>	<u>23,797,647</u>	<u>1,026,467</u>	<u>-</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
DEFERRED CHARGES					
Anticipated Deficit Sewer Utility	\$ 475,297	\$ 475,297	\$ 475,297		
STATUTORY CHARGES					
Public Employees Retirement System	528,708	528,708	511,301	\$ 17,407	
Social Security System (O.A.S.I.)	1,421,288	1,421,288	1,368,538	52,750	
Consolidated Police and Firemen's Pension Fund	140,000	140,000	138,023	1,977	
Pension for Widows	2,245	2,245	2,245		
Public Employees Retirement System-ERI	192,174	192,174	192,125	49	
Police and Fireman's Retirement System	<u>3,115,468</u>	<u>3,115,468</u>	<u>3,103,732</u>	<u>11,736</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>5,875,180</u>	<u>5,875,180</u>	<u>5,791,261</u>	<u>83,919</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>69,924,794</u>	<u>69,924,794</u>	<u>68,175,776</u>	<u>1,749,018</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,210,315	1,210,315	1,210,315	-	
Recycling Tax	<u>108,000</u>	<u>108,000</u>	<u>66,742</u>	<u>41,258</u>	<u>-</u>
Total Other Operations - Excluded From "CAPS"	<u>1,318,315</u>	<u>1,318,315</u>	<u>1,277,057</u>	<u>41,258</u>	<u>-</u>
Interlocal Municipal Service Agreements Board of Education Security Watch Police Salaries and Wages	<u>1,212,000</u>	<u>1,212,000</u>	<u>1,212,000</u>	<u>-</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>1,212,000</u>	<u>1,212,000</u>	<u>1,212,000</u>	<u>-</u>	<u>-</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Public and Private Programs Offset by Revenues					
Women, Infants and Children Grant	\$ 664,300	\$ 736,300	\$ 736,300		
Narcotics Task Force Program	40,718	40,718	40,718		
Alcohol Education and Rehabilitation Fund		8,163	8,163		
Public Health Priority Funding	58,463	58,463	58,463		
Body Armor	18,754	18,754	18,754		
Cancer Control		65,000	65,000		
Clean Communities		66,718	66,718		
Childhood Lead Poisoning Prevention	143,000	143,000	143,000		
Click It or Ticket		4,000	4,000		
COPS Tech Grant	210,443	210,443	210,443		
Drunk Driving Enforcement Fund	24,507	24,507	24,507		
DOT Impvts to Various Roads - Passaic / Columbia / Monro	249,967	249,967	249,967		
Ryan White Title I	47,781	124,803	124,803		
Fire Prevention Award	2,248	2,248	2,248		
Fire SAFER Program	216,760	216,760	216,760		
Fire SAFER Program - Local Share	150,993	150,993	150,993		
Recycling Tonnage Grant	30,033	30,033	30,033		
Recreation Opportunity	20,000	20,000	20,000		
Recreation Opportunity - Local Share	4,000	4,000	4,000		
Housing Opportunity (HOPWA)	66,910	66,910	66,910		
Tobacco Prevention	5,940	5,940	5,940		
Juvenile Accountability Incentive Block Grant	23,353	43,681	43,681		
Over the Limit DWI	10,000	10,000	10,000		
Open Space (Co.)	50,405	50,405	50,405		
Passaic County Multi Cultural Affairs		1,000	1,000		
Safe and Secure Communities	87,647	87,647	87,647		
Summer Employment		16,959	16,959		
Walk Safe Passaic	22,000	22,000	22,000		
Summer Food Service Program		369,547	369,547		
Municipal Alliance	45,800	45,800	45,800		
Municipal Alliance - Local Share	10,000	10,000	10,000		
Senior Citizens and Disabled Transportation	60,402	60,402	60,402		
UEZ Programs	4,192,661	4,286,789	4,286,789		
Matching Funds for Grants-Multi Cultural Affairs	30,500	30,500	1,000	\$ 29,500	-
Total Public and Private Program					
Offset by Revenues	6,487,585	7,282,450	7,252,950	29,500	-
Total Operations - Excluded from "CAPS"	9,017,900	9,812,765	9,742,007	70,758	-
Detail:					
Salaries & Wages	1,212,000	1,212,000	1,212,000	-	-
Other Expenses	7,805,900	8,600,765	8,530,007	70,758	-

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
New Jersey Transportation Trust Fund Authority Act Improvements to Various Roads	\$ 260,500	\$ 260,500	\$ 260,500	-	-
Total Capital Improvements Excluded from "CAPS"	<u>260,500</u>	<u>260,500</u>	<u>260,500</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,696,540	1,696,540	1,696,540		
Payment of Bond Anticipation Notes and Capital Notes	213,360	213,360	213,360		
Interest on Bonds	728,420	728,420	728,419		\$ 1
Interest on Notes	253,933	253,933	212,969		40,964
Loan Repayments for Principal and Interest	101,675	101,675	101,675		
Payment of DEP Loan Principal	<u>16,343</u>	<u>16,343</u>	<u>16,343</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>3,010,271</u>	<u>3,010,271</u>	<u>2,969,306</u>	<u>-</u>	<u>40,965</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>12,288,671</u>	<u>13,083,536</u>	<u>12,971,813</u>	<u>\$ 70,758</u>	<u>40,965</u>
Subtotal General Appropriations	82,213,465	83,008,330	81,147,589	1,819,776	40,965
Reserve for Uncollected Taxes	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 83,213,465</u>	<u>\$ 84,008,330</u>	<u>\$ 82,147,589</u>	<u>\$ 1,819,776</u>	<u>\$ 40,965</u>

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SFY 2008 STATEMENT OF EXPENDITURES

CURRENT FUND

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Office of Business Administration					
Salaries & Wages	\$ 462,141	\$ 477,141	\$ 468,593	\$ 8,548	
Other Expenses	105,000	120,000	112,230	7,770	
Human Resources					
Office of Personnel					
Salaries & Wages	133,837	145,837	144,595	1,242	
Other Expenses	7,000	7,000	5,242	1,758	
Mayor and Council					
Office of the Mayor and Council					
Salaries & Wages	422,468	389,468	386,081	3,387	
Other Expenses	34,200	34,200	29,619	4,581	
City Clerk					
Salaries & Wages	201,126	206,126	199,841	6,285	
Other Expenses	102,000	102,000	58,471	43,529	
Financial Administration - Treasurer's Office					
Salaries and Wages	518,063	524,063	515,173	8,890	
Other Expenses	60,000	60,000	53,770	6,230	
Annual Audit					
Other Expenses	63,000	63,000	63,000		
Revenue Administration - Tax Collector					
Salaries and Wages	204,676	214,676	212,061	2,615	
Other Expenses	22,000	22,000	20,310	1,690	
Tax Assessment Administration					
Salaries and Wages	284,576	277,576	274,160	3,416	
Other Expenses	52,000	59,000	51,119	7,881	
Legal Services					
Other Expenses	500,000	515,000	514,510	490	
Office of Engineer					
Salaries and Wages	108,559	101,559	96,593	4,966	
Other Expenses	25,000	25,000	15,603	9,397	
Economic Development Agencies					
Planning and Economic Development					
Salaries and Wages	262,618	249,618	236,877	12,741	
Other Expenses	2,700	2,700	1,944	756	
Division of Housing					
Salaries and Wages	455,192	393,192	378,598	14,594	
Other Expenses	10,000	10,000	6,993	3,007	
Redevelopment Agency	50,100	50,100	50,100		
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	27,000	12,000	8,157	3,843	
Board of Adjustment					
Other Expenses	12,000	12,000	3,380	8,620	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
CODE ENFORCEMENT AND ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	\$ 11,613	\$ 12,113	\$ 11,451	\$ 662	
Other Expenses	5,200	5,200	5,035	165	
INSURANCE					
Liability Insurance	1,228,800	1,551,800	1,551,799	1	
Workmen's Compensation	871,900	871,900	871,000	900	
Employee Group Insurance	12,876,640	12,546,640	12,485,911	60,729	
Unemployment Insurance	175,100	175,100	175,099	1	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	16,308,683	16,448,683	16,405,465	43,218	
Other Expenses	434,000	434,000	412,876	21,124	
Office of Emergency Management					
Salaries & Wages	750,973	750,973	589,617	161,356	
Other Expenses	30,000	30,000	27,265	2,735	
Fire Department					
Salaries and Wages	10,829,706	10,829,706	10,220,879	608,827	
Other Expenses	96,000	96,000	90,470	5,530	
Fire Auxiliary					
Other Expenses	8,500	5,300	4,972	328	
Prosecutor's Office					
Other Expenses	98,200	138,200	133,166	5,034	
Fire Life Safety					
Salaries and Wages	146,941	146,941	144,696	2,245	
Municipal Court					
Salaries and Wages	1,099,476	1,134,476	1,125,775	8,701	
Other Expenses	99,000	129,000	125,513	3,487	
Public Defender (PL 1997 C.256)					
Other Expenses	50,000	50,000	50,000		
Passaic Parking Authority					
Salaries & Wages	469,729	469,729	469,729		
Other Expenses	189,445	189,445	153,535	35,910	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	1,773,434	1,713,434	1,639,851	73,583	
Other Expenses	135,000	125,000	76,875	48,125	
Solid Waste Collection					
Other Expenses					
Garbage Removal Contractual	1,939,896	1,909,896	1,863,506	46,390	
Buildings and Grounds					
Salaries and Wages	634,076	634,076	623,765	10,311	
Other Expenses	165,000	185,000	160,251	24,749	
Vehicle Maintenance					
Salaries & Wages	445,408	355,408	343,399	12,009	
Other Expenses	285,000	285,000	266,251	18,749	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Division of Health					
Salaries and Wages	889,564	737,994	700,994	37,000	
Other Expenses	152,500	152,500	113,154	39,346	

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES (Continued)					
Animal Regulation					
Salaries and Wages	\$ 115,589	\$ 115,589	\$ 106,641	\$ 8,948	
Other Expenses	30,000	30,000	29,973	27	
PARK AND RECREATION FUNCTIONS					
Division of Recreation					
Salaries and Wages	223,142	223,142	197,029	26,113	
Other Expenses	100,000	119,500	113,231	6,269	
Senior Citizens					
Salaries and Wages	200,820	200,820	180,146	20,674	
Other Expenses	8,000	8,000	7,781	219	
Handicapped Recreation					
Salaries & Wages	71,649	71,649	67,391	4,258	
Other Expenses	26,000	26,000	24,550	1,450	
Maintenance of Parks					
Salaries & Wages	650,795	715,795	683,918	31,877	
Other Expenses	45,000	45,000	40,465	4,535	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events	8,500	4,700	4,500	200	
Retired III Employees					
Other Expenses	100	100		100	
Prior Year Bills					
Douglas Kinz, ESQ	2,220	2,220		2,220	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Division of Code Enforcement					
Salaries and Wages	443,787	394,787	389,271	5,516	
Other Expenses	18,000	18,000	9,249	8,751	
UNCLASSIFIED:					
Utilities:					
Electricity	596,700	596,700	560,940	35,760	
Street Lighting	800,800	800,800	718,023	82,777	
Telephone and Telegraph	160,000	160,000	131,721	28,279	
Heating Oil	1	1		1	
Gasoline	376,000	456,000	445,680	10,320	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Tipping Fees	<u>2,712,310</u>	<u>2,692,310</u>	<u>2,653,570</u>	<u>38,740</u>	<u>-</u>
Total Operations Within "CAPS"	<u>62,914,453</u>	<u>62,867,883</u>	<u>61,113,398</u>	<u>1,754,485</u>	<u>-</u>
Detail:					
Salaries & Wages	37,648,912	37,464,842	36,342,860	1,121,982	-
Other Expenses	<u>25,265,541</u>	<u>25,403,041</u>	<u>24,770,538</u>	<u>632,503</u>	<u>-</u>

**CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
DEFERRED CHARGES					
Anticipated Deficit Sewer Utility	\$ 784,100	\$ 784,100	\$ 322,586		\$ 461,514
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	1,331,348	1,376,348	1,372,888	\$ 3,460	
Consolidated Police and Firemen's Pension Fund	180,000	180,000	179,490	510	
Pension for Widows	2,245	2,245	2,245		
Public Employees Retirement System-ERI	192,125	192,125	192,125	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>2,489,818</u>	<u>2,534,818</u>	<u>2,069,334</u>	<u>3,970</u>	<u>461,514</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>65,404,271</u>	<u>65,402,701</u>	<u>63,182,732</u>	<u>1,758,455</u>	<u>461,514</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	1,140,000	1,140,000	1,139,999	1	
Police and Fireman's Retirement System of NJ	5,370,182	5,370,182	5,370,182		
Public Employees' Retirement System	702,395	702,395	702,395		
Matching Funds for Grants	30,500	13,925	-	13,925	-
Total Other Operations - Excluded From "CAPS"	<u>7,243,077</u>	<u>7,226,502</u>	<u>7,212,576</u>	<u>13,926</u>	<u>-</u>
Interlocal Municipal Service Agreements					
Housing Authority					
Police					
Salaries and Wages		81,250	48,750	32,500	
Board of Education Security Watch					
Salaries and Wages	<u>1,462,000</u>	<u>1,462,000</u>	<u>1,458,053</u>	<u>3,947</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>1,462,000</u>	<u>1,543,250</u>	<u>1,506,803</u>	<u>36,447</u>	<u>-</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Public and Private Programs Offset by Revenues					
Women, Infants and Children Grant		\$ 660,664	\$ 660,664		
Narcotics Task Force Program		58,344	58,344		
Alcohol Education and Rehabilitation Fund		7,871	7,871		
Public Health Priority Funding		28,262	28,262		
Body Armor		20,629	20,629		
Byrne Memorial		529,683	529,683		
Booster Seat Enforcement		20,000	20,000		
NJ Comprehensive Cancer Awareness		65,000	65,000		
Childhood Lead Poisoning Prevention		120,000	120,000		
Click It or Ticket		4,000	4,000		
COPS Secure Our Schools	\$ 86,900	86,900	86,900		
Drunk Driving Enforcement Fund		32,323	32,323		
DOT Municipal Aid: Market St.		322,000	322,000		
Ryan White Title I		248,900	248,900		
Pandemic Flu Preparedness Plan		11,664	11,664		
Domestic Violence Training Program		1,250	1,250		
Recycling Tonnage Grant		13,081	13,081		
Recreation Opportunity		30,000	30,000		
Emergency Telecommunications - 911 Grant		607,761	607,761		
GREAT Program	144,605	144,605	144,605		
Hepatitis B Inoculation		5,000	5,000		
Housing Opportunity (HOPWA)		47,655	47,655		
Tobacco Prevention		5,400	5,400		
Juvenile Accountability Incentive Block Grant		22,072	22,072		
Over the Limit DWI		5,000	5,000		
Open Space (Co.)		97,101	97,101		
Public Archives PARIS		49,500	49,500		
Safe and Secure Communities		83,499	83,499		
Stationhouse Adjustment		37,538	37,538		
Transportation Trust: Howe/Parker Ave., Holdsworth Ct.		75,000	75,000		
Walk Safe Passaic		22,000	22,000		
Summer Food Service Program		323,387	323,387		
Municipal Alliance		57,875	57,875		
Multi Cultural Events		1,250	1,250		
Senior Citizens and Disabled Transportation		60,402	60,402		
UEZ Programs		5,425,738	5,425,738		
Clean Communities Program	-	42,495	42,495	-	-
Total Public and Private Program					
Offset by Revenues	231,505	9,373,849	9,373,849	-	-
Total Operations - Excluded from "CAPS"	8,936,582	18,143,601	18,093,228	\$ 50,373	-
Detail:					
Salaries & Wages	1,462,000	2,221,011	2,184,564	36,447	-
Other Expenses	7,474,582	15,922,590	15,908,664	13,926	-

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
CURRENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 1,579,280	\$ 1,579,280	\$ 1,579,280		
Interest on Bonds	794,883	794,883	794,879		\$ 4
Interest on Notes	211,500	211,500	211,500		
Loan Repayments for Principal and Interest	16,343	16,343	16,342		1
Payment of DEP Loan Principal	14,482	16,052	16,051	-	1
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,616,488</u>	<u>2,618,058</u>	<u>2,618,052</u>	<u>-</u>	<u>6</u>
Deferred Charges - Municipal - Excluded from "CAPS"					
Emergency Authorizations	<u>100</u>	<u>100</u>	<u>-</u>	<u>\$ 100</u>	<u>-</u>
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>11,553,170</u>	<u>20,761,759</u>	<u>20,711,280</u>	<u>50,473</u>	<u>6</u>
Subtotal General Appropriations	76,957,441	86,164,460	83,894,012	1,808,928	461,520
Reserve for Uncollected Taxes	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 77,957,441</u>	<u>\$ 87,164,460</u>	<u>\$ 84,894,012</u>	<u>\$ 1,808,928</u>	<u>\$ 461,520</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 32,657	\$ 23,048
Due from Other Trust Fund	<u>1,501</u>	<u>1,501</u>
	<u>34,158</u>	<u>24,549</u>
OTHER TRUST FUND		
Cash	4,113,562	4,006,427
Other Receivables	23,938	23,938
Due from Current Fund		240,005
Due from Grant Fund	<u>20,856</u>	<u>20,856</u>
	<u>4,158,356</u>	<u>4,291,226</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND		
Cash	27,158	442,107
Other Receivables	155,454	155,454
Due from HUD	<u>951,940</u>	<u>748,703</u>
	<u>1,134,552</u>	<u>1,346,264</u>
HOME INVESTMENT PROGRAM FUND		
Cash	15,245	311,321
Mortgage Receivable	433,142	428,853
Due from HUD	<u>1,422,078</u>	<u>1,309,883</u>
	<u>1,870,465</u>	<u>2,050,057</u>
Total Assets	<u>\$ 7,197,531</u>	<u>\$ 7,712,096</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
TRUST FUNDS
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due State of New Jersey	\$ 15	\$ 4
Due to Current Fund		21,580
Reserve for Encumbrances Payable	4,475	
Reserve for Animal Control Expenditures	<u>29,668</u>	<u>2,965</u>
	<u>34,158</u>	<u>24,549</u>
OTHER TRUST FUND		
Due to Current Fund	67,602	
Due to Animal Control Fund	1,501	1,501
Due to State of New Jersey - Unemployment	35,385	34,267
Miscellaneous Reserves and Deposits	<u>4,053,868</u>	<u>4,255,458</u>
	<u>4,158,356</u>	<u>4,291,226</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND		
Due to Current Fund	23,248	441,524
Reserve for Program Expenditures - UDAG	8,122	8,377
Reserve for Program Expenditures - CDBG	<u>1,103,182</u>	<u>896,363</u>
	<u>1,134,552</u>	<u>1,346,264</u>
HOME INVESTMENT PROGRAM FUND		
Due to Current Fund	44,953	169,953
Reserve for Loan Receivable	433,142	428,853
Reserve for Home Investment Program	1,248,264	1,307,145
Reserve for Mortgage Payoff Program	<u>144,106</u>	<u>144,106</u>
	<u>1,870,465</u>	<u>2,050,057</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 7,197,531</u>	<u>\$ 7,712,096</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
GENERAL CAPITAL FUND
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 1,378,449	\$ 1,578,530
Grants/Loans Receivable	250,000	1,104,962
Due from Grant Fund	1,222,378	799,378
Due from Current Fund	213,331	
Deferred Charges to Future Taxation		
Funded	15,973,084	17,686,538
Unfunded	<u>7,754,635</u>	<u>6,366,995</u>
 Total Assets	 <u>\$ 26,791,877</u>	 <u>\$ 27,536,403</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 7,602,204	\$ 8,338,744
Fiscal Year Adjustment Bonds	1,155,000	1,700,000
Pension Refunding Bonds	6,165,000	6,580,000
EDA Loans Payable	16,343	32,685
Green Acres Loans Payable	1,034,537	1,035,109
Bond Anticipation Notes Payable	7,122,000	5,916,000
Improvement Authorizations		
Funded	710,230	725,663
Unfunded	1,995,112	1,693,796
Encumbrances Payable	538,522	942,488
Capital Improvement Fund	13,999	13,999
Reserve for Curb and Sidewalk Improvements	5,000	5,000
Reserve for Payment of Debt Service	392,708	424,697
Fund Balance	<u>41,222</u>	<u>128,222</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 26,791,877</u>	 <u>\$ 27,536,403</u>

There were Bonds and Notes Authorized But Not Issued on June 30, 2009 and 2008 of \$645,385 and \$550,995, respectively, (See Exhibit C-18).

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
GENERAL CAPITAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Fund Balance, Beginning of Year	\$ 128,222	\$ 128,222
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>87,000</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 41,222</u>	<u>\$ 128,222</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
SEWER UTILITY FUND
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
OPERATING FUND		
Cash	\$ 149,041	\$ 54,044
Due from Sewer Utility Capital Fund	<u>63,324</u>	<u>82,634</u>
	<u>212,365</u>	<u>136,678</u>
Receivables with Full Reserves:		
Consumer Accounts Receivable	<u>1,230,467</u>	<u>955,091</u>
Deferred Charges		
Emergency Authorization		3,917
Operating Deficit	<u>154,587</u>	<u>-</u>
	<u>154,587</u>	<u>3,917</u>
Total Operating Fund	<u>1,597,419</u>	<u>1,095,686</u>
	.	.
CAPITAL FUND		
Cash	167,354	4,575
Due from Current Fund	17,452	217,452
Fixed Capital	4,681,145	4,681,145
Fixed Capital Authorized and Uncompleted	<u>283,529</u>	<u>283,529</u>
Total Capital Fund	<u>5,149,480</u>	<u>5,186,701</u>
	<u>\$ 6,746,899</u>	<u>\$ 6,282,387</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 12,843	\$ 5,501
Encumbrances Payable	37,001	12,973
Accrued Interest on Bonds and Notes	54,514	69,277
Due to Current Fund	<u>209,750</u>	<u>-</u>
	314,108	87,751
Reserve for Receivables	1,230,467	955,091
Fund Balance	<u>52,844</u>	<u>52,844</u>
Total Operating Fund	<u>1,597,419</u>	<u>1,095,686</u>
CAPITAL FUND		
Serial Bonds	1,251,796	1,530,256
Bond Anticipation Notes	1,092,000	1,092,000
Encumbrances Payable	1,703	561
Due to Sewer Utility Operating Fund	63,324	82,634
Improvement Authorizations - Unfunded	91,886	130,249
Reserve for Amortization	2,612,188	2,314,418
Reserve for Deferred Amortization	28,000	28,000
Fund Balance	<u>8,583</u>	<u>8,583</u>
Total Capital Fund	<u>5,149,480</u>	<u>5,186,701</u>
	<u>\$ 6,746,899</u>	<u>\$ 6,282,387</u>

There were no Bonds and Notes Authorized But Not Issued on June 30, 2009 and 2008.

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
STATUTORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES AND OTHER INCOME REALIZED		
Sewer Rents	\$ 5,285,000	\$ 5,456,319
Non-Budget Revenues	<u>-</u>	<u>290,195</u>
Total Income	<u>5,285,000</u>	<u>5,746,514</u>
EXPENDITURES		
Operating	5,256,786	5,128,717
Debt Service	389,255	379,138
Deferred Charges and Statutory Expenditures		96,798
Deficit in Operations in Prior Years	<u>3,917</u>	<u>468,364</u>
Total Expenditures	<u>5,649,958</u>	<u>6,073,017</u>
Deficit in Revenue	<u>(364,958)</u>	<u>(326,503)</u>
Adjustments to Income before Fund Balance:		
Realized from Current Fund Budget for Anticipated Deficit	475,297	322,586
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>-</u>	<u>3,917</u>
	<u>475,297</u>	<u>326,503</u>
Operating Deficit to be Raised in Budget of Succeeding Year	<u>110,339</u>	<u>-</u>
Fund Balance, Beginning of Year,	<u>52,844</u>	<u>52,844</u>
Fund Balance, End of Year,	<u>\$ 52,844</u>	<u>\$ 52,844</u>

CITY OF PASSAIC
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Fund Balance, Beginning of Year	\$ 8,583	\$ 8,583
Fund Balance, End of Year	<u>\$ 8,583</u>	<u>\$ 8,583</u>

**CITY OF PASSAIC
STATEMENT OF REVENUES - STATUTORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>		<u>2008</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Sewer Rents and Charges	\$ 5,285,000	\$ 5,019,565	\$ 5,285,000	\$ 5,456,319
Deficit - Current Fund Budget	<u>475,297</u>	<u>475,297</u>	<u>784,100</u>	<u>322,586</u>
	<u>\$ 5,760,297</u>	<u>\$ 5,494,862</u>	<u>\$ 6,069,100</u>	<u>\$ 5,778,905</u>

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Other Expenses	\$ 135,000	\$ 135,000	\$ 122,894	\$ 12,106	
Sewer Treatment Expenses	4,758,600	4,758,600	4,676,208	-	\$ 82,392
Sewer Maintenance Fee - Contractual	<u>445,578</u>	<u>445,578</u>	<u>444,841</u>	<u>737</u>	<u>-</u>
Total Operating	<u>5,339,178</u>	<u>5,339,178</u>	<u>5,243,943</u>	<u>12,843</u>	<u>82,392</u>
DEBT SERVICE					
Payment of Bond Principal	278,460	278,460	278,460		
Payment of BANS	19,310	19,310	19,310		
Interest on Bonds	60,811	60,811	60,570		241
Interest on Notes	<u>58,621</u>	<u>58,621</u>	<u>30,915</u>	<u>-</u>	<u>27,706</u>
Total Debt Service	<u>417,202</u>	<u>417,202</u>	<u>389,255</u>	<u>-</u>	<u>27,947</u>
DEFERRED CHARGES					
Emergency Authorizations	<u>3,917</u>	<u>3,917</u>	<u>3,917</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,760,297</u>	<u>\$ 5,760,297</u>	<u>\$ 5,637,115</u>	<u>\$ 12,843</u>	<u>\$ 110,339</u>

EXHIBIT D-4b

CITY OF PASSAIC
STATEMENT OF EXPENDITURES - STATUTORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Other Expenses	\$ 68,000	\$ 68,000	\$ 63,900	\$ 4,100
Sewer Treatment Expenses	4,620,000	4,623,917	4,623,916	1
Sewer Maintenance Fee - Contractual	<u>436,800</u>	<u>436,800</u>	<u>435,400</u>	<u>1,400</u>
Total Operating	<u>5,124,800</u>	<u>5,128,717</u>	<u>5,123,216</u>	<u>5,501</u>
DEBT SERVICE				
Payment of Bond Principal	265,720	265,720	265,720	
Interest on Bonds	74,320	74,320	74,320	
Interest on Notes	<u>39,098</u>	<u>39,098</u>	<u>39,098</u>	<u>-</u>
Total Debt Service	<u>379,138</u>	<u>379,138</u>	<u>379,138</u>	<u>-</u>
DEFERRED CHARGES				
Emergency Authorizations	<u>96,798</u>	<u>96,798</u>	<u>96,798</u>	<u>-</u>
STATUTORY EXPENDITURES				
Deficit in Operations in Prior Years	<u>468,364</u>	<u>468,364</u>	<u>468,364</u>	<u>-</u>
	<u>\$ 6,069,100</u>	<u>\$ 6,073,017</u>	<u>\$ 6,067,516</u>	<u>\$ 5,501</u>

**CITY OF PASSAIC
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF JUNE 30, 2009 AND 2008
(UNAUDITED)**

	<u>2009</u>	<u>2008</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>

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NOTES TO FINANCIAL STATEMENTS

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

A. Reporting Entity

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

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

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities, 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 the capital facilities 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 fixed assets of the City, other than those accounted for in the sewer utility fund. The City's infrastructure is not reported in the account group.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 ("statutory 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:

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

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the City's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Trust Funds
General Capital Fund
Sewer Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than August 10, of the fiscal year. The budget is required to be adopted no later than September 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009 and 2008 the City Council increased the original budget by \$794,865 and \$9,207,019. The increases were funded by additional aid allotted to the City. During 2009 and 2008, the City council increased the original sewer operating budget by -0- and \$3,917. The increase was attributable to emergency resolutions for sewer treatment expenses. In addition, the governing body approved several budget transfers during 2009 and 2008.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at June 30, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at June 30, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

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

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The City has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the City has not received notices or report of losses (i.e. IBNR). Additionally, the City has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

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

General Fixed Assets - Fixed assets 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, and streets and sidewalks are not capitalized.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

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

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

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

Reclassifications - Certain reclassifications have been made to the June 30, 2008 balances to conform to the June 30, 2009 presentation.

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

C. Basic Financial Statements

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

The City's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At June 30, 2009 and 2008, the book value of the City's deposits were \$15,245,334 and \$17,256,433 and bank and brokerage firm balances of the City's deposits amounted to \$13,867,138 and \$17,194,319, 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>2009</u>	<u>2008</u>
Insured	\$ 13,867,138	\$ 17,194,319

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2009 and 2008, none of the bank balances were exposed to custodial credit risk.

Investments

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

As of June 30, 2009 and 2008, 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 statutory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the statutory basis of accounting.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at June 30, 2009 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2009</u>			
Property Taxes	\$ 74,235		\$ 74,235
Tax Title Liens	29,946		29,946
Utility Rents	<u>-</u>	<u>\$ 1,230,467</u>	<u>1,230,467</u>
	<u>\$ 104,181</u>	<u>\$ 1,230,467</u>	<u>\$ 1,334,648</u>

In 2009, the City collected \$52,897 and \$955,091 from delinquent taxes and utility rents, which represented 42% and 100% of the delinquent tax and sewer charges receivable at June 30, 2008.

Receivables at June 30, 2008 consisted of the following:

	<u>Current</u>	<u>Utility</u>	<u>Total</u>
<u>2008</u>			
Property Taxes	\$ 102,494		\$ 102,494
Tax Title Liens	23,135		23,135
Utility Rents	<u>-</u>	<u>\$ 955,091</u>	<u>955,091</u>
	<u>\$ 125,629</u>	<u>\$ 955,091</u>	<u>\$ 1,080,720</u>

In 2008, the City collected \$11,910 and \$772,512 from delinquent taxes and utility rents, which represented 16% and 100% of the delinquent tax and sewer charges receivable at June 30, 2007.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 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 funds. 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:

	<u>2009</u>	<u>2008</u>
Issued		
General		
Bonds, Notes and Loans	\$ 23,095,084	\$ 23,602,538
Sewer Utility		
Bonds and Notes	2,343,796	2,622,256
Authorized But Not Issued		
General		
Bonds and Notes	645,385	550,995
Sewer Utility		
Bonds and Notes	-	-
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(424,768)</u>	<u>(524,697)</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 25,659,497</u>	<u>\$ 26,251,092</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of .55% and .58% at June 30, 2009 and 2008, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2009</u>			
General Debt	\$ 23,740,469	\$ 6,570,458	\$ 17,170,011
Parking Authority Debt	2,950,000	2,950,000	
Utility Debt	2,343,796	19,310	2,324,486
School Debt - Type II	<u>3,075,749</u>	<u>3,075,749</u>	<u>-</u>
Total	<u>\$ 32,110,014</u>	<u>\$ 12,615,517</u>	<u>\$ 19,494,497</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2008</u>			
General Debt	\$ 24,153,533	\$ 7,104,697	\$ 17,048,836
Parking Authority Debt	2,950,000	2,950,000	
Utility Debt	2,622,256	1,092,000	1,530,256
School Debt - Type II	<u>3,794,383</u>	<u>3,794,383</u>	<u>-</u>
Total	<u>\$ 33,520,172</u>	<u>\$ 14,941,080</u>	<u>\$ 18,579,092</u>

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

	<u>2009</u>	<u>2008</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 124,219,500	\$ 111,424,258
Net Debt	<u>19,494,497</u>	<u>18,579,092</u>
Remaining Borrowing Power	<u>\$ 104,725,003</u>	<u>\$ 92,845,166</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

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

General Obligation Bonds

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

	<u>2009</u>	<u>2008</u>
\$6,369,326, 1998 General Obligation Bonds, due in annual installments of \$508,800 to \$584,484 through July, 2012, interest at 4.80% to 4.85%	\$ 2,187,204	\$ 2,673,744
\$7,800,000, 2003 Early Retirement Incentive Pension Refunding Bonds due in annual installments of \$490,000 to \$1,135,000 through February, 2017, interest at 4.75% to 5.35%	6,165,000	6,580,000
\$4,320,000, 2004 Fiscal Year Adjustment Refunding Bonds, due in annual installments of \$570,000 to \$585,000 through November 15, 2010, interest at 4.07% to 4.32%	1,155,000	1,700,000
\$6,215,000, 2005 General Obligation Bonds, due in annual installments of \$250,000 to \$890,000 through May 1, 2017, interest at 3.80% to 4.00%	<u>5,415,000</u>	<u>5,665,000</u>
	<u>\$ 14,922,204</u>	<u>\$ 16,618,744</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

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

	<u>2009</u>	<u>2008</u>
\$163,425, 2000 Loans, due in annual installments of \$16,343 through 2010, interest free	\$ 16,343	\$ 32,685
\$200,000, 2006 Loans, due in semi-annual installments of \$4,346 to \$6,157 through March, 2026, interest at 2%	178,482	187,218
\$500,000, 2008 Loans, due in semi-annual installments of \$16,223 to \$21,013 through July, 2022, interest at 2%	500,000	500,000
\$100,000, 2008 Loans, due in semi-annual installments of \$2,130 to \$3,078 through June, 2027, interest at 2%	93,609	97,891
\$250,000, 2009 Loans, due in semi-annual installments of \$8,193 to \$10,506 through April, 2022, interest at 2%	241,889	250,000
\$21,000, 2009 Loans, due in semi-annual installments of \$443 to \$646 through June, 2028, interest at 2%	<u>20,557</u>	<u>-</u>
	<u>\$ 1,050,880</u>	<u>\$ 1,067,794</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Utility Bonds

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

Sewer Utility

	<u>2009</u>	<u>2008</u>
\$3,664,674, 1998 General Obligation Bonds, due in annual installments of \$291,200 to 334,516 through July, 2012, interest at 4.80% to 4.85%	<u>\$ 1,251,796</u>	<u>\$ 1,530,256</u>

The City's principal and interest for long-term debt issued and outstanding as of June 30, 2009 is as follows:

Calendar	<u>General</u>		<u>Loan</u>		<u>Utility</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,818,800	\$ 654,402	\$ 79,597	\$ 20,376	\$ 291,200	\$ 53,265	\$ 2,917,640
2011	1,939,240	572,358	64,525	19,104	305,760	38,938	2,939,925
2012	1,864,680	495,468	65,821	17,807	320,320	23,912	2,788,008
2013	1,979,484	411,013	67,145	16,484	334,516	8,112	2,816,754
2014	1,655,000	335,488	68,494	14,135			2,073,117
2015-2019	5,665,000	541,840	363,685	54,466			6,624,991
2020-2024			294,339	17,692			312,031
2025-2028	-	-	47,274	1,472	-	-	48,746
	<u>\$ 14,922,204</u>	<u>\$ 3,010,569</u>	<u>\$ 1,050,880</u>	<u>\$ 161,536</u>	<u>\$ 1,251,796</u>	<u>\$ 124,227</u>	<u>\$ 20,521,212</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years 2009 and 2008 were as follows:

	Balance, June 30, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2009</u>	Due Within <u>One year</u>
<u>2009</u>					
General Capital					
Serial Bonds	\$ 8,338,744		\$ 736,540	\$ 7,602,204	\$ 758,800
Fiscal Year Adjustment Bonds	1,700,000		545,000	1,155,000	570,000
Pension Refunding Bonds	6,580,000		415,000	6,165,000	490,000
EDA Loans Payable	32,685		16,342	16,343	16,343
Green Acres Loan Payable	<u>1,035,109</u>	<u>\$ 21,000</u>	<u>21,572</u>	<u>1,034,537</u>	<u>63,254</u>
General Capital Fund					
Long Term Liabilities	<u>\$ 17,686,538</u>	<u>\$ 21,000</u>	<u>\$ 1,734,454</u>	<u>\$ 15,973,084</u>	<u>\$ 1,898,397</u>
Sewer Capital					
Serial Bonds	<u>\$ 1,530,256</u>	<u>-</u>	<u>\$ 278,460</u>	<u>\$ 1,251,796</u>	<u>\$ 291,200</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 1,530,256</u>	<u>\$ -</u>	<u>\$ 278,460</u>	<u>\$ 1,251,796</u>	<u>\$ 291,200</u>
	Balance, June 30, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2008</u>	Due Within <u>One year</u>
<u>2008</u>					
General Capital					
Serial Bonds	\$ 9,053,024		\$ 714,280	\$ 8,338,744	\$ 736,540
Fiscal Year Adjustment Bonds	2,215,000		515,000	1,700,000	545,000
Pension Refunding Bonds	6,930,000		350,000	6,580,000	415,000
EDA Loans Payable	49,027		16,342	32,685	16,343
Green Acres Loan Payable	<u>695,782</u>	<u>\$ 350,000</u>	<u>10,673</u>	<u>1,035,109</u>	<u>13,018</u>
General Capital Fund					
Long Term Liabilities	<u>\$ 18,942,833</u>	<u>\$ 350,000</u>	<u>\$ 1,606,295</u>	<u>\$ 17,686,538</u>	<u>\$ 1,725,901</u>
Sewer Capital					
Serial Bonds	<u>\$ 1,795,976</u>	<u>-</u>	<u>\$ 265,720</u>	<u>\$ 1,530,256</u>	<u>\$ 278,460</u>
Sewer Capital Fund					
Long Term Liabilities	<u>\$ 1,795,976</u>	<u>\$ -</u>	<u>\$ 265,720</u>	<u>\$ 1,530,256</u>	<u>\$ 278,460</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The City's short-term capital debt activity for the years 2009 and 2008 was as follows:

	Balance, June 30, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2009</u>
<u>2009</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 5,916,000	\$ 7,122,000	\$ 5,916,000	\$ 7,122,000
Sewer Capital Fund	<u>1,092,000</u>	<u>1,092,000</u>	<u>1,092,000</u>	<u>1,092,000</u>
	<u>\$ 7,008,000</u>	<u>\$ 8,214,000</u>	<u>\$ 7,008,000</u>	<u>\$ 8,214,000</u>
	Balance, June 30, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, <u>2008</u>
<u>2008</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 4,700,000	\$ 5,916,000	\$ 4,700,000	\$ 5,916,000
Sewer Capital Fund	<u>826,000</u>	<u>1,092,000</u>	<u>826,000</u>	<u>1,092,000</u>
	<u>\$ 5,526,000</u>	<u>\$ 7,008,000</u>	<u>\$ 5,526,000</u>	<u>\$ 7,008,000</u>

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2009 and 2008.

	Balance, June 30, <u>2008</u> (Unaudited)	Balance, June 30, <u>2009</u> (Unaudited)
Fixed Assets	<u>\$ 91,441,474</u>	<u>\$ 91,441,474</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2009</u>		<u>2008</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund				
Regular	\$ 612,675	\$ 230,783	\$ 805,604	\$ 457,457
Grant		1,510,356		992,781
Trust Funds				
Animal Control	1,501		1,501	21,580
Other Trust	20,856	69,103	260,861	1,501
Community Development		23,248		441,524
Home Investment Program		44,953		169,953
General Capital Fund	1,435,709		799,378	
Sewer Utility Fund				
Operating	63,324	209,750	82,634	
Capital	<u>17,452</u>	<u>63,324</u>	<u>217,452</u>	<u>82,634</u>
Total	<u>\$ 2,151,517</u>	<u>\$ 2,151,517</u>	<u>\$ 2,167,430</u>	<u>\$ 2,167,430</u>

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

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance June 30, <u>2009</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance June 30, <u>2008</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,563,077	\$ 3,000,000	\$ 4,217,653	\$ 3,500,000
Non-Cash Surplus	<u>44,757</u>	<u>-</u>	<u>39,395</u>	<u>-</u>
	<u>\$ 3,607,834</u>	<u>\$ 3,000,000</u>	<u>\$ 4,257,048</u>	<u>\$ 3,500,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 52,844		\$ 52,844	
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,844</u>	<u>\$ -</u>	<u>\$ 52,844</u>	<u>\$ -</u>

The above fund balance amounts appropriated represent the surplus anticipated in the 2010 introduced municipal budget. The 2010 municipal budget has not been legally adopted as of the date of audit.

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance <u>June 30,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2009</u>			
Sewer Utility Operating Fund			
Operating Deficit	\$ 154,587	\$ 154,587	\$ -
	<u>\$ 154,587</u>	<u>\$ 154,587</u>	<u>\$ -</u>
<u>2008</u>			
Sewer Utility Operating Fund			
Emergency Authorization	\$ 3,917	\$ 3,917	\$ -
	<u>\$ 3,917</u>	<u>\$ 3,917</u>	<u>\$ -</u>

NOTE 9 COMPENSATED ABSENCES

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$6,467,720 and \$6,552,229 at June 30, 2009 and 2008, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of June 30, 2009 and 2008, the City has reserved \$424,179 and \$661,084, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement system (retirement system) 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.

Other Pension Funds

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

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

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

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

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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 obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Basis of Accounting

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

Investment Valuation

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

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

Significant Legislation

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent. The law provides that local employers' PFRS normal and accrued liability contributions shall be as follows: for payments due in the State fiscal year ending June 30, 2004, 20 percent; for payments due in the State fiscal year ending June 30, 2005, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 60 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS or PFRS, effective July 12, 2002.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

Chapter 92, P.L. 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform which establishes a DCRP for elected and certain appointed officials, effective July 1, 2007.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS, 8.50% for PFRS and 5.5% for DCRP of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds except the PAF and DCRP. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums for participating local governments. In the DCRP, member contributions are matched by a 3% employer contribution.

During the year ended June 30, 2007 for CPFPE, which is a cost sharing plan with special funding situation, annual pension cost equals annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. For the DCRP, which is a defined contribution plan, annual pension cost equals annual required contributions.

During the years ended June 30, 2009, 2008 and 2007, the City was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPE</u>	<u>PFRS</u>	<u>PERS</u>
2009	\$ 138,023	\$ 3,103,732	\$ 511,301
2008	179,490	5,370,182	702,395
2007	214,823	3,223,774	393,048

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the City. The Plans are cost-sharing multiple employer-defined benefit plans.

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 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 a fund (Health Benefits Program Fund - State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate fund (Health Benefits Program Fund -Local) in the State's CAFR. The health benefit programs had a total of 454 state and local participating employers and contributing entities for Fiscal Year 2007.

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 trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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. 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 Treasury, Division of Investment, issues publicly available financial reports. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 2909, Trenton, New Jersey 08625-0290.

Funding Policy

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, 2007, there were 75,860 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funding Policy (Continued)

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 \$64.6 million for 6,304 eligible retired members for Fiscal Year 2007.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c. 136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation. The State and participating local governments made post-retirement medical (PRM) contributions of \$224.3 million for PERS in Fiscal Year 2007.

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 \$20.8 million in fiscal year 2007 to provide benefits under Chapter 330 to qualified retirees.

The State will set in fiscal year 2008 the employer contribution rate based on 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 for post-retirement benefits for the years ended June 30, 2009, 2008 and 2007 were \$4,497,564, \$4,316,769 and \$4,552,720, respectively, which equaled the required contributions for each year (or were not available).

NOTE 12 RISK MANAGEMENT

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

The City has established a workmen's compensation plan for its employees and a general liability plan for its employees and their eligible dependents. Transactions related to the plans are accounted for in the Other Trust Fund. The City contributes to fund the entire cost of the plan. Claims are paid directly by the plan with any excess benefit being reimbursed through a Re-Insurance Agreements with Specialty Claims Management, LLC and D&H Alternative Risk Solutions. The City has not created a liability for loss reserves for claims incurred which were unpaid at June 30, 2009 and 2008. In addition, the City has not created a liability for reserves for any potential unreported losses which have taken place but in which the City has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the City under existing reinsurance agreements. As of June 30, 2009 and 2008 the City has available in the Other Trust Fund \$316,531 and \$612,917, respectively for the payment of self-insurance claims.

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 12 RISK MANAGEMENT

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

NOTE 13 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at June 30, 2009 and 2008. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of June 30, 2009 and 2008, the City reserved \$587,522 and \$630,187, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2009 and 2008, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

Overlapping Debt

1. The City is a contracting municipality with the North Jersey District Water Supply Commission (NJDWSC). As such, it is entitled to 11% of the water supplied by the Commission, and is liable for 11% of the annual operating charges, including debt service, of the Commission. The total debt of NJDWSC as of June 30, 2009 and 2008 was \$88,169,108 and \$101,897,542, respectively, of which the City the Passaic's share was \$3,985,000 and \$4,435,053, respectively. The operating charges from NJDWSC are defrayed by water rates established by the Passaic Valley Water Commission.
2. The City owns a portion of the Passaic Valley Water Commission (PVWC). The bonds of the PVWC are secured by water revenues derived from water rate charges by the PVWC. In the event the PVWC funds are inadequate to make principal and interest payments on the bonds, the PVWC is required to adjust its rates to produce amounts sufficient to cover debt service. PVWC had \$133,034,486 and \$124,504,686 of debt outstanding as of June 30, 2009 and 2008, respectively, of which the City of Passaic's share was \$37,245,278 and \$34,857,215, respectively.
3. The City's obligations with respect to debt issued for facilities of PVWC and NJDWSC are not joint and are several with the contracting municipalities. Therefore, the City's contingent liability cannot increase as a result of nonpayment by any other contracting party.
4. The City may also be responsible for its share of County debt, Passaic County Utilities Authority debt and the PVSC debt. The County is repaid through taxes and the PVSC debt is repaid through sewer service charges

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 13 CONTINGENT LIABILITIES (Continued)

Deferred State Health Benefit Premiums - The City has elected to defer two (2) months of its State health benefit premiums to subsequent years under a program approved by the State Department of Treasury, Division of Pension and Benefits. Under the plan, the City was permitted a two (2) month delay in the payment of its monthly health benefit bill with the understanding that if for any reason the City discontinues its participation in the State Health Insurance Plan the deferred amounts are due and payable upon withdrawal from the State Plan. Although the City has charged twelve (12) months of State health benefit premiums to its SFY 2009 budget, they represent the period beginning May 2008 through April 2009. The amount which the City has deferred at June 30, 2009 and 2008 is \$1,537,634 and \$1,510,089 and represents the premiums for May and June 2009 and 2008, respectively.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2009 and 2008, the City had no estimated arbitrage earnings due to the IRS.

NOTE 15 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2009</u>		
Improvement to Market Street	\$931,048	2010
Renovation to 333 Passaic Street	211,063	2010
Underground Parking Garage	209,000	2010
<u>2008</u>		
Tractor Drawn Aerial Apparatus	\$816,276	2009
Improvement to Various Parking Lots	304,991	2009
Improvements to Fourth Street	1,286,518	2009
Various Road Improvements	299,277	2009

CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 16 PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements.

NOTE 17 CAPITAL LEASE AGREEMENT

The City entered into agreements for the leasing of police vehicles totaling \$855,000 under capital leases. The capital lease agreements are for terms of 3 years payable in advance. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at June 30, 2009.

<u>Years Ended</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 231,072
2011	160,119
2012	<u>160,119</u>
Total	551,310
Less: Amounts representing Interest	<u>31,775</u>
Present value of Net Minimum Lease Payments	<u>\$ 519,535</u>

The City's capital lease activity for the years 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Balance, June 30	\$ <u>204,461</u>	\$ <u>334,047</u>
Additions	450,000	-
Reductions	<u>134,926</u>	<u>129,586</u>
Balance, June 30	<u>\$ 519,535</u>	<u>\$ 204,461</u>
Due Within One Year	<u>\$ 213,577</u>	<u>\$ 134,926</u>

**CITY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On August 7, 2009 the City issued Bond Anticipation Notes in the amount of \$7,900,000 to temporarily finance expenditures related to various capital projects. The City has awarded the sale of said notes to T D Securities LLC at an interest rate of 3.5%. These notes dated August 7, 2009 will mature on August 6, 2010.

APPENDIX C

FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.*

_____, 2010

Municipal Council of the
City of Passaic, in the
County of Passaic, New Jersey

Re: City of Passaic, in the County of Passaic, New Jersey
\$7,249,000 General Improvement Bonds, Series 2010A
\$1,266,000 Sewer Utility Bonds, Series 2010B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Passaic, in the County of Passaic, New Jersey (the "City") of its \$7,249,000 General Improvement Bonds, Series 2010A (the "Series A Bonds") and \$1,266,000 Sewer Utility Bonds, Series 2010B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is available to pay the principal of and interest on the Bonds. The Bonds are registered as to principal and interest, are issued in fully registered form, and are dated the date of delivery, mature on August 1 in the amounts and in each of the years, and bear interest at the rates set forth in the tables below:

<u>Year</u>	<u>General Improvement Bonds, Series 2010A</u>	<u>Sewer Utility Bonds, Series 2010B</u>	<u>Interest</u>
2011	\$0	\$46,000	%
2012	0	50,000	
2013	0	90,000	
2014	300,000	90,000	
2015	300,000	90,000	
2016	250,000	90,000	
2017	250,000	90,000	
2018	675,000	90,000	
2019	675,000	90,000	
2020	675,000	90,000	
2021	675,000	90,000	
2022	675,000	90,000	
2023	675,000	90,000	
2024	700,000	90,000	
2025	700,000	90,000	
2026	699,000	0	

The Bonds will be initially issued in book-entry form only in the form of one certificate for the aggregate principal amount of Bonds of each series maturing in each year, registered in the

name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$1,000 or any integral multiple of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution adopted by the City Council on July 1, 2010 (the "Resolution") and (i) in the case of the Series A Bonds, Bond Ordinances numbered 1508-01, 1542-02, 1784-08, 1587-03, 1623-04, 1655-05, 1697-06, 1746-07 and 1769-08 (the "General Improvement Ordinances") and (ii) in the case of the Series B Bonds, Bond Ordinances numbered 1611-04, 1667-05, 1698-06 and 1822-10 (the "Sewer Ordinances", and together with the General Improvement Ordinances, the "Ordinances"). The Series A Bonds are issued for the purpose of financing general improvements and purposes as set forth in the General Improvement Ordinances, and to pay a portion of the costs of issuing the Bonds. The Series B Bonds are issued for the purpose of financing general sewer utility improvements as set forth in the Sewer Ordinances, and to pay a portion of the costs of issuing the Bonds.

The Bonds are subject to optional redemption prior as to maturity as provided in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the City; the Resolution and the Ordinances have been duly authorized and adopted by the City; and the Bonds, the Resolution and the Ordinances are legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the City with the provisions of the Code applicable to the Bonds, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of original issuance of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a preference item for purposes of the alternative minimum tax imposed individuals or corporations. However, interest on the Bonds may become taxable retroactively if certain requirements of the Code are not complied with.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original issuance of the Bonds, interest on the Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the City to pay the Bonds is unlimited, and the City shall be required to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Passaic, in the County of Passaic, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$7,249,000 principal amount of its General Improvement Bonds, Series 2010A (the "Series A Bonds") and \$1,266,000 principal amount of its Sewer Utility Bonds, Series 2010B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to various bond ordinances (the "Ordinances") duly adopted by the Municipal Council of the Issuer (the "Council") and a resolution duly adopted by the Council on July 1, 2010 (the "Resolution"). The Bonds are dated their date of delivery. The Bonds shall mature on August 1 in the years 2011 through 2026, inclusive. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the MSRB pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on

behalf of the such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Issuer's fiscal year, commencing with the Annual Report for the fiscal year ending June 30, 2009, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, the MSRB's Internet website, or that has been filed with the SEC.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in the Official Statement dated July 7, 2010 prepared in connection with the sale of the Bonds under the following captions under the headings "TAX INFORMATION OF THE CITY" and in Appendix A "CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION ON THE CITY OF PASSAIC"—"Summary of the City of Passaic Budgets", "Comparative Schedule of Fund Balances Current Fund", "Tax Information of the City", "Debt Information of the City" and "City of Passaic Statement of Indebtedness as of June 1, 2010".

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. modifications to rights of Bondholders;
8. optional, contingent or unscheduled Bond calls;

9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds;
and
11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

Section 6. Documents to be Provided in Electronic Format and Accompanied by Identifying Information. The Issuer agrees that each Annual Report and each notice pursuant to Section 5(a), 7 and 9 hereof shall be provided to the MSRB in an electronic format as prescribed by the MSRB, and that all documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a) or 6, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder,

including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August __, 2010

CITY OF PASSAIC, IN THE
COUNTY OF PASSAIC, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Passaic, in the County of Passaic, New Jersey

Name of Bond Issue: \$7,249,000 General Improvement Bonds, Series 2010A
\$1,266,000 Sewer Utility Bonds, Series 2010B

Date of Issuance: August 5, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2010. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

CITY OF PASSAIC, IN THE COUNTY OF PASSAIC, NEW
JERSEY

By: _____
Name:
Title: