

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 4, 2010

Ratings: Moody's: ____
(See "Ratings" herein)

In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the County with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes, is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

NEW ISSUE

COUNTY OF PASSAIC

New Jersey

SERIAL BONDS

\$2,353,000 GENERAL OBLIGATION BONDS

consisting of

\$1,177,000 COUNTY COLLEGE BONDS

and

\$1,176,000 STATE AID COUNTY COLLEGE BONDS

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

book-entry issue

(non-callable)

Dated: Date of Delivery

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

Interest on the \$2,353,000 General Obligation Bonds of the County of Passaic, New Jersey (the "County"), consisting of the \$1,177,000 County College Bonds (the "County College Bonds") and the \$1,176,000 State Aid County College Bonds (the "State Aid County College Bonds", and, collectively with the County College Bonds, the "Bonds") will be paid semiannually on the first day of February and August in each year until maturity, commencing on February 1, 2011. Interest on the Bonds will be credited to the participants of The Depository Trust Company as listed on the records of The Depository Trust Company as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds).

Principal of and interest on the Bonds will be paid to the Securities Depository by the County or by the County's designated Paying Agent. The County has designated The Bank of New York, West Paterson, New Jersey, as the Paying Agent for the State Aid County College Bonds.

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

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

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, Fitzpatrick & Cole, LLP, Teaneck, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the County's Bond Counsel, DeCotiis, Fitzpatrick & Cole, LLP, Teaneck, New Jersey, or at such other place as agreed to with the Underwriter on or about August 25, 2010.

**ELECTRONIC SUBMISSIONS FOR THE COUNTY COLLEGE BONDS WILL BE RECEIVED AT 11:00 A.M.
AND FOR THE STATE AID COUNTY COLLEGE BONDS WILL BE RECEIVED AT 11:15 A.M.**

VIA PARITY ON AUGUST 12, 2010.

**FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VIEW THE NOTICES OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

MATURITIES, INTEREST RATE AND YIELDS ON THE COUNTY COLLEGE BONDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$80,000	%	%	2017	\$110,000	%	%
2012	85,000			2018	115,000		
2013	90,000			2019	120,000		
2014	95,000			2020	125,000		
2015	100,000			2021	152,000		
2016	105,000						

MATURITIES, INTEREST RATE AND YIELDS ON THE STATE AID COUNTY COLLEGE BONDS
(County College Bond Act, P.L. 1971 c.12, as amended)

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$80,000	%	%	2017	\$110,000	%	%
2012	85,000			2018	115,000		
2013	90,000			2019	120,000		
2014	95,000			2020	125,000		
2015	100,000			2021	151,000		
2016	105,000						

PASSAIC COUNTY OFFICIALS
BOARD OF CHOSEN FREEHOLDERS
FREEHOLDER - DIRECTOR OF THE BOARD

Bruce James

FREEHOLDERS

Terry Duffy
Edward O'Connell
Greyson P. Hannigan
Michael Marotta
Pasquale Lepore
Deborah E. Ciambrone

COUNTY ADMINISTRATOR

Anthony J. DeNova

COUNTY COUNSEL

William J. Pascrell, III, Esq.

**CLERK TO THE BOARD/
COUNTY TREASURER**

Louis E. Imhof III

CHIEF FINANCIAL OFFICER

Louis J. Garbaccio

COUNTY AUDITOR

Steven D. Wielkatz, C.P.A., R.M.A.
Ferraoli, Wielkatz, Cerullo & Cuva, P.A.
Pompton Lakes, New Jersey

BOND COUNSEL

DeCotiis, Fitzpatrick & Cole, LLP
Teaneck, New Jersey

No broker, dealer, salesperson or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the County and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the County. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in 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, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the County during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter.

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

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**OFFICIAL STATEMENT
OF THE**

**COUNTY OF PASSAIC, NEW JERSEY
\$2,353,000 GENERAL OBLIGATION BONDS
consisting of
\$1,177,000 County College Bonds
\$1,176,000 State Aid County College Bonds
(County College Bond Act, P.L. 1971 c.12, as amended)**

INTRODUCTION

This Preliminary Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the County of Passaic (the "County"), in the State of New Jersey (the "State"), in connection with the sale and issuance of \$2,353,000 General Obligation Bonds, consisting of \$1,177,000 County College Bonds (the "County College Bonds") and \$1,176,000 State Aid County College Bonds (County College Bond Act, P.L. 1971 c.12, as amended) (the "State Aid County College Bonds" and together with the County College Bonds, the "Bonds") dated the date of delivery thereof. This Preliminary Official Statement has been executed by the Chief Financial Officer of the County. This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

THE BONDS

General Description

The Bonds of each series may be purchased in book-entry only form in the amount of \$1,000 or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. The Bonds shall be dated the date of delivery thereof and will mature on August 1, in the years and in the principal amounts shown on the inside front cover page hereof. The Bonds shall bear interest from their date, payable on each February 1 and August 1, commencing February 1, 2011 (each, an "Interest Payment Date"), in each year until maturity at the rates shown on the inside front cover page hereof. So long as DTC or its nominee, Cede & Co., (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co. (or any successor or assign), as nominee for DTC. The Bank of New York Mellon, Woodland Park, New Jersey, has been designated as the Paying Agent for the State Aid County College Bonds. 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).

	County College Bonds	State Aid County College Bonds (ch. 12)
<u>Year</u>	<u>Bonds</u>	<u>Bonds (ch. 12)</u>
2011	\$80,000	\$80,000
2012	85,000	85,000
2013	90,000	90,000
2014	95,000	95,000
2015	100,000	100,000
2016	105,000	105,000
2017	110,000	110,000
2018	115,000	115,000
2019	120,000	120,000
2020	125,000	125,000
2021	<u>152,000</u>	<u>151,000</u>
	<u>\$1,177,000</u>	<u>\$1,176,000</u>

Security for the Bonds

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

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

Additional Security for the County College Bonds (County College Bond Act, P.L. 1971, c. 12, as amended)

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

Redemption

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

Authorizations and Purpose of the Bonds

The Bonds are authorized and are to be issued pursuant to the laws of the State including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, Title 18A, Education of the New Jersey Statutes, Bond Ordinance #2009-10 of the County, finally adopted December 8, 2009, and resolutions duly adopted by the County Board of Chosen Freeholders on July 13, 2010.

<u>Ordinance No.</u>	<u>Description</u>	<u>Bonds to be Issued</u>
<u>County College Bonds</u>		
2009-10	Improvements to Passaic County Community College	<u>\$1,177,000</u>
<u>State Aid County College Bonds</u>		
2009-10	Improvements to Passaic County Community College	<u>\$1,176,000</u>
		<u>\$2,353,000</u>

Book-Entry Only System

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 for each series will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

AUTHORIZATION

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"), Bond Ordinance No. 2009-10 (the "Ordinance") adopted by the Board of Chosen Freeholders of the County on December 8, 2009 and resolutions adopted by the Board of Chosen Freeholders of the County on July 13, 2010 (the "Resolutions").

The Ordinance was published in summary form after adoption along with the statement required by the Local Bond Law and the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the Ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the County.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the County, and the County has pledged its full faith and credit for the payment of the principal of and the interest due on the Bonds. The County is required by law to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

GENERAL INFORMATION ON THE COUNTY

Early History

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

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

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

Governmental Structure

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

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

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

Geographic Location

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

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

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

Within its 193.81 square miles there are 40 lakes and ponds, three state parks and two state forests.

Population of The County of Passaic

2008*	490,948
2007*	489,510
2006*	489,796
2005*	490,749
2004*	491,696
2003*	493,066
2000	490,377
1990	470,864
1980	447,585
1970	460,782
1960	406,618
1950	337,093

Source: United States Department of Commerce, Bureau of the Census.

* Estimate

Industry and Economy

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

It should be recognized that the growth of non-manufacturing jobs in the service, retail and wholesale industries, as well as in finance and insurance, has more than made up for the loss of manufacturing employment. This growth has seen the change in the County's economy from blue collar to white collar. The labor force was approximately 240,400 in 2009 and the unemployment rate was 11.2%.

**County of Passaic
Labor Force Estimates**

(000's Omitted)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2009	244.7	217.3	27.4	11.2%
2008	240.4	224.1	16.4	6.8
2007	238.0	225.3	12.7	5.3
2006	240.3	227.0	13.4	5.6
2005	236.9	224.1	12.9	5.4
2004	231.1	216.7	14.5	6.3
2003	231.6	213.8	17.8	7.7
2002	231.3	214.0	17.3	7.5
2001	225.2	212.4	12.7	5.7
2000	227.8	216.5	11.3	5.0

Source: New Jersey Department of Labor and Industry - Annual Averages for all Years Except 2009

**County of Passaic
Retail Sales**

<u>Year</u>	<u>Retail Sales (000's Omitted)</u>	<u>Percentage Changes</u>
2009	\$6,808,912	(3.40)%
2005	7,045,323	11.12
2004	6,340,037	12.74
2003	5,623,479	(6.53)
2002	6,016,320	(2.4)
2001	6,165,812	(2.1)
2000	6,297,755	23.07

Source: Sales and Marketing Management, Survey of Buying Power 2000-2009.
2009 Nielsen Claritas, Inc.

Total Retail Sales by NJ County 2009

<u>Rank</u>	<u>County</u>	<u>Amount</u>
1	Bergen	\$16,003,382,373
2	Monmouth	12,788,972,978
3	Middlesex	10,835,730,937
4	Morris	10,686,075,281
5	Burlington	10,490,585,847
6	Essex	9,966,471,061
7	Ocean	7,638,571,940
8	Union	7,529,423,896
9	Somerset	7,475,400,007
10	Passaic	6,808,911,993
11	Camden	6,722,196,145
12	Mercer	6,294,992,800
13	Atlantic	5,446,134,875
14	Hudson	5,439,893,467
15	Gloucester	5,090,992,022
16	Cape May	2,283,019,027
17	Cumberland	2,087,384,968
18	Hunterdon	1,949,151,991
19	Sussex	1,830,265,018
20	Warren	1,690,842,046
21	Salem	<u>752,246,960</u>
	NJ Total	<u>\$139,810,645,632</u>

Source: 2009 Nielsen Claritas, Inc.

Effective Buying Income

One method of measuring economic well-being is effective buying income ("EBI"). EBI is a classification developed by Sales & Marketing Management and is calculated through the use of the following formula: personal income minus personal tax and non-tax payments (which includes fines, fees, penalties, and personal contribution for social insurance).

Percentage of Households by Effective Buying Income (EBI) Group 2009

<u>Rank By Total EBI</u>	<u>County</u>	<u>\$20,000-34,999</u>	<u>\$35,000-49,999</u>	<u>\$50,000 and Over</u>	<u>Total EBI</u>	<u>Median Household EBI (\$)</u>
1	Bergen	12.6%	15.9%	60.2%	\$29,349,450,000	\$61,738
2	Middlesex	13.4	17.0	58.1	20,091,162,500	58,106
3	Monmouth	13.2	15.2	59.4	19,520,697,500	60,881
4	Essex	16.7	16.4	43.6	18,308,677,500	44,039
5	Morris	9.8	13.9	69.0	17,764,440,000	73,038
6	Hudson	18.1	18.4	40.6	12,779,450,000	42,249
7	Ocean	19.4	19.7	44.0	12,732,825,000	45,463
8	Union	16.6	17.3	49.9	12,675,060,000	49,894
9	Somerset	9.5	13.8	69.3	11,980,045,000	73,850
10	Burlington	14.5	18.5	57.2	11,861,180,000	56,665
11	Camden	17.4	18.9	46.4	11,572,525,000	47,220
12	Mercer	14.4	16.7	54.3	9,821,225,000	54,697
13	Passaic	18.4	18.5	44.0	9,276,295,000	45,100
14	Gloucester	14.8	18.1	54.8	6,829,472,500	54,539
15	Atlantic	19.8	20.5	41.7	5,687,672,500	44,138
16	Hunterdon	9.0	12.8	71.1	4,847,750,000	76,501
17	Sussex	11.8	17.2	61.5	4,009,775,000	61,018
18	Warren	14.2	19.1	52.3	2,679,662,500	52,139
19	Cumberland	21.2	20.2	35.6	2,492,487,500	39,269
20	Cape May	21.1	19.8	40.3	2,289,295,000	42,587
21	Salem	18.5	19.9	43.6	<u>1,361,135,000</u>	<u>45,227</u>
Total NJ State		15.2%	17.2%	52.7%	<u>\$227,930,282,500</u>	<u>\$52,859</u>

Source: 2009 Nielsen Claritas, Inc.

Statistics of Income 2009: New Jersey Income Tax Returns for 2007
Summarized by County

<u>Rank</u>	<u>County</u>	<u>Aggregate Gross Income (000's Omitted)</u>	<u>Average Income</u>
1	Bergen	\$43,691,199	\$109,730
2	Essex	29,099,916	91,374
3	Monmouth	27,575,044	100,553
4	Morris	25,333,234	117,620
5	Middlesex	23,871,092	61,121
6	Union	18,693,855	80,505
7	Somerset	17,571,125	124,569
8	Hudson	14,120,144	54,538
9	Burlington	14,116,968	74,242
10	Ocean	14,104,051	58,254
11	Mercer	13,959,297	94,436
12	Camden	13,052,598	60,814
13	PASSAIC	11,914,461	55,122
14	Gloucester	7,762,929	64,631
15	Atlantic	6,257,086	52,864
16	Hunterdon	6,237,099	106,313
17	Sussex	4,668,961	77,189
18	Warren	2,963,273	66,613
19	Cumberland	2,581,929	44,999
20	Cape May	2,272,687	56,772
21	Salem	1,480,076	57,689
	County of Taxpayer Residence Unknown	<u>20,363,858</u>	<u>79,894</u>
	State	<u><u>\$321,690,882</u></u>	<u><u>\$72,571</u></u>

Source: State of New Jersey Department of the Treasury, Division of Taxation, Statistics of Income, 2009, Table 5A: Income Tax Return Amounts Summarized by County for 2007 Tax Returns.

Economic Outlook

The New Jersey Department of Labor reported that over the first nine months of 2009, total nonfarm employment in the Northern New Jersey Regional (Bergen/Hudson/Passaic Labor Area) reached a level of 1,932,400. Payrolls were down by 42,700 jobs or 2.2 percent from the same period in 2008. In a similar comparison, statewide employment posted a loss of 3.1 percent since 2008.

The Northern Region job loss was reflected in several private sector industries. Cutbacks in professional and business services (-15,900 jobs), manufacturing (-12,000), trade, transportation and utilities (-8,900), financial activities (-6,800) and construction (-7,700) contributed to the decline in employment. These industries are among those that have been most affected by the current national recession. The Northern Region, with its close ties to the financial and banking institutions in New York City, has particularly felt the pressures of the financial, credit and housing crises as evidenced by the employment declines across all related industry sectors.

The Bergen/Hudson/Passaic Labor Area's total nonfarm wage and salary employment declined to an average of 879,500 during the first nine months of 2009 (January-September). Over the year, 23,600 jobs were lost as the area felt the severe effects of the national recession. The last time the area saw job losses this significant was in 2002 (-25,100) during the last recession. **However, the pace of decline was slower in the labor area in comparison to the state (-2.6% vs. -3.1%, respectively) when averaged for the first nine months in 2009.**

Over the year, the largest employment losses occurred in professional and business services (-7,300 jobs), construction (-5,500), trade, transportation and utilities (-4,900), manufacturing (-4,800), and financial activities (-4,600). Three industry supersectors experienced payroll growth since 2008 with the largest gain posted in educational and health services (+3,100). Employment in professional and business services reached an average of 130,000 over the first nine months of 2009, the lowest level since 1997 when there were 127,900 industry jobs. The sector lost 5.3 percent of its job base since 2008. Cuts were concentrated in administrative/support & waste management/remediation services (-4,700 jobs) primarily in the employment services sector (-4,200) and professional, scientific and technical services (-3,700). Professional and business services companies, which specialize in performing activities for other businesses, have been particularly hard hit during the economic downturn. Many companies in tough economic times reduce the use of firms in this sector among their first steps in reducing costs. Furthermore, business at travel agencies slowed due to decreased demand.

Construction employment declined for the second consecutive year to reach a 12-year low of 26,800. The over-the-year job loss of 17.0 percent is the largest recorded since 1990 (earliest data available). Job losses in construction were due mainly to unfavorable and long lasting wet weather conditions coupled with weak financial markets and restrictive lending practices by financial institutions. This economic environment dampened the possibility of starting or continuing residential and commercial building projects.

Trade, transportation and utilities payroll jobs attained their lowest level on record and the nine-month average losses were the highest since the 2002 recession. Employment decreased in all component sectors: wholesale trade (-2,000 jobs), retail trade (-1,600) and transportation, warehousing and utilities (-1,400). Cutbacks and reorganization by several area companies reduced employment in wholesale trade. Due to rising gas prices and a slow down in business, D&R Warehousing Company moved 164 jobs from Totowa (Passaic County) to Dayton (Middlesex County). Cardinal International, a glassware distribution company in Wayne (Passaic County), consolidated operations by transferring 40 positions to South Jersey (Millville, Cumberland County).

In retail trade, numerous companies in the area went out of businesses. Linens-N-Things closed its corporate headquarters in Clifton and several locations in the labor area, affecting 323 jobs. Other retailers such as Circuit City with locations in Passaic County and North Bergen (Hudson County), as a result of declining sales, closed their stores removing 200 positions from area payrolls. Marty's Shoes also was a victim of the economic downturn leading to the eventual shutdown of nine area stores and a loss of 73 jobs in the labor area.

Manufacturing continued its 12-year downward trend to reach a level of 64,700 over the first nine months of 2009. The area's manufacturing payrolls reached a high of 156,400 in 1990. Although employment losses occurred both in durable and nondurable goods, the job decline posted in nondurable goods (-3,300 jobs) was more than double the decline in durable goods (-1,500). Several manufacturing companies in the area either moved, closed or consolidated operations. PF Laboratories, a pharmaceutical manufacturer in Totowa (Passaic County) closed its production operation eliminating 67 positions.

The finance and insurance component (-4,600 jobs) was responsible for all of the job losses that occurred in financial activities. Payrolls in the supersector attained a 10-year low and the number of jobs lost over the first nine months of 2009 is the largest average decline seen since 1990 (earliest data available).

Gains in educational and health services were primarily concentrated in the health care and social assistance sector (+3,100). The number of educational and health services jobs reached a record high of 136,300 in 2009 and have increased by 31,800 jobs or 30.4 percent since 1999.

At 39,800, employment in other services reached an all-time high in 2009. Other services include personal care and laundry services, auto repair and maintenance, religious services, grant making and civic and charitable organizations. Increased activities in this sector are inevitable as the population continues to grow which results in increased demand for services.

Government employment was up by 2,900 from the 2008 average, with the largest increase occurring in the local government component (+3,900). State and federal government posted a combined loss of 1,000 jobs. The Bergen/Hudson/Passaic Labor Area's unadjusted unemployment rate averaged 9.2 percent over the first nine months of 2009, a rate 3.8 percentage points higher than the same period in 2008. The average number of unemployed residents increased from 54,300 in 2008 to 94,600 in 2009. In a similar comparison, the state's unemployment rate averaged 8.9 percent, up from 5.2 percent in 2008.

Total employment in the Bergen/Hudson/Passaic Labor Area may show no growth and continue to decline at a more modest rate during the upcoming months. As the burdens on the economy could likely ease in the coming months, the labor area should reflect the rate of improvement incurred by the nation and the state. The state's investment in energy efficiency and conservation programs through federal grants will most likely create employment opportunities in particular green jobs in certain industries.

Construction jobs may take at least two quarters before showing any turnaround, as winter weather conditions take hold and the industry begins to rebound. There are however several large and small projects throughout the labor area that were set to start by the end of 2009.

Work on the nation's largest transit project, the Trans-Hudson Passenger Rail Tunnel or Access to the Region's Core (ARC) is expected to start soon. The construction timetable for the Bergen/Hudson/Passaic side of the Hudson River is not yet available. In commercial construction, Passaic County has demonstrated a particular strength in attracting data centers, one in Totowa and another for Credit Suisse in Clifton.

Manufacturing jobs may take two or three quarters before stabilizing; however, there have been some recent positive developments in this sector. Maquet Cardiovascular LLC, a global leader in manufacturing medical devices, announced the addition of new employees at its United States headquarters in Wayne (Passaic County) in October. The Maquet Company will relocate manufacturing facilities from Puerto Rico and bring 350 jobs to augment its existing New Jersey workforce of 1,100. The company has invested approximately \$40 million for the construction of state-of-the-art manufacturing, education and training facilities.

Area employment in retail trade could post gains in the coming months. One positive sign for the industry is that more than 85 percent of the space is leased in the newly opened Paterson Center City Mall. Current tenants include The Children's Place, AJ Wright, Pay Half, Shoe Factory, AT&T, Sprint, Space Port and T-Mobile. When the remaining space is fully leased and occupied, it is estimated that 600 new jobs will be added at this location. In professional and business services, companies will once again begin to outsource to a variety of service providers throughout the area when economic conditions warrant. This may lead to job growth in administrative support and waste management/remediation services. Increased demand for network infrastructure in finance and information technology has provided expansion opportunities for two area companies.

The educational and health services industry, which thus far appears to be robust and able to withstand economic shifts, is likely to add jobs mainly in ambulatory health care and social assistance. The area's demand for services by the baby boom population continues to grow necessitating home health care services. Social assistance jobs may grow due to increased need for childcare facilities.

The housing market in the labor area is beginning to show signs of improvement as the amount of unsold inventory is decreasing. Several municipalities in the area had four months or less of unsold homes and rising home prices, according to the appraisal company Otteau Valuation Group Inc. Smaller inventories of houses in the market coupled with tax incentives for home buyers should increase mortgage activities in the area.

Source: NEW JERSEY ECONOMIC INDICATORS NOVEMBER 2009

A number of major commercial and industrial projects have broken ground, completed construction or have been initiated during 2009 throughout Passaic County. Examples of these projects include, but are not limited to:

The City of Paterson, home of the Great Falls, is the home of a new \$200 million downtown development project Center City Mall. The Center City Partners has built a 320,000 square foot building including retail, office and parking uses, with the potential to expand development to 600,000 square feet. The developer also plans to construct a 10-story 235,000 square foot residential building with ground floor retail and subsurface parking; and a 7-story garage with 5,000 square feet of retail on the ground floor. In addition, the developers will construct a 2-story retail/office building totaling 8,290 square feet. The first 320,000 square foot phase of the project is completed and is approximately 85% leased with tenants such as A. J. Wright, The Children's Place, PSE&G, Space Port, Fabian Cinemas, AT&T, GNC, Subway, and Sprint.

Lowe's has constructed a 136,000 square foot building in Paterson along Route 20 and a Pep Boys and Micro Computer Store also occupy an additional 50,000 square feet in the complex. A Home Depot opened in July 2008 in a 117,953 square foot site located along Route 20 in Paterson between 4th and 5th Avenues.

Riverside Village will be breaking ground on a 35,000 square foot supermarket and restaurant along River Street in Paterson, NJ. Additional projects in Paterson include: Kessler Properties has substantially renovated a 88,375 square foot property located at 431-455 Madison Avenue and has leased space to 6 new companies; and AM Realty Associates has completed construction on a 24,633 square foot retail strip mall on Chamberlain Avenue for a Valley National Bank and a Rite-Aid Drug Store.

St. Joseph's Hospital and Medical Center in Paterson is completing the expansion of their new Emergency Room and will proceed with a new medical arts building, hotel and parking deck in 2010-2011. In addition to this hospital expansion, two new office buildings have been proposed for development on Main Street, opposite the hospital, a 54,000 square foot building by GMBD Associates and a 26,000 square foot building by Z. Barkow.

The former Barnert Hospital has been redeveloped into a 200,000 square foot medical arts facility on Broadway in Paterson, with several of the medical offices purchasing their space as condominiums.

Woodland Park has also experienced a growth in medical arts facilities with the development of the 183,000 square foot McBride Avenue Medical and Professional Arts building.

In Wayne, Maquet Corporation, located within the McBride Corporate Park in Wayne, NJ, will increase employment by 350 between 2009-2010 due to the closure of their manufacturing plant in Puerto Rico. Maquet manufactures artificial arteries and will receive a \$4 million grant from the State of New Jersey to support their \$40 million expansion. A 91,505 square foot, 4-story Marriott Residence Hotel, housing 119 rooms, opened for business within the last year; and LVH Realty constructed a 65,484 square foot office building adjacent to the hotel. In addition, Valley National Bank, headquartered in Wayne, has proposed the construction of a new office building of 76,333 square feet. Additional construction projects in Wayne include, but are not limited to: BD Investment Properties constructed a 24,053 square foot office building; the First Jersey Credit Union recently completed their new 18,644 square foot corporate headquarters building; and 68 Colfax Associates constructed a 30,949 square foot office and warehouse/distribution center in Wayne. The Atrium at Wayne is will complete a 28,500 square foot addition on Alps Road; the Badaan Family, LLC will break ground on a 24,000 office building on Newark-Pompton Turnpike in Wayne; and BAE Systems, a major Passaic County employer will be expanding their manufacturing facility by 12,000 square feet in Wayne. The Hilton Garden Inn plans to construct a new 92,350 square foot hotel on Valley Road, Wayne, NJ. UPS has just executed a long term lease in the McBride Corporate Park off of Valley Road, Wayne and will be locating 650 employees specializing in the development of computer software.

Korman Corporate Suites completed construction on a 441,600 square foot executive suites hotel and conference center in Clifton on Route 3, and opened for business offering 258 suites. In addition, several sites along the Route 3 corridor in Clifton have experienced significant redevelopment including several retail strip malls. The Promenade Shops at Clifton developed 160,770 square feet of retail space including a Pier 1, Harmon's, Pollo Tropical, etc. Stu Leonards, a Honda dealership and numerous restaurants are all locating along the Route 3 retail corridor.

GlaxoSmith Kline completed a 18,600 square foot expansion to their manufacturing facility on Bloomfield Avenue, Clifton and Stop and Shop Supermarket completed a 61,900 square foot expansion along Allwood Road in Clifton. Similarly, Aldi Supermarkets plans a 17,000 square foot supermarket on Lakeview Avenue, Clifton.

Russo Development has broken ground on a 284,000 square foot data center along Main Avenue in Clifton for Credit Suisse.

Projects in Hawthorne include the completion of the environmental remediation of a 10-acre tract located along Wagaraw Road. Proposals for retail development are now being considered.

Development has continued in Little Falls with John Soldovari constructing a 30,000 square foot office building; and Direct Depot has completed construction on a 25,000 square foot New Jersey Kitchen and Bath Design Center.

Expansion projects in Totowa include: Kari-Out, a packaging manufacturing facility, which has expanded its manufacturing facility by an additional 49,580 square feet, the third time this company has expanded at its Totowa location. Russo Development has completed construction on a 126,000 square foot data center on Riverview Drive and leased the space to a telecommunications company.

The City of Passaic is also experiencing significant development interest through the activities of their Redevelopment Agency. The City of Passaic Redevelopment Agency has designated 4 redevelopment areas for a total of 125 acres and 2 scattered sites including 585 Main Avenue and 663 Main Avenue. In addition, the Agency is working on the River Drive Redevelopment Area where a private developer will construct 138 residential units. In addition, Passaic County Community College has opened its 43,640 square foot nursing school in the City of Passaic.

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

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

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

Reduced Sales Taxes: Retail sales of tangible personal property within the zone are reduced by up to 50% of the current rate, effectively reducing the sales tax rate to 3.5% in Paterson and Passaic.

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

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

The industrial, commercial and retail real estate market in Passaic County has maintained its appeal to companies seeking to expand. Retail, industrial and office vacancies have increased slightly in the last year due to the slowing economy. Industrial properties have maintained their value with many buildings selling for \$50-\$75 per square foot. Passaic County has also been experiencing continued demand in retail locations, with a 2008 vacancy rate of only 3.4%, down from 3.8% in 2007 along Route 23; and along Route 46 the retail vacancy rate has reached 5.6% due the addition of Clifton Promenade, a 130,000 square foot lifestyle center according to R.J. Brunelli and Company.

GOVERNMENTAL SERVICES

Road and Transportation

The following major highways serve the County:

Garden State Parkway	U.S. Route 46
Federal Interstate Route No. 80	New Jersey Highway Route No. 21
Federal Interstate Route No. 287	New Jersey Highway Route No. 23
New Jersey Highway Route No. 208	New Jersey Highway Route No. 3
New Jersey Highway Route No. 19	New Jersey Highway Route No.20

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

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

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

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

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

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

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

Major improvements currently under study or in preliminary design include improvements along the Route 3 corridor at Route 21 and the Route 3/Route 46 interchange. Other proposals include establishing a public/private partnership to create a Bergen-Passaic Cross County Light Rail transit Service and restoring commuter service on the NYS&W Railroad Line north of Hawthorne.

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

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

THE PASSAIC COUNTY UTILITIES AUTHORITY

General

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

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

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

<u>Member and Office</u>	<u>Membership Term Expires</u>	<u>Officer Term Expires</u>
John Nigro - Chairperson	2/01/04*	2/01/11
Joseph W. Wenzel - Vice Chairperson	2/01/09*	2/01/11
William Farkas	2/01/07*	
Michael Hanrahan - Secretary/Treasurer	2/01/05*	2/01/11
Samir Goow	2/01/07*	
Pat (Pasquale) Lepore	2/01/05*	
Charles W. Pettiford	2/01/06*	
Gerald Volpe	2/01/08*	
Albert Kahwatey	2/01/11	

* Serving until a successor is appointed.

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

Debt of the Authority

The Authority currently has issued and outstanding the principal amount of \$63,205,000 of solid waste indebtedness that has been issued from time to time for the purpose of financing the costs relating to its Solid Waste System. The May 1, 1997 opinion and order of the Third Circuit Court of Appeals in Atlantic Coast Demolition and Recycling Co., Inc. v. Board of Chosen Freeholders of Atlantic County, 112 F. 3rd 652 (1997), ultimately resulted in the demise of the County system of regulatory waste flow controls. The Authority subsequently ceased to operate the solid waste system. As a result, all constituent municipalities within the County have independently procured solid waste collection and disposal services. Nevertheless, the County and the Authority have contacted State representatives and continue to explore solutions to manage and repay the Authority's debt.

Solid Waste Indebtedness Currently Secured by the County Landfill Agreement

The Authority has issued several series of bonds since 1987 that are secured by the County Landfill Agreement, except as set forth below. See "County Landfill Agreement" herein. There is currently outstanding the following debt secured by the County Landfill Agreement (collectively, the "PCUA Bonds" or "Secured Bonds"):

- \$43,010,000 Solid Waste Disposal Revenue Bonds, Refunding Series 2004 consisting of \$34,200,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds (Tax Exempt Series 2004A) and \$8,810,000 Solid Waste Disposal Revenue Bonds (Taxable Series 2004B) (collectively, the "2004 Refunding Bonds") issued pursuant to the Landfill Bond Resolution, as amended and supplemented;

- \$18,805,000 Solid Waste Disposal Revenue Bonds, Refunding Series 2008 (Tax Exempt Series 2008) issued pursuant to the Landfill Bond Resolution, as amended and supplemented (the "2008 PCUA Bonds").

Solid Waste Indebtedness Not Secured by the County Landfill Agreement

The Authority has also issued its Solid Waste System Revenue Bonds (Series 1991A) (the "System Revenue Bonds"). The System Revenue Bonds were issued pursuant to a resolution of the Authority adopted on December 17, 1990 and entitled, "Resolution Amending and Restating The Resolution Authorizing the Collection and Disbursement of System Revenue and Authorizing the Issuance of Solid Waste System Revenue Bonds of the Passaic County Utilities Authority," as amended and supplemented by a resolution of the Authority adopted on November 18, 1991 and entitled, "1991 Supplemental Resolution Providing for the Issuance and Sale of \$36,495,000 Principal amount of 1991 Solid Waste System Revenue Bonds (Series 1991A) of the Passaic County Utilities Authority and Determining Various Matters Pertaining Thereto" (collectively, the "System Revenue Bond Resolution"). The System Revenue Bonds were fully paid and matured as of November 15, 2006, and are no longer outstanding.

Local Authorities Fiscal Control Law

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

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

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

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

Long Term Financial Plan

Pursuant to, and in accordance with, the New Jersey Solid Waste Management Act, N.J.S.A. 13:1E-1 et seq. (the "Solid Waste Act"), the County was designated as a "solid waste management district." As such, the County was required by law, among other things, to develop and formulate a Solid Waste Management Plan (the "Plan") providing for the disposal of solid waste generated within the Passaic County Solid Waste Management District. The County ultimately designated the Authority to supervise the implementation of the Plan.

The Authority incurred significant debt obligations in order to acquire property interests, undertake studies and do all things necessary to develop, finance and construct a waste-to-energy facility as required by the Act. In order to secure the repayment of its debt obligations and its administrative and operational expenses, the Authority relied primarily on a system of regulatory waste flow controls consisting of waste flow rules promulgated by the New Jersey Department of Environmental Protection ("DEP") and a solid waste franchise approved by the New Jersey Board of Public Utilities. The DEP's waste flow rules were later ruled to be unconstitutional in Atlantic Coast Demolition and Recycling Co., Inc. v. Board of Chosen Freeholders of Atlantic County, 112 F.3d 352 (1997) (cert. denied). As a result, the Authority lost the ability to direct certain classifications of waste through its solid waste system and, accordingly, became unable to collect the tipping fees necessary to satisfy its contractual obligations, including debt service payments on its outstanding bonds.

For the last several years, the Authority has utilized a series of repetitive, short-term financings to meet its debt service obligations. This strategy began as the result of the post-Atlantic Coast uncertainty surrounding the revenues securing payment on the Authority's outstanding debt. In late 1998, the State completed an audit of the Authority (the "Audit"). In the Audit, the State recommended that, upon passage of the relevant State legislation, the Authority should consider refinancing its debt. Accordingly, in reliance upon the progression of such legislation, the Authority continued the strategy of repetitive refundings. On July 15, 2002, the Authority filed an application (the "Application") with the New Jersey Economic Development Authority (the "NJEDA") pursuant to an act entitled "An Act Concerning the Restructuring of Certain Solid Waste Facility Bonds, and Providing for the Financing Thereof Through the New Jersey Economic Development Authority," P.L. 2001, C.401 (the "Restructuring Act"). Pursuant to the Restructuring Act, the NJEDA was authorized to make loans, through the purchase of bonds issued by eligible counties or public authorities, to effect the refunding or rescheduling of outstanding solid waste disposal bonds of such participants. However, the Restructuring Act expired on December 31, 2002 without any action being taken by the NJEDA.

The Authority has taken numerous other efforts to ensure it would have sufficient revenues to meet its debt service obligations. Such efforts have included: (i) instituting legal challenges to the repeal of the Solid Waste Act, (ii) imposing an 'environmental investment charge' on municipalities within the County, (iii) complying with all State orders, (iv) participating in the State's Solid Waste Partnership Program and complying with the audit requirements and recommendations thereunder, (v) advocating, and participating in the drafting of, the relevant legislation and (vi) the filing of the Application pursuant to the Restructuring Act.

Despite the Authority's actions, the Authority has no operations and no system revenues with which to meet its debt service obligations. Accordingly, based upon the Authority's lack of any revenues, all of the Authority's outstanding solid waste bonds constitute stranded debt, incapable of being repaid without State assistance (except to the extent such debt is insured or secured by the County).

In light of these developments, the Authority developed a plan (the "Refinancing Plan") to permanently retire its outstanding indebtedness secured by the Landfill Agreement. The Refinancing Plan included: (i) the issuance of the PCUA Bonds; (ii) the issuance of short-term notes in 2005, 2006 and 2007 to refund those obligations coming due in such years with respect to the prior PCUA bonds and the prior PCUA notes; and (iii) the issuance of the 2008 PCUA Bonds and \$125,000 Solid Waste System Project Notes, Refunding Series 2008 (Federally Taxable) (the "2008 PCUA Notes") to refund those obligations coming due in 2008 with respect to the prior PCUA bonds and the prior PCUA notes. On February 20, 2008, the 2008 PCUA Bonds and 2008 PCUA Notes were issued and paid in full.

County Landfill Agreement

In order to secure the bonds, the County and the Authority have entered into an agreement dated as of September 1, 1987 entitled the "1987 County Landfill Agreement", as amended and restated by the May 1, 1996 Amended and Restated 1987 County Landfill Agreement, as further amended and supplemented to the date hereof (collectively the "County Landfill Agreement"). Pursuant to the County Landfill Agreement, the County has agreed to pay to the Authority such sums of money as may be required to provide for monetary deficits of the Authority relating to: (a) the debt service on certain of the Authority's bonds, (b) maintaining reserve requirements under the Landfill Bond Resolution and the System Revenue Bond Resolution, as applicable, and (c) paying the Authority's administrative expenses pertaining to the Project (as defined in the County Landfill Agreement).

The County and the Authority have determined that the County Landfill Agreement is in the best interest of Passaic County taxpayers, residents and ratepayers to assure the payment of debt service on the Authority's bonds.

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

2004 Amendment to the County Landfill Agreement

Pursuant to the County Landfill Agreement, the aggregate principal amount of Secured Bonds may not exceed \$61,000,000 (the "Initial Agreement Cap"). The aggregate amount of Secured Bonds is \$63,205,000, exceeding the Initial Agreement Cap. Accordingly, in order to ensure the securitization of the PCUA Bonds throughout this period and pursuant to the requirements of the County Landfill Agreement, the County adopted a resolution entitled "Resolution of the County of Passaic Authorizing the 2004 Amendment to the 1987 Amended and Restated County Landfill Agreement By and Between the County of Passaic, New Jersey and the Passaic County Utilities Authority" dated February 10, 2004, authorizing the "2004 Amendment to the Amended and Restated 1987 County Landfill Agreement Between the County of Passaic and the Passaic County Utilities Authority" (the "2004 Amendment"). The 2004 Amendment, in part, increased the Agreement Cap to \$69,500,000 (the "2004 Agreement Cap"). Under the 2004 Agreement Cap, the PCUA Bonds are fully secured by the County Landfill Agreement.

County Financial Assistance

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

Method of Payment

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

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

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

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

No Delegation

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

Enforcement of County's Obligation to Pay Annual Charges

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

County's Unconditional and Unqualified Obligation to Pay Annual Charges

The County agreed in the County Landfill Agreement that its obligation to pay to the Authority the deficiency in the debt service on the bonds secured thereby as and when due is an unconditional and unqualified obligation of the County independent of any other obligation of the County.

Property Tax Act

In 2007, the Legislature of the State of New Jersey enacted P.L. 2007, ch 62 (the "Property Tax Act"), imposing a 4% cap on a municipality's or county's tax levy over the prior year's tax levy, and on July 13, 2010, P.L. 2010, ch 44 was approved (the "Amended Property Tax Act") amending the Property Tax Act and reducing the tax levy cap to 2% for budget years following enactment. The Amended Property Tax Act, as it pertains to the PCUA's Bonds, may limit the amount of Annual Charges payable by a local unit under the terms of a service contract, such as the County Landfill Agreement.

There are a limited number of exceptions to the Amended Property Tax Act's 2% cap, one of which is the amount to be raised by taxation for capital expenditures including debt service as defined by law. There is no specific reference within the enumerated exceptions to payments made by a municipality or county pursuant to a service agreement with an authority used to pay debt service on authority obligations secured by such service agreement. Consequently, there is no specific exception from the 2% cap for Annual Charges payable by a local unit under the service contracts pursuant to the Amended Property Tax Act.

However, the Director (the "Director") of the Division of Local Government Services notified the Authority, pursuant to the powers granted to the Director under the Property Tax Act, which powers were not expressly amended by the Amended Property Tax Act, stating that amounts, if any, required to be paid by a local unit to the Authority pursuant to the County Landfill Agreement and necessary for the Authority to meet its debt service obligations in a timely fashion would be treated as an automatic exclusion from the 4% cap under the Property Tax Act.

Additional Bonds or Project Notes

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

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

State of New Jersey Solid Waste Partnership Program; State Audit; Financial Assistance

In response to the Third Circuit Court of Appeals Order and Judgment in Atlantic Coast, the State of New Jersey established the Solid Waste Partnership Program (the "Partnership Program"). Under the Partnership Program, in State budget language, the State has acknowledged the need to "subsidize county and county authority debt service payments for environmental investments incurred as of June 30, 1997 . . . in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer . . ." Under the 1998 State Budget Appropriations Act, the New Jersey Legislature appropriated not to exceed \$20,000,000 for these purposes. The expenditure of State moneys pursuant to the Partnership Program for such purposes is conditioned upon the State Treasurer having conducted, or contracted for, an operational audit of the county or county authority (the "Audit"), and the county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer. In late 1997 or early 1998, the Authority issued a request to the State Treasurer to conduct an audit in order that the Authority could benefit from the Partnership Program. The State audit review team, consisting of representatives from the New Jersey Department of Treasury, the New Jersey Department of Community Affairs and the DEP completed the review and issued audit findings and recommendations in October, 1998.

The Authority has taken all appropriate steps to comply with the recommendations contained in the Audit report, including implementation of recommendations to effectuate operational savings to the Authority. The Authority next made application to the New Jersey Department of Treasury for financial assistance to subsidize a shortfall on its November 15, 1998 debt service payment on the System Revenue Bonds. The Authority received a subsidized payment for such shortfall and continued to receive subsidized payments for the System Revenue Bonds until the final maturity thereof on November 15, 2006. These bonds have been paid in full.

The State has provided no financial assistance pursuant to the Grant Agreement for debt service payments on the PCUA Bonds.

PASSAIC COUNTY IMPROVEMENT AUTHORITY

The Passaic County Improvement Authority (PCIA) was formed in December 2002 by virtue of an approval from the Local Finance Board. The Authority is made up of five Commissioners with staggered terms of up to three years. Mr. Dennis Marco is the Chairman. Five projects have been financed by the PCIA. The first was a co-venture with the Paterson Parking Authority which the PCIA issued \$18,370,000 of its revenue bonds (of which \$8,000,000 was the County's Chapter 12 Bonds) to construct a parking garage in the City of Paterson secured by a lease agreement with the Paterson Parking Authority and by revenue to be generated by the new parking facility. The second project was the construction of an addition to Preakness Healthcare Facility, to renovate the existing facility and the PCIA issued \$65,000,000 of Healthcare Facility Lease Revenue Bonds secured by a general obligation lease with the County of Passaic. These financings closed in May and June, 2005, respectively. A third project was to acquire a building for the Passaic County Prosecutor. The PCIA issued \$6,000,000 of revenue bonds on December 9, 2005. A fourth project was a supplemental issue of \$22,960,000 to construct an addition to the Preakness Healthcare Facility. A fifth project was to make loans to the Boroughs of Haledon and Ringwood to refinance certain of the outstanding bond anticipation notes of each Borough and the PCIA issued \$8,587,000 of County Guaranteed Governmental Loan Revenue Bonds in January 2009 to effectuate same.

COUNTY AND OVERLAPPING INDEBTEDNESS

Overlapping Government Units

In addition to the various municipalities and school districts within the County, the following exist within the County to provide certain governmental services: Butler-Bloomington Sewer Department, City of Passaic Municipal Utilities Authority, City of Paterson Municipal Utilities Authority, City of Paterson Parking Authority, Pompton Lakes Municipal Utilities Authority, Borough of Ringwood Sewerage Authority, Wanaque Municipal Utilities Authority, West Milford Municipal Utilities Authority, North Jersey District Water Supply Commission, Passaic Valley Sewerage Commission, Passaic Valley Water Commission, Passaic County Improvement Authority and the Passaic County Utilities Authority. No actual or contingent liability exists on the part of the County for the debt of these entities except as is expressly set forth herein or with respect to the Passaic County Utilities Authority.

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general and utility capital expenditures by municipalities and counties. 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 toward the financing of expenditures for general purposes. All bonds and notes issued by the County are general full faith and credit obligations.

Debt Limits

The net debt of the County is limited by the Local Bond Law to an amount equal to 2% of its equalized valuation basis. The equalized valuation basis of the County is set by statute as the average for the last three years of the equalized value of all taxable real property within its boundaries as annually determined by the State Board of Taxation and the assessed valuation of Class II railroad property for each of the three most recent years. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. As of December 31, 2009, the amount of net debt authorized by the County as a percentage of the average equalized value of taxable real property in the County equaled .61%.

Exceptions to Debt Limits - Extension of Credit

The debt limit of the County may be exceeded with the approval of the Local Finance Board (the "Board"), which is located within the Division of Local Government Services, Department of Community Affairs, New Jersey (the "Division"). If all or any part of a proposed debt authorization would exceed its debt limit, the County must apply to the Board for an extension of credit. The Board considers the request concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Board determines that a proposed debt authorization would materially impair the ability of the County to meet its obligations or to provide essential services, approval would be denied. In addition, debt in excess of the debt limit may be issued without the approval of the Board to fund certain bonds and notes, to provide for certain self-liquidating purposes and to fund improvements 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 County may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional renewal period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. An amount equal to the first legally payable maturity determined in accordance with the Local Bond Law, must be paid by the County at the end of the third year and at the end of each succeeding year if bond anticipation notes are renewed at those times.

Debt Statements

The County must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the County must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized issued and unissued debt of the County as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowings. Even though the County's authorizations are within its debt limits, the Division can supervise State regulations as to the amounts and purposes of local borrowings.

Appropriation "CAPS"

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 basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. 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, in 2007, P.L. 2007, ch 62 imposed 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 exceptions, and on July 13, 2010, P.L. 2010, ch 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2% and limiting the exclusions to amount to be raised by taxation for capital expenditures including debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the County to levy ad valorem taxes upon all taxable property within the County 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.

Purposes of County Debt

The following table breaks down by purpose all direct general obligation bond and loan indebtedness of the County, for the payment of the principal and interest on which the County has pledged its full faith and credit as of December 31, 2009.

Schedule of Bond, Notes and Loan Indebtedness as of December 31, 2009

Notes	\$59,474,350
Loans	2,762,773
General County Purposes	271,372,000
Community College	21,885,000
Vocational and Special Needs School	<u>5,223,000</u>
Gross Bond and Loan Debt	<u>\$360,717,123</u>

Debt Incurring Capacity as of December 31, 2009

Equalized Valuation Basis (last 3 years average)	\$56,092,089,098
2% Borrowing Margin (1)	1,121,841,782
Net Debt Issued, Outstanding and Authorized	<u>355,741,071</u>
Remaining Borrowing Capacity	<u>\$766,100,711</u>

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

Debt History

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

History of Bonded Debt Ratios As of December 31,

Year	Average Equalized Valuation(1)	Gross Debt (Issued and Authorized But Not Issued)	Gross Debt Per Capita	Ratio of Gross Debt to Equalized Valuation	Net Debt	Net Debt Per Capita	Ratio of Net Debt to Equalized Valuation
2009	\$56,092,089,098	\$437,627,901	\$894.85	.78	\$355,741,071	\$727.41	.61
2008	54,829,871,042	441,758,457	903.30	.81	351,743,949	719.24	.64
2007	50,889,986,478	440,449,801	900.63	.87	370,371,871	757.33	.73
2006	45,715,215,727	448,333,535	916.75	.98	390,002,683	797.47	.85
2005	40,124,291,588	478,021,653	977.47	1.191	422,113,519	863.13	1.052

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

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Bonds and Notes Issued and Outstanding:					
Bonds	\$298,480,000	\$324,174,000	\$287,279,000	\$299,014,000	\$295,234,000
Notes	59,474,350	23,642,000	83,286,000	71,544,000	79,644,000
Loans	<u>2,762,773</u>	<u>3,243,092</u>	<u>3,104,465</u>	<u>3,519,760</u>	<u>3,939,434</u>
Total Issued	360,717,123	351,059,092	373,669,465	374,077,760	378,817,434
Bonds and Notes Authorized					
But Not Issued	<u>76,910,778</u>	<u>90,699,365</u>	<u>66,780,336</u>	<u>74,255,775</u>	<u>99,214,219</u>
	437,627,901	441,758,457	440,449,801	448,333,535	478,031,653
Less: Statutory Deductions	<u>81,886,830</u>	<u>90,014,508</u>	<u>70,077,930</u>	<u>58,330,852</u>	<u>55,908,134</u>
Total Issued and Authorized					
But Not Issued	<u>\$355,741,071</u>	<u>\$351,743,949</u>	<u>\$370,371,871</u>	<u>\$390,002,683</u>	<u>\$422,123,519</u>

Source: Passaic County Audit Reports

**Statement of Indebtedness
As of December 31, 2009**

GROSS DEBT

Bonds, Notes and Other Loans Issued and Outstanding	
Bonds	\$298,480,000
Loans	2,762,773
Notes	<u>59,474,350</u>
	360,717,123
Bonds and Notes Authorized But Not Issued	<u>76,910,778</u>
TOTAL GROSS DEBT	437,627,901
Statutory Deductions(1)	<u>81,886,830</u>
TOTAL NET DEBT	<u>\$355,741,071</u>

OVERLAPPING DEBT

Passaic County Utilities Authority(2)	<u>\$61,815,000</u>
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GROSS DEBT

Per Capita (2000 Census - 489,049)	894.85
Percent of Average Equalized Valuation (\$56,092,089,098)	.78%

NET DEBT

Per Capita (2000 Census - 489,049)	727.41
Percent of Average Equalized Valuation (\$56,092,089,098)	.61%

OVERALL DEBT (GROSS AND OVERLAPPING)

Per Capita (2000 Census - 489,049)	1,021.66
Percent of Average Equalized Valuation (\$56,092,089,098)	.89%

Source: County Records

- (1) Statutory deductions are used to determine the legal borrowing capacity of the County. The County, however, is obligated under law to repay the full amount of its gross debt.
- (2) Reflects debt outstanding of the Passaic County Utilities Authority as of March 1, 2010 which is covered by a County Deficiency Agreement.

County of Passaic
Combined Principal and Interest Requirements
Outstanding Bonds and Loans of the County
As of December 31, 2009

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$26,230,000.00	\$13,180,933.75	\$39,410,933.75
2011	27,510,000.00	12,072,029.38	39,582,029.38
2012	29,169,000.00	10,804,404.75	39,973,404.75
2013	29,915,000.00	9,473,680.38	39,388,680.38
2014	31,419,000.00	8,113,899.38	39,532,899.38
2015	30,516,000.00	6,690,755.50	37,206,755.50
2016	26,912,000.00	5,320,226.00	32,232,226.00
2017	19,053,000.00	4,174,635.38	23,227,635.38
2018	13,455,000.00	3,413,490.50	16,868,490.50
2019	13,343,000.00	2,740,692.75	16,083,692.75
2020	8,882,000.00	2,166,203.75	11,048,203.75
2021	5,540,000.00	1,734,837.50	7,274,837.50
2022	5,100,000.00	1,493,062.50	6,593,062.50
2023	5,300,000.00	1,268,750.00	6,568,750.00
2024	5,600,000.00	1,032,500.00	6,632,500.00
2025	5,875,000.00	783,687.50	6,658,687.50
2026	6,500,000.00	514,875.00	7,014,875.00
2027	4,075,000.00	281,812.50	4,356,812.50
2028	4,086,000.00	95,062.50	4,181,062.50
	<u>\$298,480,000.00</u>	<u>\$85,355,539.02</u>	<u>\$383,835,539.02</u>

Source: Passaic County Audit Reports

THE COUNTY BUDGET

Status of County Budget

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.), every county in the State is required to adopt a balanced budget. See "Budget Requirements" and "Budget Process" herein. The County's budget for 2010 was adopted at the Freeholder meeting of May 11, 2010.

Budget Requirements

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

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

The Local Budget Law, and the acts amendatory thereof and supplemental thereto, prohibits counties from measuring their final appropriations by more than the lesser of five percent or the Index Rate determined annually by the Director over that appropriated for the previous year. Not subject to the five percent limit are increases funded by sources other than an increase in the general property tax rate or necessitated by specified emergencies (as approved by the local governing body and the Board), for debt service, funding previous deficits, uncollected taxes, expenses mandated by State or Federal law, and amounts received by new or increased fees or sales of assets.

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

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

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

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

Budget Process

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

Deferral of Current Expenses

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

Budget Transfers

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

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

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

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

Annual Audit

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

**Comparative Summary of 2010, 2009, 2008, 2007 and 2006
County of Passaic County Budgets**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:					
Surplus Anticipated	\$15,450,000	\$14,418,102	\$14,931,589	\$9,563,504	\$15,943,000
State and Federal Grant Programs	8,408,880	11,347,988	10,419,940	11,816,563	13,677,116
State Assumption of Costs of County					
Social and Welfare Services	30,246,933	31,085,008	31,721,579	33,495,170	26,480,408
Miscellaneous Revenues	51,756,002	51,840,047	67,306,259	73,301,361	73,096,008
Interest on Investments	2,040,811	2,883,000	3,500,000	1,800,000	970,000
Amount to be Raised by Taxation -					
County Purpose Tax	<u>292,181,887</u>	<u>283,835,372</u>	<u>277,340,015</u>	<u>253,177,231</u>	<u>235,399,046</u>
	<u>\$400,084,513</u>	<u>\$395,409,517</u>	<u>\$405,219,382</u>	<u>\$383,153,829</u>	<u>\$365,565,578</u>
Appropriations:					
General Government	83,490,971	81,709,551	82,429,819	77,817,892	76,883,493
Regulation	13,740,132	14,397,752	15,289,489	14,699,388	15,308,854
Roads and Bridges	3,644,100	3,611,111	3,611,622	3,569,803	3,684,085
Correctional and Penal	55,119,690	55,081,244	54,913,593	60,348,960	64,758,253
Health and Welfare	93,068,240	98,532,657	98,004,016	98,903,170	93,778,158
Educational	21,136,238	20,954,006	20,419,084	19,505,233	18,317,684
Recreational	2,922,472	2,850,124	3,093,032	3,036,440	3,066,650
Unclassified	22,332,567	19,479,516	17,795,118	15,722,668	12,602,418
Other Public and Private Programs	11,423,107	14,488,782	13,443,828	15,008,391	13,032,850
Contingent	50,000	200,000	200,000	200,000	200,000
Capital Improvement Fund	700,000	950,000	950,000	950,000	950,000
Debt Service	56,389,452	56,319,542	50,977,300	46,608,566	43,610,000
Deferred Charges and Statutory					
Expenditures	<u>36,067,544</u>	<u>26,835,232</u>	<u>44,092,481</u>	<u>26,783,318</u>	<u>19,373,133</u>
	<u>\$400,084,513</u>	<u>\$395,409,517</u>	<u>\$405,219,382</u>	<u>\$383,153,829</u>	<u>\$365,565,578</u>

Capital Improvement Program

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

A capital budget is the first proposal of the financial allocation described in the six year capital improvement program. The main purpose of the capital budget is to initiate planning for ultimate authorization of capital projects for the first year of the six year plan/program. The proposed Capital Budget (2010) and Capital Program (2010-2015) do not represent actual authorization of projects, but rather conceptual recognition of the needs of specific capital improvements.

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

The following schedule depicts the County Capital Plan for 2010-2014. This plan does not provide an appropriation for the purposes outlined, nor does it commit the Board of Chosen Freeholders to the project or amounts listed. The Board of Chosen Freeholders will make determinations, on a priority basis, as each program is proposed, as to the need for and method of financing.

**Five Year Capital Program (2010-2014)
Anticipated Project Schedule and Funding Requirements**

<u>Project</u>	<u>Total Cost</u>
Bridge Replacement and Repairs	\$67,200,000
Drainage Projects	1,050,000
Road Improvement Projects	30,075,000
General Program	2,350,000
Traffic Safety Program	1,075,000
Intersection Improvements	1,250,000
Acquisition of Various Equipment	11,645,000
Road Resurfacing Program	15,000,000
Buildings and Grounds Projects	18,400,000
	<u>\$148,045,000</u>

<u>Year</u>	<u>Amount</u>
2010	\$25,825,000
2011	40,200,000
2012	24,770,000
2013	42,100,000
2014	15,150,000
	<u>\$148,045,000</u>

Source: 2009 Capital Budget of the County

TAX INFORMATION ON THE COUNTY

County Tax Rates

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

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

<u>Year</u>	<u>Assessed Valuation of Real Property</u>	<u>Assessed Valuation of Personal Property</u>	<u>Net Valuation Taxable</u>	<u>County Tax Rate Base</u>	
				<u>Valuation of Real and Personal Property</u>	<u>General Tax Rate Per \$100</u>
2009	\$33,890,983,620	\$57,312,989	\$33,948,296,609	\$57,408,609,846	\$.4937
2008	30,262,972,765	47,417,172	30,310,389,937	56,290,518,188	.4950
2007	30,219,744,215	48,307,211	30,268,051,426	52,440,489,938	.4852
2006	21,354,230,409	40,055,340	21,394,285,749	45,986,845,299	.5142
2005	21,288,317,981	47,402,350	21,335,720,331	40,727,773,476	.5160

Source: Passaic County Board of Taxation, Abstract of Ratables

Equalized Valuation of Property of Constituent Municipalities

<u>Municipality</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2009 General Rate(1)</u>
Bloomington	\$1,015,819,071	\$1,028,647,433	\$972,408,240	\$862,564,899	\$769,582,895	5.679%
Clifton	11,220,510,059	11,351,818,555	10,542,328,040	9,161,201,465	8,204,090,133	4.301
Haledon	730,772,116	728,289,992	653,909,853	581,184,375	511,141,503	5.323
Hawthorne	2,849,427,088	2,758,462,759	2,584,741,696	2,328,644,452	2,085,373,246	4.487
Little Falls	1,980,349,363	1,967,283,064	1,882,274,611	1,692,902,856	1,561,019,724	5.018
North Haledon	1,591,546,785	1,576,933,836	1,489,799,091	1,366,242,467	1,160,530,628	6.066
Passaic	3,788,952,091	3,755,261,817	3,345,540,426	2,778,499,130	2,305,812,093	6.067
Paterson	8,907,126,596	8,516,829,836	7,353,174,894	6,111,746,701	5,039,339,151	1.853
Pompton Lakes	1,564,009,020	1,530,770,516	1,450,558,567	1,305,932,463	1,141,487,468	5.622
Prospect Park	435,684,923	437,891,819	394,772,525	344,156,105	295,088,984	5.721
Ringwood	1,968,463,903	1,986,231,254	1,838,700,889	1,680,338,173	1,526,656,105	4.923
Totowa	2,527,867,462	2,335,321,092	2,316,477,454	2,136,960,602	198,493,359	3.539
Wanaque	1,399,167,579	1,425,532,571	1,348,849,124	1,122,087,188	942,085,685	5.687
Wayne	11,619,657,829	11,259,261,614	10,964,033,517	9,774,668,010	9,015,822,657	4.175
West Milford	3,862,540,618	3,808,167,208	3,616,264,649	3,240,045,212	2,876,529,429	5.647
West Paterson (Woodland Park)	<u>1,946,715,343</u>	<u>1,823,814,822</u>	<u>1,686,656,362</u>	<u>1,499,651,201</u>	<u>1,308,720,416</u>	4.257
	<u>\$57,408,609,846</u>	<u>\$56,290,518,188</u>	<u>\$52,440,489,938</u>	<u>\$45,986,845,299</u>	<u>\$40,727,773,476</u>	
County Rate Per \$100	49.37	49.50	48.52	51.42	51.53	

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

Ten Largest Assessed Valuations in the County - 2010

<u>Name</u>	<u>Assessed Valuation</u>
Willow Brook Mall	\$156,000,000
Hoffman LaRoche	132,047,700
North Jersey District Water Supply	59,146,200
Clifton Commons, LLC	40,863,500
Toys "R" Us, Inc.	38,527,100
Castelton Assoc., LLC	35,026,800
Rose Manor Estates	33,028,100
Wayne PSC, LLC	32,612,400
Public Service	32,535,600
Mountain View Crossing	31,970,400

Source: Passaic County Board of Taxation

Ten Largest Employers in the County - 2010

<u>Employer</u>	<u>Number of Employees</u>
St. Joseph's Hospital	3,700
Hoffmann La Roche, Inc.	3,000
Passaic County Administration	2,500
International Specialty Products	2,200
City of Paterson	1,600
Reckett & Coleman	1,500
U.S. Postal Service	1,500
Berlex Labs	1,480
G.E.C. Marconi Systems	1,400
Passaic General Hospital	1,220

Source: Passaic County Economic Development Department

Tax Collection Record

The following table is the current real property tax collection record of the County for the years 2005 through 2009:

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2009(1)	\$283,835,372	\$283,835,372	100%
2008	277,340,015	277,340,015	100
2007	253,177,231	253,177,231	100
2006	235,187,707	235,187,707	100
2005	209,321,070	209,321,070	100

(1) Unaudited

Source: County Records

County Taxes

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

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

Tax Appeals

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

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

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

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

TAX MATTERS

The County has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the County with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The County has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The County will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the County. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Alternative Minimum Tax. Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75 percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not subject to the alternative minimum tax on the increase adjustment described above.

Bank Qualification. The Bonds will not be designated as qualified under Section 265 of the Code by the County for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. 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.

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

LITIGATION

In the opinion of William J. Pascrell, III, Esq., County Counsel, there is no litigation of any nature now pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of any taxes to pay the interest on or the principal of the Bonds, or in any manner questioning the levy or the collection of taxes, or affecting the validity of the Bonds or the levy or the collection of taxes. Neither the authority or the proceedings for the issuance of the Bonds nor the title of any of the present officers of the County to their respective offices is being contested. Neither the corporate existence or boundaries of the County is being contested; no authority or proceedings for the issuance of the Bonds has or have been repealed, revoked or rescinded; and all actions or proceedings in regard to the issuance of the Bonds taken by governing body subsequent to the adoption of the Open Public Meetings Act of New Jersey have been in compliance with said Act.

MUNICIPAL BANKRUPTCY

The undertakings of the County should be considered with reference to Chapter IX of the Bankruptcy Act, 11 United States Code Section 901, *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit a State, political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt; directs such a petitioner to file with the court a list of petitioners' creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or materials actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

SECONDARY MARKET DISCLOSURE

The County, pursuant to the provisions of the Continuing Disclosure Certificate, the form of which is attached as Appendix C, shall provide certain secondary market disclosure for the benefit of the holders of the Bonds and the beneficial owners thereof. Specifically, the County will:

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2009, provide to the Municipal Securities Rulemaking Board through the EMMA dataport (the "MSRB") annual financial information with respect to the County consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the County and certain financial information and operating data consisting of (i) County and overlapping indebtedness including a schedule of outstanding debt issued by the County, (ii) the County's most current adopted budget, (iii) property valuation information, and (iv) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

(b) in a timely manner to the MSRB, notice of the following events with respect to the Bonds, if material (herein "Material Events"):

- (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 security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(c) in a timely manner to the MSRB, notice of failure of the County to provide required annual financial information on or before the date specified in this resolution.

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

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

The County has never failed to comply with its undertakings pursuant to the Rule.

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

RATINGS

The County has requested ratings for the County College Bonds and for the State Aid County College Bonds from Moody's Investors Service. **The ratings are expected to be released prior to the sale of the County College Bonds and the State Aid County College Bonds.**

The ratings reflect only the views of the rating agencies and an explanation of the significance of such ratings may only be obtained from the rating agencies. There can be no assurance that the ratings will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in the rating agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of any such rating, may have an adverse effect on the marketability or market price of the County College Bonds and for the State Aid County College Bonds.

UNDERWRITING

The County College Bonds have been purchased from the County at a public sale by _____ (the "County College Bonds Underwriter"). The County College Bonds Underwriter has purchased the County College Bonds in accordance with the Notice of Sale and the Proposal for the County College Bonds at a price of \$ _____. The County College Bonds are being offered for sale at the yields or prices set forth on the inside front cover of this Official Statement.

The State Aid County College Bonds have been purchased from the County at a public sale by _____ (the "State Aid County College Bonds Underwriter"). The State Aid County College Bonds Underwriter has purchased the State Aid County College Bonds in accordance with the Notice of Sale and the Proposal for the State Aid County College Bonds at a price of \$ _____. The State Aid County College Bonds are being offered for sale at the yields or prices set forth on the inside front cover of this Official Statement.

PREPARATION OF OFFICIAL STATEMENT

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

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

DeCotiis, , Fitzpatrick & Cole, 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 therein, may be directed to Anthony J. DeNova, County Administrator, telephone (973) 881-4405, or Louis J. Garbaccio, Chief Financial Officer, telephone (973) 881-4440, County Administration Building, 401 Grand Street, Paterson, New Jersey 07505-2023.

MISCELLANEOUS

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

By _____
Louis J. Garbaccio
Chief Financial Officer

Dated: _____, 2010

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2008 AND SELECTED
FINANCIAL INFORMATION FOR YEARS
ENDED DECEMBER 31, 2005-2009**

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

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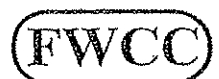
INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the County of Passaic, as of and for the years ended December 31, 2008 and 2007, and the related statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year ended December 31, 2008. These financial statements are the responsibility of the County of Passaic's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Community Development Grant Fund as of December 31, 2008 and 2007 which represents 22.8 and 23.8 percent, respectively, of the assets of the Trust Fund for the years then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Community Development Grant Fund, is based solely upon the reports of the other auditors.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides a reasonable basis for our opinion.



As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the County of Passaic's policy to prepare 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 County of Passaic, New Jersey as of December 31, 2008 and 2007 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the County of Passaic, State of New Jersey as of December 31, 2008 and 2007 and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis for the year ended December 31, 2008, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 26, 2009 on our consideration of the County of Passaic, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the County of Passaic, State of New Jersey taken as a whole. The accompanying schedules of expenditures of federal and state awards 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 and are not a required part of the financial statements. Additionally, the supplementary information, schedules and exhibits 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 County of Passaic, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based on our audit and the reports of other auditors, 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.


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


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants



May 26, 2009

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2008 and 2007

	<u>Ref.</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 51,072,251	50,891,097
Investments	A-4	500,055	500,000
Change Fund	A-5	675	675
Cash - Fiscal Agent for Health Benefits		<u>570,000</u>	<u>570,000</u>
		<u>52,142,981</u>	<u>51,961,772</u>
Receivables and Other Assets with Full Reserves:			
Revenue Accounts Receivable	A-8	948,561	1,917,500
Amount Due from:			
Clearing Account	A-9	313,621	152,518
Payroll Agency Account	A-9	175	
Confiscated Trust Fund	A-9	1,583	
General Capital Fund	A-9	<u>405,266</u>	<u>330,524</u>
		<u>1,669,206</u>	<u>2,400,542</u>
Deferred Charges:			
Emergency Authorization			<u>10,000,000</u>
			<u>10,000,000</u>
		<u>53,812,187</u>	<u>64,362,314</u>
Federal and State Grant Fund:			
Grants Receivable	A-7	38,284,754	34,317,719
Due from Current Fund	A-17	<u>4,827,872</u>	<u>648,742</u>
		<u>43,112,626</u>	<u>34,966,461</u>
Total Assets		<u>\$ 96,924,813</u>	<u>99,328,775</u>

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2008 and 2007

	<u>Ref.</u>	<u>2008</u>	<u>2007</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-10 \$	18,246,069	16,308,448
Accounts Payable	A-11	504,230	494,423
Encumbrances Payable	A-12	3,817,456	6,784,928
Emergency Note Payable	A-4		10,000,000
Due to State & Federal Grants Fund	A-9	4,827,872	648,742
Due to Other Trust Fund	A-9	479,311	432,209
Due to Community Development Grant Fund	A-9	104,549	21,932
Miscellaneous Reserves	A-15	5,252,611	2,339,501
		<u>33,232,098</u>	<u>37,030,183</u>
Reserve for Receivables	Contra	1,669,206	2,400,542
Fund Balance	A-1	<u>18,910,883</u>	<u>24,931,589</u>
		<u>53,812,187</u>	<u>64,362,314</u>
Federal and State Grant Fund:			
Amount Due to General Capital Fund	A-17	4,000,000	4,000,000
Accounts Payable	A-11	43,010	43,010
Commitments Payable	A-13	4,344,653	5,845,671
Reserve for State and Federal Grants - Appropriated	A-14	34,619,490	24,989,443
Reserve for State and Federal Grants - Unappropriated	A-16	105,473	88,337
		<u>43,112,626</u>	<u>34,966,461</u>
Total Liabilities, Reserves and Fund Balance	\$	<u><u>96,924,813</u></u>	<u><u>99,328,775</u></u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC

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

Current Fund

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues and Other Income:		
Fund Balance Utilized	\$ 14,931,589	9,563,504
Miscellaneous Revenue Anticipated	131,011,783	141,698,169
Receipts from Current Taxes	277,340,015	253,177,231
Non-Budget Revenue	4,871,570	5,741,508
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	7,750,167	14,494,471
Prior Year Interfunds Returned	483,042	105,647
Cancellation of Accounts Payable		72,122
Cancellation of Appropriated Reserves	<u>248,090</u>	
Total Revenues and Other Income	<u>436,636,256</u>	<u>424,852,652</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	136,311,198	144,718,770
Other Expenses	197,753,431	193,813,028
Capital Improvement Fund	950,000	750,000
Debt Service	47,567,886	44,414,489
Deferred Charges and Statutory Expenditures	44,092,482	26,789,803
Interfunds and Receivables Originating in Current Fund	943,270	483,043
Grant Receivables Canceled	<u>107,106</u>	
Total Expenditures	<u>427,725,373</u>	<u>410,969,133</u>
Excess Revenue Over Expenditures	8,910,883	13,883,519
Adjustments to Income Before Surplus:		
Expenditures included above which are by Statute Deferred		
Charges to Budget of Succeeding Year		<u>10,000,000</u>
Statutory Excess to Surplus	8,910,883	23,883,519
Fund Balance, January 1,	<u>24,931,589</u>	<u>10,611,574</u>
	33,842,472	34,495,093
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>14,931,589</u>	<u>9,563,504</u>
Fund Balance, December 31,	<u>\$ 18,910,883</u>	<u>24,931,589</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 14,931,589	14,931,589	
Miscellaneous Revenues:			
County Clerk	316,822	207,866	(108,956)
Register	7,008,820	4,063,199	(2,945,621)
Surrogate	372,119	360,074	(12,045)
Sheriff	2,534,426	1,527,148	(1,007,278)
Interest on Investments and Deposits	3,589,000	3,286,705	(302,295)
Road Opening Permits	122,000	294,358	172,358
Rental Income	284,300	371,250	86,950
Prosecutor's Office - Confiscated Money	131,000	12,000	(119,000)
State Aid - County College Bonds (N.J.S.A. 18A:64-22.6)	1,300,000	1,700,002	400,002
Division of Youth and Family Services	2,823,314	2,823,314	
Supplemental Social Security Income	1,676,870	2,223,989	547,119
Maintenance of Patients in State Institutions for Mental Diseases	15,049,015	15,049,015	
Maintenance of Patients in State Institutions for Mentally Retarded	12,161,455	12,161,455	
County Patients - State Hospital	10,925	20,890	9,965
Alcohol/Drug Abuse	784,732	784,732	
Weatherization DHS	191,806	191,806	
Aging Area Grant 2008	1,430,154	1,430,154	
Aging Area Grant Nutrition 2008	1,045,060	1,045,060	
Bioterrorism Preparedness	516,254	516,254	
Casino Revenue	1,669,708	1,669,708	
JARC	294,000	294,000	
Insurance Fraud	250,000	250,000	
Body Armor	10,619	10,619	
Gang Suppression Initiative	117,600	117,600	
Human Services 08BERN	174,373	174,373	
Human Services 08BERN PASP	405,559	405,559	
State Incentive Program	598,969	598,969	
State Community Partnership	509,300	509,300	
Family Court Services	279,836	279,836	
Juvenile Accountability Block Grant	66,375	66,375	
Emergency Management Assistance	32,000	32,000	
Passaic County Film Festival	1,006	1,006	
Division of Child Behavioral Health Services	158,456	158,456	
Municipal Alliance	586,166	586,166	
Preakness General - Psych Program	255,605	255,605	
Body Armor PCSD	77,318	77,318	
Universal Service Fund	53,750	53,750	
Homeless HLR28N	907,294	907,294	
Click it or Ticket	4,000	4,000	
Subregional Technical Studies Project	48,000	48,000	
County Environmental Protection	162,500	162,500	

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
UASI Planner	306,066	306,066	
PC ISO 9001 Training Consortium	124,500	124,500	
Weatherization LIHEAP	14,817	14,817	
DOE Weatherization 2008	171,263	171,263	
Workforce Investment Act 2008/2009	4,245,477	4,245,477	
Workforce Investment Act 2008/2009	6,483,394	6,483,394	
Workforce Investment Act 2007/2008	846,167	846,167	
21st Century CLC Program	350,000	350,000	
Justice Assistance Grant (JAG)	29,424	29,424	
Solid Waste Service Tax	323,943	323,943	
NCA Program Support	10,000	10,000	
NJ Sex Offender Registry	34,740	34,740	
"Obey the Signs or Pay the Fines" Speed Enforcement Grant	4,000	4,000	
Special Victims Unit Forensic Interviewer	75,000	75,000	
Special Initiative & Transportation	1,238,420	1,238,420	
Mental Health Board	6,000	6,000	
Public Archives & Records Infrastructure Support (PARIS)	86,900	86,900	
NJDL&PS Community Justice Grant	60,000	60,000	
Law Enforcement Officers Training & Equipment Fund	61,915	61,915	
Clean Communities Programs	47,831	47,831	
Victims of Crime Act	111,928	111,928	
Workforce Investment Act (PIC)	4,874,098	4,874,098	
Right to Know Program	15,213	15,213	
Community Development Block Grant	864,476	864,476	
Special Initiative & Transportation 07	31,250	31,250	
Tobacco Age-of-Sale-Enforcement Program	24,000	24,000	
Preakness Gero-Psych	306,070	306,070	
Workforce Investment Act (PIC)	388,185	388,185	
Birch Street Apartments	454,080	454,080	
Preakness Gero-Psych	50,465	50,465	
Election Assistance to Individuals with Disabilities	93,860	93,860	
HIP Weatherization Assistance Program	75,161	75,161	
CSI Improvement Grant	60,000	60,000	
County Gang, Guns, & Narcotics Task Force	162,953	162,953	
Subregional Transportation Planning Program	98,415	98,415	
HIP Weatherization	64,252	64,252	
Area Plan Grant - Aging Area Nutrition	608,723	608,723	
Area Plan Grant	587,666	587,666	
UASI Fire Decontamination Task Force	7,000	7,000	
WIA-Workforce Development Center (PIC)	73,226	73,226	
Bioterrorism Preparedness	731,902	731,902	
Farmers Market Nutrition Program	1,000	1,000	
Community Service Block Grant Program	262,111	262,111	
Human Services - Mental Health Services	32,140	32,140	
Emergency Management Assistance	32,000	32,000	
Job Access & Reverse Commute	123,497	123,497	
Film Festival 2009	1,000	1,000	
Added and Omitted Taxes	1,216,024	1,430,282	214,258
Board Inmates at County-State	3,050,000	1,658,520	(1,391,480)
Board of Inmates at County-Federal	3,750,000	2,987,841	(762,159)
Board of Inmates at County-Philadelphia	4,680,000	3,131,920	(1,548,080)
Title IV D Parent Locator Program	200,000	361,045	161,045
Fringe Benefits	4,631,600	5,004,555	372,955

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis
Current Fund
Year Ended December 31, 2008

	<u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Indirect Costs - Grants	500,000	326,988	(173,012)
Preakness Hospital-Medicaid Reimbursements	28,900,000	28,900,000	
Youth Center - USDA Meals	96,700	101,828	5,128
Maintenance in Lieu of Rent-Martin Luther King-Soc Serv.	1,650,000	1,288,339	(361,661)
State School Building Aid (Chapter 12)	175,000	100,223	(74,777)
Park Fees	1,635,600	1,835,504	199,904
Telephone Commissions	362,000	239,012	(122,988)
Capital Surplus	1,000,000	1,000,000	
Site Plan Fees	126,000	83,642	(42,358)
Radio Tower Rental	14,000	14,000	
Security Contract Passaic, Valley Water	600,000	597,521	(2,479)
Stable Fees	40,000	42,958	2,958
Due from General Capital Fund	330,000	330,524	524
Due from Clearing Account	125,000	125,000	
Title IV D - 2005 Space Facility Cost Reimbursement	478,000	478,000	
County Clerk P.L. 2001 C370	107,435	107,435	
Register P.L. 2001 C370	1,167,907	1,167,907	
Surrogate P.L. 2001 C370	110,000	110,000	
Sheriff P.L. 2001 C370	202,506	202,506	
Total Miscellaneous Revenues	<u>137,812,806</u>	<u>131,011,783</u>	<u>(6,801,023)</u>
Amount to be Raised by Taxation - County			
Purpose Tax	<u>277,340,015</u>	<u>277,340,015</u>	
Total Budget Revenues	<u>\$ 430,084,410</u>	<u>423,283,387</u>	<u>(6,801,023)</u>
Nonbudget Revenue		<u>4,871,570</u>	
		<u>\$ 428,154,957</u>	

COUNTY OF PASSAIC
Statement of Revenues-Regulatory Basis
Current Fund
Year Ended December 31, 2008

Miscellaneous Revenue Not Anticipated:	
State of New Jersey - Election	\$ 168,601
Duplication of Records	85,527
Vending Machine Commissions	58,468
ID Bureau	35,804
Payroll Deduction Fees	12,279
Bail Bond Forfeitures	705,332
Booking Fees	8,099
Bond Fees	93,432
Treasury Incentive Program/Misc Credits	1,108,741
Inmate Transportation	11,967
Misc. Credits/Refunds	64,199
Election Reimbursements	82,310
Dynamic Claims Mgt, Inc. - EMS collections	60,539
Verizon EDI Payments/Misc Credits	28,549
T-Mobile Misc Credits	2,449
Storage Charges	5,810
NJ PERS/PFRS Credits	6,146
Misc PCPO S&W Reimbursement	15,353
Police Academy Training Fees	106,603
Prior Year Refunds	692,697
Legal Dept Memo	7,240
Aflac Misc Credits	3,468
Sheriff's Legal Asst. Pgm	48,781
SSA Treas 303 Incentive Pmt	48,179
Vehicle Auction Fees	71,325
Fewire-CMS Retiree	430,876
Misc. Restitution	2,687
Gang Supression	52,267
DMHS Overpayment	352,182
Jail Misc.	24,452
Fibertech Networks Eng. Fees	17,537
Medical "B" EMS Claims	21,970
Reso 07-679	96,521
Bail Processing	12,552
Homeland Security Prior Year Reimbursement	25,596
Transfer from Clearing Account	27,518
Transfer from Trust	32,780
Passaic County Work Release Pgm	16,000
PSE&G	3,588
Center City Partners	15,000
NSF/Bank Rec	12,919
Fringe Benefits - Retro	64,053
Prior Year Checks Canceled	32,464
Other	98,710
	<u>\$ 4,871,570</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC
Statement of Expenditures-Regulatory Basis

	Current Fund				
	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
OPERATIONS:					
GENERAL GOVERNMENT					
Administration Executive					
Board of Freeholders	200,500	200,501	200,501		
Salaries and Wages	125,000	174,949	96,760	78,189	
Other Expenses	70,000	70,000	70,000		
Contribution to Public Access Libraries					
County Administrator	552,896	552,896	493,619	59,277	
Salaries and Wages	319,000	319,000	183,723	135,277	
Other Expenses					
Finance Section					
Finance Department	856,316	856,316	797,829	58,487	
Salaries and Wages	320,000	320,000	213,890	106,110	
Other Expenses	262,500	262,500	244,000	18,500	
Postage	87,500	87,500	87,500	87,500	
Audit	5,000	5,000	2,485	2,515	
Insurance					
Legal Department					
County Counsel	892,428	868,778	837,892	30,886	
Salaries and Wages	75,000	75,000	62,201	12,799	
Other Expenses	10,000	2,000		2,000	
Other Expenses Ethics					
County Adjuster	232,100	229,100	185,134	43,966	
Salaries and Wages	8,200	8,200	3,161	5,039	
Other Expenses					
Clerk of the Board	229,735	253,385	251,299	2,086	
Salaries and Wages	40,000	40,000	17,323	22,677	
Other Expenses					
Personnel	389,617	389,617	384,494	5,123	
Salaries and Wages	63,000	63,000	43,489	19,511	
Other Expenses					
State and National Association of County Officials	9,716	9,716	9,716		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
County Clerk					
Salaries and Wages	621,950	665,810	657,458	8,352	
Other Expenses	23,000	23,000	9,113	13,887	
County Register					
Salaries and Wages	895,765	892,765	845,401	47,364	
Other Expense	30,000	30,000	9,231	20,769	
Prosecutor's Office					
Salaries and Wages	16,057,859	15,857,859	14,927,426	930,433	
Salaries and Wages-Spec.	154,000	154,000	55,561	98,439	
Other Expenses	519,382	519,382	458,010	61,372	
Countywide Police Radio	100,000	100,000	62,513	37,487	
Purchasing Department					
Salaries and Wages	649,247	696,594	673,081	23,513	
Other Expenses	45,000	45,000	44,999	1	
Other Expenses-Bulk Purchasing	100,000	100,000	12,468	87,532	
MIS Department (Finance Department)					
Other Expenses	927,931	927,931	724,325	203,606	
Building and Grounds					
Salaries and Wages	4,827,760	4,827,760	4,730,770	96,990	
Other Expenses	2,565,300	2,565,300	2,146,092	419,208	
Other Expenses-Parking	420,000	420,000	420,000		
Other Expenses-Welfare Board	30,000	30,000	29,616	384	
Photostat					
Other Expenses	152,000	149,000	91,939	57,061	
Economic Development					
Salaries and Wages	164,424	164,424	164,423	1	
Other Expenses	55,000	55,000	32,429	22,571	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Insurances: Group Hospitalization, Medical	33,950,000	33,950,000	32,973,829	976,171	
Surgical, Major Med. for Employees	40,000	40,000	11,520	28,480	
Group Life Insurance for Employee	6,000	6,000		6,000	
Surety Bond Premium	1,000,000	1,000,000	1,000,000		
Worker's Compensation	700,000	700,000	596,880	103,120	
Other Insurance	10,977,000	10,977,000	9,787,928	1,189,072	
Drug Plan	963,600	963,600	460,899	502,701	
Dental Plan	810,000	810,000	732,798	77,202	
Disability Insurance					
JUDICIARY					
Surrogate	846,693	978,681	967,924	10,757	
Salaries and Wages	49,400	49,400	36,688	12,712	
Other Expenses					
REGULATION					
Sheriff's Office	9,051,178	9,051,178	8,906,755	144,423	
Salaries and Wages	125,000	125,000	70,644	54,356	
Other Expenses					
Weights and Measures	543,990	568,990	563,124	5,866	
Salaries and Wages	9,000	9,000	5,661	3,339	
Other Expenses					
Board of Taxation	316,329	316,329	312,263	4,066	
Salaries and Wages	70,000	70,000	43,558	26,442	
Office Expenses					
Medical Examiner	1,250,000	1,349,979	1,349,978	1	
Other Expenses-Contractual State of NJ					
Board of Elections	230,456	249,272	249,184	88	
Salaries and Wages	1,040,700	1,027,884	545,944	481,940	
Other Expenses					
Superintendent of Elections	1,315,740	1,526,478	1,516,399	10,079	
Salaries and Wages	504,550	634,185	558,238	75,947	
Other Expenses	230,000	186,140	155,508	30,632	
Elections-County Clerk					

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
County Emergency Management					
Salaries and Wages	145,378	145,378	88,592	56,786	
Other Expenses	18,000	18,000	14,355	3,645	
Planning Board (NJS 40:273)					
Salaries and Wages	404,668	404,668	323,964	80,704	
Other Expenses	29,500	29,500	11,837	17,663	
Construction Board of Appeals	5,000	5,000	2,250	2,750	
ROADS & BRIDGES DEPT.					
Roads and Bridges Dept.					
Salaries and Wages-Roads	450,000	450,000	345,246	104,754	
Salaries and Wages-Mosquito	668,510	668,560	662,983	5,577	
Other Expenses-Roads	1,824,000	1,824,000	880,208	943,792	
Other Expenses-Mosquito	79,000	79,000	44,864	34,136	
Engineering					
Salaries and Wages	568,112	568,112	517,857	50,255	
Other Expenses	22,000	22,000	13,849	8,151	
CORRECTIONAL AND PENAL					
Jail and Workhouse					
Salaries and Wages	49,726,593	51,618,262	50,308,882	1,309,380	
Other Expenses	3,437,000	3,437,000	3,166,221	270,779	
Other Expenses-Medical Expenses	1,750,000	1,750,000	1,652,212	97,788	
HEALTH AND WELFARE					
Crippled Children					
Mental Health Board (30:9A-3)	50,000	50,000	30,050	19,950	
Salaries and Wages	169,076	169,076	66,076	103,000	
Mental Health Program (40:5-29)					
Contractual	865,000	865,000	827,000	38,000	
Aid to Bergen-Passaic Unit for the Mentally Retarded (NJS 40:23-8.11)	60,000	60,000	60,000		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

	Current Fund			Unexpended Balance Cancelled
	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved
Year Ended December 31, 2008				
County Extensive Services				
Salaries and Wages	201,746	154,721	129,417	25,304
Other Expenses	20,000	67,025	22,385	44,640
Passaic County Community College				
Reimbursement for Residents Attending Out of County Two Year College (NJS18:A:64A-23)	11,926,700	11,926,700	11,775,224	151,476
	350,000	350,000	98,124	251,876
RECREATIONAL				
Park and Recreational Department				
Salaries and Wages-Parks	1,050,000	983,000	817,159	165,841
Salaries and Wages-Golf Course	1,471,382	1,471,382	1,360,917	110,465
Other Expenses-Parks	80,000	80,000	57,701	22,299
Other Expenses-Golf Course	466,650	466,650	461,710	4,940
Passaic County Historical Society (NJS 40:32-6)	25,000	25,000	25,000	
UNCLASSIFIED				
Passaic County Volunteer Fire Academy	60,000	60,000		60,000
Equipment, Office, Car, Other	50,000	50,000	28,309	21,691
Sick Leave Payment	650,000	650,000	470,277	179,723
Matching Funds for Grants	400,000	400,000	187,557	212,443
Aid to Volunteer Ambulance & Fire Co. (NJS40:5-2)	23,000	23,000		23,000
Aid to Children Care Coordination Committee (4CS) (NJS 40:23)	45,000	45,000	30,000	15,000
Aid to Women's Haven NJS 30:14-11	24,350	24,350	17,500	6,850
Aid to D.L.A.L (40:23-811)	65,000	65,000	60,000	5,000
Para-Transit				
Salaries and Wages	75,000	75,000	53,147	21,853
Other Expenses	55,000	30,000	970	29,030
Police Academy				
Salaries and Wages	423,700	423,700	375,161	48,539
Other Expenses	140,318	140,318	60,324	79,994

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund				
Year Ended December 31, 2008				
	Budget	Budget after Modification and Transfer	Paid or Charged	Unexpended Balance Cancelled
			Reserved	
Aid for Organization for Mentally Retarded and Ill (NJS 40-23-8.11)	10,000	10,000		10,000
Aid to Health & Welfare Councils (NJS 40-23-8.28)	925,000	925,000	904,132	20,868
Salaries and Wage Adjustment	2,900,000	1,960,984		1,960,984
Utilities (40A:4-45 4H)				
Gasoline	1,600,000	1,600,000	1,503,790	96,210
Telephone and Telegraph	1,600,000	1,600,000	1,341,012	258,988
Natural Gas & Electric	6,325,000	5,762,144	4,879,404	882,740
Street Lighting	600,000	520,000	413,569	106,431
Heating Oil	172,500	162,512	85,738	76,774
Water	776,250	776,250	702,406	73,844
Garbage	625,000	525,021	440,884	84,137
Debt Service Fees	50,000	50,000	22,489	27,511
PUBLIC AND PRIVATE PROGRAMS OFFSET				
BY REVENUES				
County Match				
Aging Area Plan	1,900,000	1,900,000	1,900,000	
Casino Revenue Grant	1,077,313	1,077,313	1,077,313	
Juvenile Accountability Block Grant	7,375	7,375	7,375	
Gang Suppression Initiative Grant	39,200	39,200	39,200	
Aging Area Plan Grant FY 08	1,430,154	1,430,154	1,430,154	
Aging Area Nutrition Grant FY 08	1,045,060	1,045,060	1,045,060	
Bioterrorism Preparedness	516,254	516,254	516,254	
Casino Revenue	1,669,708	1,669,708	1,669,708	
JARC	294,000	294,000	294,000	
Insurance Fraud	250,000	250,000	250,000	
Body Armor	10,619	10,619	10,619	
Gang Suppression Initiative	117,600	117,600	117,600	
Weatherization	191,806	191,806	191,806	
Human Services 08BERN	174,373	174,373	174,373	
Human Services 08BERN PAFSP	405,559	405,559	405,559	
State Incentive Program	598,969	598,969	598,969	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
State Community Partnership	509,300	509,300	509,300		
Family Court Services	279,836	279,836	279,836		
Juvenile Accountability Block Grant	66,375	66,375	66,375		
Emergency Management Assistance	32,000	32,000	32,000		
Passaic County Film Festival	1,006	1,006	1,006		
Division of Child Behavioral Health Services	158,456	158,456	158,456		
Alcohol/Drug Abuse Grant FY08	784,732	784,732	784,732		
Municipal Alliance Grant	586,166	586,166	586,166		
Breakness Gero-Psych Program	255,605	255,605	255,605		
Body Armor PCSD	77,318	77,318	77,318		
Universal Service Fund	53,750	53,750	53,750		
Homeless ELR28N	907,294	907,294	907,294		
Click It or Ticket	4,000	4,000	4,000		
Subregional Technical Studies Project	48,000	48,000	48,000		
County Environmental Act	162,500	162,500	162,500		
UASI Planner	306,067	306,067	306,067		
Passaic County ISO 9001 Training Consortium	124,500	124,500	124,500		
Weatherization LIHEAP	14,817	14,817	14,817		
DOE Weatherization 2008	171,263	171,263	171,263		
Workforce Investment Act 2008/2009	4,245,477	4,245,477	4,245,477		
Workforce Investment Act 2008/2009	6,483,394	6,483,394	6,483,394		
Workforce Investment Act 2007/2008	846,167	846,167	846,167		
21st Century CLC Program	350,000	350,000	350,000		
Justice Assistance Grant (JAG)	29,424	29,424	29,424		
Solid Waste Service Tax	323,943	323,943	323,943		
NCA Program Support	10,000	10,000	10,000		
New Jersey Sex Offender Registry	34,740	34,740	34,740		
"Obey the Signs or Pay the Fines" Speed Enforcement	4,000	4,000	4,000		
Special Victims Unit Forensic Interviewer	75,000	75,000	75,000		
Special Initiative & Transportation	1,238,420	1,238,420	1,238,420		
Mental Health Board	6,000	6,000	6,000		
PARIS Grant	86,900	86,900	86,900		
NJDL&PS-Community Justice Program	60,000	60,000	60,000		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Law Enforcement Officers Training & Equipment Fund	61,915	61,915	61,915		
NUDEP - Clean Communities Program	47,831	47,831	47,831		
Victims of Crime Act	111,928	111,928	111,928		
Workforce Investment Act (FIC)	4,874,098	4,874,098	4,874,098		
NUDHSS - Right to Know Program	15,213	15,213	15,213		
Community Development Block Grant	864,476	864,476	864,476		
Special Initiative & Transportation '07	31,250	31,250	31,250		
Tobacco Age-of-Sale Enforcement Program	24,000	24,000	24,000		
Preakness Gero-Psych Program	306,070	306,070	306,070		
Workforce Investment Act (FIC)	388,185	388,185	388,185		
Birch Street Apartments	454,080	454,080	454,080		
Preakness Gero-Psych Program	50,465	50,465	50,465		
ELAD/HAVA Elections Assist to Ind. with Disabilities	93,860	93,860	93,860		
HIP Weatherization Assistance Program	75,161	75,161	75,161		
CSI Improvement Grant Program	60,000	60,000	60,000		
County Gang, Gun & Narcotics Task Force	162,953	162,953	162,953		
Subregional Transportation Planning Program	98,415	98,415	98,415		
HIP Weatherization	64,252	64,252	64,252		
Area Plan Grant - Aging Area Nutrition	608,723	608,723	608,723		
Area Plan Grant	587,666	587,666	587,666		
UASI Fire Decontamination Task Force	7,000	7,000	7,000		
Workforce Invest. Act - Workforce Dev. Center (FIC)	73,226	73,226	73,226		
Bioterrorism Preparedness	731,902	731,902	731,902		
Farmers Market Nutrition Program	1,000	1,000	1,000		
DCA - Community Service Block Grant Program	262,111	262,111	262,111		
Preakness Gero-Psych Program	32,140	32,140	32,140		
Emergency Management Assistance	32,000	32,000	32,000		
Job Access & Reverse Commute (JARC)	123,497	123,497	123,497		
Film Festival - 2009	1,000	1,000	1,000		
Total Operation (Item 8(A))	333,864,630	333,864,630	316,493,091	17,371,539	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Contingent	200,000	200,000	22,915	177,085	
Total Operation Including Contingent Detail:	334,064,630	334,064,630	316,516,006	17,548,624	
Salaries and Wages	135,960,385	136,311,198	129,469,398	6,841,600	
Other Expenses (Including Contingent)	198,104,045	197,753,432	187,046,408	10,707,024	
Capital Improvement					
Capital Improvement Fund	750,000	750,000	750,000	200,000	
Acquisition of Various Equipment	200,000	200,000		200,000	
Total Capital Improvements	950,000	950,000	750,000	200,000	
County Debt Service					
Payment of Bond Principal	1,500,000	1,500,000	1,500,000		
County College Bonds					
State Aid- County College Bonds	1,200,000	1,200,000	1,200,000		
(N.J.S. 18A:64A-22.6)	315,000	315,000	315,000		
Vocational School Bonds	20,250,000	20,250,000	19,280,000		970,000
Other Bonds	1,000,000	1,000,000			1,000,000
Payment of Bond Anticipation Notes					
Interest on Bonds	525,000	525,000	525,000		
County College Bonds					
State Aid- County College Bonds	535,000	535,000	535,000		
(N.J.S. 18A:64A-22.6)	85,000	85,000	81,651		3,349
Vocational School Bonds	12,300,000	12,300,000	11,451,740		848,260
Other Bonds	4,000,000	4,000,000	3,574,408		425,592
Interest on Notes	3,500,000	3,500,000	3,490,529		9,471
Passaic County Utilities Authority	330,000	330,000	329,371		429
Green Trust Loan	200,000	200,000	194,280		5,720
BFA Loan					
FCIA Loan					
Prosecutors Building	482,300	482,300	476,886		5,414
Pretness Healthcare Center	4,755,000	4,755,000	4,754,853		147
Total County Debt Service	50,977,300	50,977,300	47,708,918		3,268,382

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

	Current Fund		Paid or Charged	Reserved	Unexpended Balance Cancelled
	Budget	Budget after Modification and Transfer			
Year Ended December 31, 2008					
Deferred Charges and Statutory Expenditures	10,000,000	10,000,000	10,000,000		97,144
Emergency Authorizations	97,144	97,144			
Deficit in Workers Compensation Reserve					
Prior Year Bills-Summary					
Airtion Tech	333	333	333		
Art Agency	979	979	979		
Bergen Community	9,120	9,120	9,120		
Gloria E Briggs	930	930	930		
CJ Systems	1,275	1,275	1,275		
Classic Towing	400	400	400		
Cousins Gourmet	357	357	357		
EA Morse	1,368	1,368	1,368		
Four Star Auto	222	222	222		
Goveconnection	80	80	80		
Haledon Auto	129	129	129		
Hudson College	2,110	2,110	2,110		
Imaging Subspecialist	369	369	369		
Ingenix	724	724	724		
Iona Physicians	160	160	160		
J & M Towing	1,520	1,520	1,520		
Light on Printing	2,292	2,292	2,292		
McKesson	2,137	2,137	2,137		
Morris County College	3,230	3,230	3,230		
NJ Dept of Personnel	599	599	599		
Paterson Emergency Physician	102	102	102		
Rigid Property, LLC	22,180	22,180	22,180		
Rocco Press	9,342	9,342	9,342		
Scott Ross	1,060	1,060	1,060		
St Josephs Regional	18,534	18,534	18,534		
Singac	3,417	3,417	3,417		
United Fire Protection	2,403	2,403	2,403		
Wayne Tile Co.	131	131	131		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2008

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Gloria E Briggs	930	930			930
Ingenix	724	724			724
J & M Towing	1,520	1,520			1,520
Rigid Property, LLC	22,180	22,180			22,180
St Josephs Regional	18,534	18,534			18,534
Statutory Charges:					
Contribution to PERS	7,553,943	7,553,943	7,524,061	29,882	
Social Security System (O.A.S.I.)	12,875,000	12,875,000	12,768,089	106,911	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et seq.)	675,000	675,000	323,361	351,639	
Police and Fire Retirement System	12,756,983	12,756,983	12,752,970	4,013	
Judicial Pension Fund	5,000	5,000		5,000	
Total Deferred Charges & Statutory Expenditures	44,092,481	44,092,481	43,454,004	497,445	141,032
Total General Appropriations	\$ 430,084,411	430,084,411	408,428,928	18,246,069	3,409,414

Adopted Budget 405,219,382
 Added by N.J.S.A. 40A:4-87 24,865,029

\$ 430,084,411

Cash \$ 356,039,924
 Emergency Authorizations 10,000,000
 Reserve for Encumbrances 3,817,456
 Grants Appropriated 38,571,548
 \$ 408,428,928

See accompanying notes to financial statements.

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2008 and 2007

	<u>Ref.</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>			
Other Trust Fund:			
Cash	B-2	\$ 30,551,043	27,590,712
Due from Current Fund	B-14	484,478	435,433
Due from General Capital Fund	B-14	1,300,000	
		<u>32,335,521</u>	<u>28,026,145</u>
Confiscated Trust Fund:			
Cash	B-2	<u>3,403,247</u>	<u>2,726,821</u>
		<u>3,403,247</u>	<u>2,726,821</u>
Self Insurance Fund:			
Cash	B-2	<u>218,657</u>	<u>197,682</u>
		<u>218,657</u>	<u>197,682</u>
Community Development Grant Fund:			
Cash	B-2	10,520,518	9,596,458
Housing Voucher Program Grants Recievable	B-11	15,783	31,293
Due from Current Fund	B-14	104,549	21,932
		<u>10,640,850</u>	<u>9,649,683</u>
Total Assets		<u>\$ 46,598,275</u>	<u>40,600,331</u>

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2008 and 2007

	<u>Ref.</u>	<u>2008</u>	<u>2007</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Other Trust Fund:			
Various Trust Deposits	B-3	\$ 1,466,227	1,537,784
Reserve for Dedicated Revenues	B-4	15,697,391	12,356,591
Reserve for Open Space Expenditures	B-5	9,133,626	5,847,607
Open Space Grant Commitments Payable	B-6	6,031,121	8,282,174
Due to Current Fund	B-14	5,167	
Fund Balance	B-1	1,989	1,989
		<u>32,335,521</u>	<u>28,026,145</u>
Confiscated Trust Fund:			
Due to Current Fund	B-14	1,583	3,224
Reserve for Confiscated Trust Fund	B-7	3,401,664	2,723,597
		<u>3,403,247</u>	<u>2,726,821</u>
Self Insurance Fund:			
Reserve for Workmen's Compensation	B-8	26,407	5,779
Reserve for Health Benefits	B-9	186,998	186,854
Reserve for Liability Insurance	B-10	5,252	5,049
		<u>218,657</u>	<u>197,682</u>
Community Development Grant Fund:			
Account Payable	B-12	1,702,632	2,125,541
Reserve for:			
Housing Voucher Program	B-13	8,938,218	7,524,142
		<u>10,640,850</u>	<u>9,649,683</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 46,598,275</u>	<u>40,600,331</u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC

Statement of Changes in Fund Balance-Regulatory Basis

Other Trust Fund

Year Ended December 31, 2008

Balance - December 31, 2007 \$ 1,989

Balance - December 31, 2008 \$ 1,989

See accompanying notes to financial statements.

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2008 and 2007

	<u>Ref.</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>			
Cash	C-2/C-3	\$ 17,584,513	46,402,169
Grants Receivable	C-4	29,741,851	23,977,315
State EFA Receivable		1,975,000	1,975,000
Due from Federal and State Grants Fund	C-15	4,000,000	4,000,000
Deferred Charges to Future Taxation:			
Funded	C-5	419,737,092	384,133,465
Unfunded	C-6	114,341,365	150,066,336
Total Assets		\$ 587,379,821	610,554,285
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-26	\$ 324,174,000	287,279,000
Green Acres Loan Payable	C-10	1,708,435	1,999,465
State EFA Loans Payable	C-27	970,000	1,105,000
Green Trust Loans Payable	C-28	564,657	
Bond Anticipation Notes	C-25	23,642,000	83,286,000
Capital Leases Payable	C-29	92,320,000	93,750,000
Improvement Authorizations:			
Funded	C-7	35,630,802	43,952,269
Unfunded	C-7	56,475,312	61,494,377
Accounts Payable	C-8	264,927	264,927
Commitments Payable	C-9	20,080,406	21,572,463
Due to the Township of Wayne	C-11	55,151	55,151
Capital Improvement Fund	C-12	149,997	159,968
Reserve for Final Payments and Litigation	C-13	160,258	160,258
Reserve for Payment of Bonds and Notes	C-14	9,675,804	2,466,804
Due to Current Fund	C-15	405,266	330,523
Due to Other Trust Fund	C-15	1,300,000	
Reserve for Salt Shed - West Milford	C-16	296,619	296,619
Reserve for State EFA Loan Payments	C-17	500,000	500,000
Reserve for Interest for Fire Academy	C-18	1,065,629	956,670
Reserve for Administration Building Settlement	C-19	9,786	9,786
Reserve for Interest for DOT Projects	C-20	3,370,183	5,122,056
Reserve for Unappropriated Grants	C-21	2,959,126	2,959,126
Reserve for Grants Receivable	C-22	9,475,578	
Reserve for Bonding Payments	C-23	24,700	
Accrued Interest Payable	C-24	95,060	
Fund Balance	C-1	2,006,125	2,833,823
Total Liabilities		\$ 587,379,821	610,554,285

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2008 and 2007 of \$90,699,365 and \$66,780,336, respectively.

See accompanying notes to the financial statements.

COUNTY OF PASSAIC
Statement of Changes in Fund Balance-Regulatory Basis
General Capital Fund
Year Ended December 31, 2008

Balance - December 31, 2007	\$ 2,833,823
Increased by:	
Premium on Bond/Note Sales	<u>172,302</u>
	3,006,125
Decreased by:	
Due to Current Fund - Budgeted Surplus	<u>1,000,000</u>
Balance - December 31, 2008	<u>\$ 2,006,125</u>

See accompanying notes to the financial statements.

COUNTY OF PASSAIC

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>General Fixed Assets:</u>		
Land	\$ 46,613,987	46,613,987
Buildings	208,353,230	204,955,652
Equipment	60,151,894	57,420,881
Construction in Progress	<u>12,446,888</u>	<u>10,864,568</u>
	<u>\$ 327,565,999</u>	<u>319,855,088</u>
 Investment in Fixed Assets	 <u>\$ 327,565,999</u>	 <u>319,855,088</u>

See accompanying notes to financial statements.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

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

The County has the following funds and account group:

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

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

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

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

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

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

Basis of Accounting

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

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

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

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

Trust Funds

General Capital Fund

The governing body shall introduce and approve the annual budget not later than January 26, of the fiscal year. The budget shall be adopted not later than February 25, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the County budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the County. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2008, the Governing Body approved additional revenues and appropriations of \$24,865,029 in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body.

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

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

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

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

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

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

C. Basic Financial Statements

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2008, \$-0- of the County's bank balance of \$117,583,625 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 3. COUNTY DEBT

Long-term debt as of December 31, 2008 consisted of the following:

	Balance Dec. 31, 2007	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable - General					
Obligation Debt	\$287,279,000	\$59,640,000	\$22,745,000	\$324,174,000	\$25,555,000
Capital Leases	93,750,000		1,430,000	92,320,000	1,905,000
Other Liabilities:					
Compensated Absences	41,228,925		1,849,405	39,379,520	
New Jersey:					
DEP Loans	1,999,465		291,030	1,708,435	224,688
EFA Loans	1,105,000		135,000	970,000	145,000
Green Trust Loans		564,657		564,657	38,440
	<u>\$425,362,390</u>	<u>\$60,204,657</u>	<u>\$26,450,435</u>	<u>\$459,116,612</u>	<u>\$27,868,128</u>

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 3. COUNTY DEBT, (continued)

The County's debt is summarized as follows:

	<u>2008</u>	<u>2007</u>
Issued		
General		
Bonds, Notes and Loans	\$351,059,092	\$373,669,465
Less: Funds Temporarily Held to Pay Bonds	22,610,508	500,000
and Notes		
Additional Borrowing for County College	41,219,000	36,542,000
Refunding Bonds	<u>26,185,000</u>	<u>27,610,000</u>
	<u>90,014,508</u>	<u>64,652,000</u>
Net Debt Issued	261,044,584	309,017,465
Authorized But Not Issued		
General		
Bonds and Notes	<u>90,699,365</u>	<u>66,780,336</u>
Net Bonds and Notes Issued and Authorized		
But Not Issued	<u>\$351,743,949</u>	<u>\$375,797,801</u>

The summarized statement of debt condition which follows is extracted from the County's Annual Debt Statement, indicates a statutory net debt of 0.64% and 0.74% at December 31, 2008 and 2007, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2008</u>			
General debt	<u>\$441,758,457</u>	<u>\$90,014,508</u>	<u>\$351,743,949</u>
<u>2007</u>			
General debt	<u>\$441,325,898</u>	<u>\$64,652,000</u>	<u>\$376,673,898</u>

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

	<u>2008</u>	<u>2007</u>
2% of equalized valuation basis (county)	\$1,096,597,421	\$1,017,799,730
Net debt	<u>351,743,949</u>	<u>375,797,801</u>
Remaining Borrowing Power	<u>\$744,853,472</u>	<u>\$642,001,929</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 3. COUNTY DEBT, (continued)

The County's long-term debt consisted of the following at December 31, 2008 and 2007:

Paid by Current Fund:

General Obligation Bonds

	<u>2008</u>	<u>2007</u>
\$6,225,000, 1968 Bonds, due in annual installments of \$85,000 to \$200,000 through August 1, 2008, interest at 4.7%	\$	\$85,000
\$18,955,000, 1992 Bonds, due in annual installments of \$530,000 to \$2,805,000 through December 1, 2009, interest at various rates from 4.70% to 7.00%	530,000	1,070,000
\$41,940,000, 1993 Bonds, due in annual installments of \$395,000 to \$2,925,000 through September 1, 2016, interest at various rates from 4.00% to 5.20%	6,215,000	6,215,000
\$5,404,000, 1996 Bonds, due in annual installments of \$260,000 to \$395,000 through Nov. 2012, interest at 5.35%	1,439,000	1,799,000
\$30,100,000, 1998 Bonds, due in annual installments of \$700,000 to \$2,500,000 through Sept. 2020, interest at 5.88% to 6.77%	21,100,000	22,200,000
\$665,000, 1998 Bonds, due in annual installments of \$220,000 to \$225,000 through Sept. 2018-2020, interest at 6.77%	665,000	665,000
\$4,495,000, 2000 Bonds, due in annual installments of \$200,000 to \$375,000 through Aug. 1, 2015, interest at 5.10%.	2,495,000	2,810,000
\$4,494,000, 2000 Bonds, due in annual installments of \$200,000 to \$374,000, through Aug. 1, 2015, interest at 5.05%	2,494,000	2,809,000
\$14,000,000, 2000 Bonds, due in annual installments of \$150,000 to \$1,690,000 through Sept. 15, 2015, interest at 5.00%	9,790,000	10,790,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

	<u>2008</u>	<u>2007</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$31,145,000, 2001 Bonds, due in annual installments of \$100,000 to \$2,330,000, through March 1, 2019, interest at 4.00% to 5.25%	21,015,000	22,985,000
\$19,250,000, 2001 Bonds, due in annual installments of \$850,000 to \$1,700,000, through March 31, 2016, interest at 4.375%	12,475,000	13,625,000
\$14,965,000, 2001 Bonds, due in annual installments of \$250,000 to \$1,665,000, through Sept. 15, 2015, interest at 4.20%	10,365,000	11,565,000
\$9,485,000 2002 Bonds, due in annual installments of \$155,000 to \$1,430,000 through Sept. 15, 2014, interest at 3.5% to 3.65%	7,375,000	8,245,000
\$1,033,000 2002 Bonds, due in annual installments of \$85,000 to \$98,000 through Sept. 15, 2014, interest at 3.5% to 3.65%	523,000	608,000
\$2,515,000 2002 Bonds, due in annual installments of \$45,000 to \$365,000 through Sept. 15, 2014, interest at 3.5% to 3.75%	1,950,000	2,180,000
\$6,560,000 2003 Bonds, due in annual installments of \$25,000 to \$880,000 through Feb. 15, 2021, interest at 2.00% to 5.75%	5,170,000	5,410,000
\$18,447,000 2003 Bonds, due in annual installments of \$290,000 to \$2,790,000 through Sept. 15, 2017, interest at 3.00% to 3.75%	15,622,000	16,437,000
\$1,500,000 2003 Bonds, due in annual installments of \$125,000 through Sept. 15, 2015, interest at 3.00% to 3.50%	875,000	1,000,000
\$11,997,000 2003 Bonds, due in annual installments of \$50,000 to \$2,027,000 through Aug. 15, 2016, interest at 4.20% to 4.25%	11,477,000	11,627,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

	<u>2008</u>	<u>2007</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$2,010,000 2003 Bonds, due in annual installments of \$165,000 to \$170,000 through Aug. 15, 2015, interest at 4.20%	1,185,000	1,350,000
\$21,855,000 2003 Bonds, due in annual installments of \$1,915,000 to \$2,925,000 through Mar. 1, 2016, interest at 5.20%	9,995,000	12,090,000
\$19,495,000, 2004 Bonds, due in annual installments of \$1,025,000 to \$3,745,000, through March 15, 2016, interest at 3.0% to 3.5%	15,195,000	16,320,000
\$12,220,000, 2004 Bonds, due in annual installments of \$1,095,000 to \$1,295,000, through May 1, 2017, interest at 3.0% to 3.375%	10,925,000	12,220,000
\$41,870,000, 2004 Bonds, due in annual installments of \$580,000 to \$2,650,000, through September 1, 2021, interest at 2.25% to 4.75%	32,185,000	33,660,000
\$7,660,000, 2004 Bonds, due in annual installments of \$1,500,000 to \$3,065,000, through September 1, 2009, interest at 3.5% to 5.0%	1,500,000	4,595,000
\$4,788,000, 2004 Bonds, due in annual installments of \$250,000 to \$488,000, through October 15, 2017, interest at 3.6%	3,638,000	3,963,000
\$4,784,000, 2004 Bonds, due in annual installments of \$418,000 to \$566,000, through May 1, 2014, interest at 3.25%	3,056,000	3,506,000
\$20,000,000, 2005 Bonds, due in annual installments of \$25,000 to \$2,275,000, through June 1, 2019, interest at 3.75% to 4.00%	18,850,000	19,875,000
\$20,000,000 Bonds, due in annual installments of \$25,000 to \$2,600,000 through June 1, 2026, interest at 4.375% to 4.5%	19,950,000	19,975,000

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

	<u>2008</u>	<u>2007</u>
NOTE 3. <u>COUNTY DEBT</u>, (continued)		
\$3,050,000 Bonds, due in annual installments of \$200,000 to \$300,000 through November 15, 2018, interest at 3.625% to 4.0%	2,640,000	2,850,000
\$3,050,000 Bonds, due in annual installments of \$200,000 to \$300,000 through November 15, 2018, interest at 3.625% to 4.0%	2,640,000	2,850,000
\$5,950,000 Bonds, due in annual installments of \$350,000 to \$625,000 through November 15, 2019, interest at 3.625% to 4.0%	5,600,000	5,950,000
\$5,950,000 Bonds, due in annual installments of \$350,000 to \$625,000 through November 15, 2019, interest at 3.625% to 4.0%	5,600,000	5,950,000
\$48,625,000 Bonds, due in annual installments of \$25,000 to \$4,225,000 through May 1, 2028, interest at various rates from 4.0% to 4.5%	48,625,000	
\$2,938,000 Bonds, due in annual installments of \$135,000 to \$438,000 through May 1, 2019, interest at various rates from 4.0% to 5.0%	2,938,000	
\$8,077,000 Bonds, due in annual installments of \$540,000 to \$812,000 through May 1, 2020, interest at various rates from 4.0% to 5.0%	<u>8,077,000</u>	
	<u>\$324,174,000</u>	<u>\$287,279,000</u>

Intergovernmental Loans Payable

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

\$564,657 Loan, due in semi-annual installments of \$19,124 to \$24,526 through August 28, 2021, interest at 2.0%	\$564,657
\$5,300,000, 1994 Loan due in semi-annual installments of \$114,032 to \$163,154 through May 3, 2014, interest at 2.00%	1,708,435

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 3. COUNTY DEBT, (continued)

The County has entered into a loan agreement with the New Jersey Educational Facilities Authority for the financing related to the acquisitions for the County College of Passaic.

\$1,975,000, 1999 Loan due in semi-annual installments of \$90,000 to \$175,000 through Sept. 1, 2014, interest at 4.80 % to 6.80%	970,000
	<u>\$3,243,092</u>

The County's principal and interest for long-term debt issued and outstanding at December 31, 2008 is as follows:

Calendar Year	Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2009	\$25,555,000	\$14,256,886	\$480,319	\$93,776	\$40,385,981
2010	26,230,000	13,180,934	492,059	79,931	39,982,924
2011	27,510,000	12,072,029	508,934	65,556	40,156,519
2012	29,169,000	10,804,405	520,949	50,382	40,544,736
2013	29,915,000	9,473,680	538,103	34,648	39,961,431
2014-2018	121,355,000	27,713,007	559,169	37,687	149,664,863
2019-2023	38,165,000	9,403,547	143,559	5,066	47,717,172
2024-2028	<u>26,275,000</u>	<u>2,707,937</u>			<u>28,982,937</u>
	<u>\$324,174,000</u>	<u>\$99,612,425</u>	<u>\$3,243,092</u>	<u>\$367,046</u>	<u>\$427,396,563</u>

NOTE 4. BOND ANTICIPATION NOTES

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 4. BOND ANTICIPATION NOTES, (continued)

On December 31, 2008, the County had \$23,642,000 in outstanding bond anticipation notes maturing at an interest rate of 4.0%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2008.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
PNC Capital Markets, LLC	\$83,286,000	\$	\$83,286,000	\$0
Axiom Capital Management, Inc.		<u>23,642,000</u>		<u>23,642,000</u>
	<u>\$83,286,000</u>	<u>\$23,642,000</u>	<u>\$83,286,000</u>	<u>\$23,642,000</u>

NOTE 5. CAPITAL LEASES PAYABLE

In 2005 and 2006, the County entered into two lease agreements with the Passaic County Improvement Authority to fund improvement projects at the Prosecutor's office and Preakness Healthcare Center in the amounts of \$6,000,000 and \$87,960,000, respectively. Annual debt service requirements for these capital leases are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$1,905,000	\$4,256,945	\$6,161,945
2010	1,975,000	4,186,284	6,161,284
2011	2,050,000	4,112,344	6,162,344
2012	2,125,000	4,035,606	6,160,606
2013	2,220,000	3,940,859	6,160,859
2014-2018	12,825,000	17,994,833	30,819,833
2019-2023	15,945,000	14,890,206	30,835,206
2024-2028	18,545,000	10,857,163	29,402,163
2029-2033	22,585,000	5,883,381	28,468,381
2034-2038	<u>12,145,000</u>	<u>705,250</u>	<u>12,850,250</u>
	<u>\$92,320,000</u>	<u>\$70,862,871</u>	<u>\$163,182,871</u>

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 6. FIXED ASSETS

The following is a summary of the General Fixed Assets Account Group as of December 31, 2008 and 2007.

<u>2008</u>	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2008</u>
Land	\$46,613,987	\$	\$	\$46,613,987
Buildings and Building Improvements	204,955,652	3,397,578		208,353,230
Machinery and Equipment	57,420,881	4,486,242	1,755,229	60,151,894
Construction in Progress	<u>10,864,568</u>	<u>1,744,502</u>	<u>162,182</u>	<u>12,446,888</u>
	<u>\$319,855,088</u>	<u>\$9,628,322</u>	<u>\$1,917,411</u>	<u>\$327,565,999</u>
<u>2007</u>	<u>Balance</u> <u>Dec. 31, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Land	\$46,613,987	\$	\$	\$46,613,987
Buildings and Building Improvements	204,210,245	745,407		204,955,652
Machinery and Equipment	55,474,543	3,448,609	1,502,271	57,420,881
Construction in Progress	<u>6,302,952</u>	<u>4,561,616</u>		<u>10,864,568</u>
	<u>\$312,601,727</u>	<u>\$8,755,632</u>	<u>\$1,502,271</u>	<u>\$319,855,088</u>

NOTE 7. INTERFUND BALANCES AND ACTIVITIES

Balances due to/from other funds at December 31, 2008 consist of the following:

\$405,266	Due to the Current Fund from the General Capital Fund for reimbursement of interest earned on investments.
313,621	Due to the Current Fund from the Clearing Account to return cash deposited in error and void checks.
175	Due to the Current Fund from the Payroll Agency Account to return cash deposited in error.
1,583	Due to the Current Fund from the Confiscated Trust Fund for reimbursement of budget expenditures.
4,827,872	Due to the Federal and State Grant Fund from the Current Fund for grants received.
582,277	Due to the Trust Fund from the Current Fund to cover fund transfers.
1,300,000	Due to the Trust Fund from the General Capital Fund to cover fund transfers.
<u>4,000,000</u>	Due to the General Capital Fund from the Federal and State Grant Fund to cover grant expenditures.
<u>\$11,430,794</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 8. FUND BALANCES APPROPRIATED

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

	<u>2008</u>	<u>2007</u>
Current Fund	<u>\$14,418,102</u>	<u>\$14,931,589</u>

NOTE 9. ACCUMULATED VACATION AND SICK PAY (UNAUDITED)

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

The maximum sick leave benefits an employee is entitled to at retirement is \$12,000. Employees are entitled to carryover one year vacation time (with certain exceptions).

It is estimated that the current cost of such unpaid compensation, which was not audited by us would approximate \$39,379,520 and \$41,228,925 at December 31, 2008 and 2007, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 10. EMPLOYEE RETIREMENT SYSTEM

Substantially all of the County's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Description of Systems, Contribution Information and Funding Policies:

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. The System's Board of Trustees is primarily responsible for the administration of the System.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation referred to below, are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Two pieces of legislation passed during 2001 have a significant impact on the System's benefit provisions: Chapter 133, Public Law of 2001, increases retirement benefits for service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increases the retirement benefit for veteran members with 35 or more years of service and reduces the age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, Public Law of 2001, establishes an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the retiree's death) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Contributions - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. From January 1, 1998 to December 31, 1999, the contribution rate was 4.5% of base salary. In accordance with Chapter 415, P.L. 1999, the member rate was lowered to 3.0% effective January 1, 2000. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis plus an additional contribution that will ensure an increase in the Post-Retirement Medical Reserve Fund equal to $\frac{1}{2}$ of 1% of the salary of active state employees.

Chapter 133, P.L. 2001, provides for increased benefits for certain types of retirement. Under this legislation, the cost of the increased benefits will be funded using excess assets. To fund the initial accrued liability, the actuarial value of assets for the valuation period ending June 30, 1999, will be the full market value of the assets as of that date. The required normal contributions on behalf of active members will also be funded using available excess assets. A benefit enhancement fund will be established and maintained from which required normal contributions for the benefit enhancements will be charged. The legislation requires that the assets of the benefit enhancement fund shall not exceed the present value of the expected additional normal contribution over the expected working lives of the active members for the valuation period. If excess assets are not available when contributions are required, the legislation further provides that the state shall be responsible for the cost of the increased benefits for both State and local members. The amount of excess assets that can be utilized is also limited to the employee contributions for the year in which a payment is required. If the required funding in any year exceeds the employee contributions, the State shall also be responsible for funding the excess amount.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of excess actuarial valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

Through FY 2002, excess assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess assets may be used as specified in the legislation.

As a result of Chapter 115, for the years ended June 30, 2004, 2003 and 2002, contributions by the State of New Jersey were limited to funding for post-retirement medical benefits while local employer contributions were limited to funding for early retirement incentive benefits. Employer contributions for basic pension benefits, noncontributory death benefits and cost-of-living adjustments were funded by excess assets for both the State and local employers.

The County's contribution to the public employee's retirement system, equal to the required contributions for each year, were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2008	\$7,524,061
2007	4,290,144
2006	1,904,924

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for substantially all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944. The System's Board of Trustees is primarily responsible for its administration.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The System provides retirement as well as death and disability benefits. All benefits vest after ten years of service except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final average compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final average compensation for each year of service.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is \$4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor death benefits are payable.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The cost-of-living increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions.

Legislation passed during the year (Chapter 4, P.L. 2001) provides increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65% to 70% of final compensation.

Contributions - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

As a result of legislation passed in 2001 (Chapter 44, P.L. 2001), local employer contributions payable in FY 2001 were reduced by \$150 million to approximately \$75 million. This legislation requires that the savings realized by counties and municipalities as a result of this reduction be used for property tax relief.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

The contribution policy was modified in FY 2000 by legislation (Chapter 8, P.L. 2000) which required that the System's excess valuation assets be used to fund certain benefit enhancements provided under Chapter 428, P.L. 2000. This legislation also required that the calculation of the actuarial value of assets for the June 30, 1998 valuation be based on 100% for the State and up to 57% for local employers of the difference between the expected value of assets in the system and the full-market value of the assets. In addition, this legislation required the State to fund the additional employer contributions attributable to Chapter 428 should excess assets be insufficient to cover this pension liability. Finally, due to the recognition of the surplus market assets, this legislation eliminated the unfunded accrued liability for local employers, which reduces their required contributions by \$45 million in FY 2000.

Required state contributions were offset by \$99.6 million and \$29.7 million in FY 2001 and 2000, respectively, under Chapter 115, PL 1997, which provides for the use of excess valuation assets to fund required normal pension contributions. Through fiscal year 2004, excess assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess assets may be used as specified in the legislation.

The County's contribution to the police and firemen's retirement system plans, equal to the required contributions for each year, were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2008	\$12,752,970
2007	8,021,602
2006	4,620,375

County Retirement System

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

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

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

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

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

Pension Benefit Obligations

The actuarial present value of accumulated plan benefits at December 31, 2005 are detailed below:

		Base Pension Only
Vested benefits:		
Retired Members		\$30,238,600
Active Members		<u>1,706,555</u>
Total Actuarial Present Value of Plan Benefits		31,945,155
Net Assets Available for Benefits		<u>14,175,387</u>
Deficiency		<u>\$(17,769,768)</u>
	6.5%	
Potential Liability	\$31,945,155	
Assets	<u>14,175,387</u>	
Potential Deficiency	<u>\$(17,769,768)</u>	

The rates above are assumed rates of return. The different rates are used to project what the potential liabilities and deficiencies would be in variant situations.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEM, (continued)

Next actuarial valuation report is required to be performed based on the Plan's December 31, 2008 financial data.

Under State Law, the County is permitted to issue bonds to fund its unfunded liability for the Closed Pension Fund. On September 1, 1998, the County issued \$30,765,000 General Obligation Refunding Bonds, to refund previously issued 1995 bonds which was originally intended to fund its unfunded liability, including the cost of living adjustment, for the closed pension fund. An actuarial report has not been prepared subsequent to this financing and therefore, is not reflected above.

NOTE 11. SELF-INSURANCE WORKMEN'S COMPENSATION PLAN

The County has established a workmens compensation plan for its employees. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$300,000 for any one accident or occurrence, with any excess benefit being reimbursed through a Re-Insurance Agreement with Continental Casualty Corporation up to \$1,000,000 for any one accident or occurrence. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2008 and 2007. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the County has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the County under existing reinsurance agreements. Exhibit B-8 summarizes the 2008 transactions of the plan.

NOTE 12. SELF-INSURANCE LIABILITY PLAN

The County has established a liability trust reserve for the purpose of funding payments that may arise from any general, auto or other liability claims against the County on a self-insured basis. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$1,000,000 for any one accident or occurrence, with any excess benefit being reimbursed through a Re-Insurance Agreement with Coregis Insurance Company up to \$5,000,000 for any one accident or occurrence. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2008 and 2007. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the county has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. Exhibit B-10 summarizes the 2008 transactions of the plan.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 13. SELF-INSURANCE HEALTH BENEFITS PLAN

The County has established a Health Benefits plan for its employees. The County funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$150,000 per employee per year, with any excess benefit being reimbursed through a Re-Insurance Agreement with Pacific Mutual Insurance Company up to \$1,000,000 per employee per year. The County has not created a loss reserve for claims incurred which were unpaid at December 31, 2008 and 2007. In addition, the County has not created a reserve for any potential unreported losses which have taken place but in which the County has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the County under existing reinsurance agreements. Exhibit B-9 summarizes the 2008 transactions of the plan.

NOTE 14. CLAIMS AND JUDGEMENTS

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant expenditure have not been audited by the various grantor agencies but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

NOTE 15. RELATED PARTY TRANSACTIONS

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

a. Overlapping Debt/Contingent Liability

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 15. RELATED PARTY TRANSACTIONS, (continued)

- \$44,825,000 Solid Waste Disposal Revenue Bonds, Refunding Series 2004 consisting of \$35,680,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds (Tax Exempt Series 2004A) and \$9,145,000 Solid Waste Disposal Revenue Bonds (Taxable Series 2004B) (collectively, the "2004 Refunding Bonds") issued pursuant to the Landfill Bond Resolution, as amended and supplemented;

- \$19,270,000 Solid Waste System Project Notes, Refunding Series 2008 consisting of \$19,145,000 in aggregate amount of its Solid Waste System Project Notes (Series 2008A) and \$125,000 Solid Waste System Project Notes (Series 2008B) (collectively, the "2008 Refunding Bonds") issued pursuant to the Landfill Bond Resolution, as amended and supplemented.

On March 11, 2004 the Appellate Division decided In The Matter Of The Petition Of The Passaic County Utilities Authority For A Declaratory Ruling Regarding The Continuing Obligation Of Pen Pac, Inc. To Provide Transfer Station Services And For The Establishment Of Rates For Such Transfer Station Services, Department of Environmental Protection, DEP Docket No. SR92101003J (see note 12(2)) in favor of Pen Pac for an award of approximately \$3,238,000. In addition, interest is due for the period from July 2000 to August 2001 to compensate Pen Pac, Inc. For the Commissioner's delay in issuing the final decision.

The Authority is currently investigating whether the decision is appealable to the New Jersey Supreme Court and the possible grounds for such an appeal.

b. Self-Insurance Coverage

The County provides liability insurance, workmens compensation insurance and employee health insurance coverage to the Authority. The Authority annually contributes to the County's self-insurance funds for the coverage provided by the County. In 2008 and 2007 the Authority contributed \$-0- and \$-0-, respectively, for liability insurance, \$-0- and \$-0-, respectively, for workmens compensation insurance and \$-0- and \$-0-, respectively, for employee health insurance coverage.

c. Interlocal Service Agreement

On December 23, 1987 the County entered into an interlocal service agreement with the Authority. The County provides to the Authority certain services including purchasing, payroll, accounting, legal, office space and radio communication. During 2008 and 2007, the Authority paid \$-0- and \$-0-, respectively, to the County under this agreement.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 16. PRIOR YEAR DEFEASANCE DEBT

In prior years, the County defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. On September 1, 2004, March 1, 2001, September 1, 1998, September 1, 1995, February 1, 1994, September 1, 1993 and December 1, 1992, \$15,890,000, \$31,145,000, \$30,100,000, \$4,875,000, \$18,981,000, \$36,879,000 and \$17,134,000 of bonds outstanding were defeased, respectively.

NOTE 17. LITIGATION

General Litigation

In the opinion of William J. Pascrell, III, Esq., County Counsel, there is no litigation of any nature now pending or threatened restraining or enjoining the issuance or the delivery of the Obligations or the levy or the collection of any taxes to pay the interest on or the principal of the Obligations, or in any manner questioning the levy or the collection of taxes, or affecting the validity of the Obligations or the levy or the collection of taxes. Neither the authority or the proceedings for the issuance of the Obligations nor the title of any of the present officers of the County to their respective offices is being contested. Neither the corporate existence or boundaries of the County is being contested; no authority or proceedings for the issuance of the Obligations has or have been repealed, revoked or rescinded; and all actions or proceedings in regard to the issuance of the Obligations taken by governing body subsequent to the adoption of the Open Public Meetings Act of New Jersey have been in compliance with said Act.

Ambrose Verrone, et al. v. County of Passaic

U.S. District Court for the District of New Jersey, Civil No. 03-4236

In April 2007, the Verrone matter settled, with the County agreeing to pay a global settlement of \$500,000 plus attorneys fees (not yet determined) to be split among the 17 Verrone plaintiffs. The McCabe matter is still pending, and would not likely go to trial in 2007. The parties are presently attempting to reach settlement in McCabe. For several reasons, including 1) there are fewer plaintiffs (10) in McCabe than in Verrone, and 2) post-Verrone changes were made in the K-9 unit, we expect that McCabe liability would be less than the amount of the Verrone settlement.

LITIGATION AFFECTING THE PASSAIC COUNTY UTILITIES AUTHORITY

A discussion of certain pending litigation that could have an adverse impact on the financial condition of the Authority is set forth below and has been provided by DeCotiis, FitzPatrick, Cole & Wisler, LLP, General Counsel to the Authority and by McManimon & Scotland, L.L.C., Bond Counsel to the Authority.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 17. LITIGATION, (continued)

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

A Verified Petition in the above matter was filed by the Authority on or about October 12, 1992. From December 12, 1992 to approximately November 11, 1997, Pen Pac provided solid waste transfer station services to the Authority. Inasmuch as Pen Pac was a public utility during this period, its rates were subject to regulation by the Department of Environmental Protection ("DEP"). The services were provided by Pen Pac during this period pursuant to interim rates, which are subject to adjustment, as determined in a rate proceeding, for over or underrecovery by Pen Pac. The rate case sought to determine a final rate for Pen Pac's services for the years 1993, 1994 and 1995. Calendar year 1996 was also included in the proceeding.

The matter was litigated and following denials of cross petitions for certification to the New Jersey Supreme Court on June 30, 2004, resulted in a final determination on June 30, 2004 that Pen Pac is owed \$3,238,792 for services performed by it in calendar years 1993 through 1996. In addition, the Commissioner determined that interest is due in the amount of \$256,313. On August 15, 2005, Final Judgment was entered in the Superior Court of New Jersey against the Authority in the amount of \$3,495,105.00.

On March 2, 2007, the Court issued a written opinion, which ordered the implementation of mandamus relief by way of ordering the Authority to 1) turn over \$701,230.41 in bondholder restricted Bank of New York accounts to PenPac; 2) to turn over \$1,702,220.84 in allegedly unrestricted accounts to PenPac; and 3) to assign all future income derive from the Passaic Investors mortgage receivable, held by the Authority, to PenPac. That decision was memorialized by Order entered on March 12, 2007. The March 12, 2007 Order effectively transferred all of the Authority's monetary assets to PenPac, excepting only Bank of New York accounts associated with the 1999 and 2004 Series Bonds, which the trial court found were validly pledged to the bondholders. The rest of the assets were found to be free and available to satisfy PenPac's Judgment.

The Authority authorized an appeal, to the Superior Court of New Jersey - Appellate Division, from the March 12, 2007 mandamus implementation Order on March 21, 2007, and accordingly, the Notice of Appeal and associated documentation were filed with the Appellate Division shortly thereafter. A motion to stay the March 12, 2007 Order was also contemporaneously made in accordance with the Rules of Court. Unfortunately, on September 5, 2008, the Supreme Court of New Jersey denied Certification, effectively rendering the March 12, 2007 Order of the trial court final, and dissolving the stay granted pending the outcome of the appeal.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 17. LITIGATION, (continued)

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

On remand, the DEP determined that PenPac was entitled to an additional \$1.3 million of under recovery for services rendered for calendar year 1997, as well as for interest on the overall award (the "Remand Award"). The Remand Award was reduced to judgment on March 5, 2009 in the third matter listed above, PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2615-08 (Superior Court of New Jersey, Law Division - Passaic County).

Post-judgment discovery is ongoing in this newest matter, and some paper discovery has been exchanged, and depositions held. It is not clear where PenPac's collection efforts against the Authority will proceed from here. After compliance with the March 12, 2007 Order last fall, there are no Authority assets left from which PenPac may satisfy its initial Judgment, or the newest Judgment on the Remand Award. Time will tell if PenPac will attempt other efforts to collect on the balance of its Judgment(s). It is simply not clear at this time whether PenPac will attempt to collect from the County of Passaic, or otherwise seek adverse action against the Authority from the Local Finance Board. Thus, we cannot predict what further impact post-judgment collection activities will have on the Authority at this time.

2. Technical default under the terms of the 1987 General Bond Resolution

By adopting the 1987 General Bond Resolution and issuing bonds thereunder, the Authority covenanted that certain required amounts would be on deposit in applicable debt service accounts on the first business day of each Fiscal Year. If, on that date, the funds on deposit in such accounts do not meet the required levels, the Authority is required to take all steps necessary to obtain funds to satisfy the debt service payments when they come due. Most importantly, the Authority has met all debt service payment obligations when they have come due. However, the Authority is in technical default of these provisions of the General Bond Resolutions insofar as the reserve balances have not been at required levels on the dates set for review thereof and additional deposits to the appropriate accounts have not been made to bring them to required levels.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 18. ARBITRAGE REBATE

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

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

The County has engaged Public Financial Management (PFM) to update the arbitrage rebate calculation but the report is not available for the audit.

NOTE 19. RISK MANAGEMENT

The County is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained insurance coverage to guard against these events which will provide minimum exposure to the County should they occur. During the 2008 calendar year, the County did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 20. POST RETIREMENT BENEFITS

Plan Description

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

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

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

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

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

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

The number of retirees receiving premium-free benefits as of January 1, 2007, the effective date of the biannual Other Post-Employment Benefit, herein referred to as "OPEB", valuation is 675. Of these, 390 retirees retain dependent or spousal coverage. Active employees number 2,288 as of the same valuation date. There have been no significant changes in the number of covered retirees or type of coverage since the valuation date.

Funding Policy

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

Actuarial Valuation Results

The Actuarial Accrued Liability for current retirees is \$102,988,427, and for current active employees is \$49,899,323 for a total accrued liability of \$152,887,750.

Summary of Valuation Results

Actuarial Accrued Liability:	
Retiree	\$102,988,427
Active	<u>49,899,323</u>
Unfunded Actuarial Accrued Liabilities	<u>\$152,887,750</u>
Discount Rate	4.50%
Normal Cost	\$10,104,366

For the fiscal year ended December 31, 2008, the County's annual OPEB cost of \$10,104,366 equaled its Annual Required Contribution. After taking into consideration the County contribution, as determined by the actuarial valuation of \$5,858,000, the net OPEB obligation increased \$4,246,366 during the year ended December 31, 2008.

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

The following table utilizes the actuarially determined contribution for the year ended December 31, 2008 as opposed to actual payments. Differences between the actual expenditures and the actuarial contributions include discounts, deductibles, co-payments, and actuarial factors identified under "actuarial assumptions and methods" below.

Level Dollar Amortization
Calculation of Annual Required Contribution
Under Projected Unit Cost Method

Annual Required Contribution	<u>\$10,104,366</u>
Annual OPEB Cost	10,104,366
Actuarial Contribution Determination	<u>5,858,000</u>
Increase in Net OPEB Obligation	4,246,366
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u>\$4,246,366</u>

Under GASB Statement 45, the County would recognize the cost of other post-employment benefits in the year when the employee services are received, report the accumulated liability from prior years, and provide information useful in assessing potential demands on the County's future cash flows. The accumulated liability from prior years is phased in over the 30 year period beginning the year ended December 31, 2008. However, since the County is using the modified accrual basis of accounting as prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the County is not required to show any accrued liability on the face of its financial statements, only to the notes to those financial statements.

The actuarial valuation projected cash costs totaling \$75,097,000 through the year 2016 for current and future retiree medical benefits as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	6,604,900	2013	\$8,940,300
2010	7,213,000	2014	9,515,500
2011	7,800,100	2015	9,994,400
2012	8,359,100	2016	10,485,100

COUNTY OF PASSAIC, N.J.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(continued)

NOTE 20. POST RETIREMENT BENEFITS, (continued)

Actuarial Assumptions and Methods

The actuarial assumptions used to value the County's post-employment benefits are of three types, economic, medical benefit and demographic.

Economic assumptions include the discount rate, or rate of return on investments, and health care cost trend rates and account for changes in the costs of benefits over time and the time value of money. The actuarial valuation assumes the County will continue to pay for benefits on a pay-as-you-go basis and continue to not fund the plan, therefore, the discount rate used, 4.50%, is based on the rate of return of the County's assets, since there are no plan assets. Health care trend rates through the year 2022 and later assumed are: increases in costs of traditional benefit plans ranging from 5.0% to 11.0%, prescription drug plan increases ranging from 5.0% to 12.0% and Medicare Part B cost increases of 5.0% to 6.5%.

Regarding medical benefit assumptions, the County's actuarial valuation elected to use age-banded incurred claims costs based on the claims costs used by the New Jersey State Health Benefits Program since the Traditional Indemnity Plan which primarily covers County retirees is similar in design to the State Health Benefits Traditional Plan. However, there were adjustments to reflect County medical and prescription drug claims experience and demographics. In addition, surviving spouses and direct-bill employees identified under "plan description" above, contribute 100% of the medical coverage cost and, therefore, it was concluded by the actuary these groups have no direct or implicit subsidy which is required to be considered in measuring the County's post-employment benefit liabilities.

Demographic assumptions include the following rates: mortality, retirement, withdrawal, disability, participation, dependent coverage and expenses. Of these, factors to note are participation rates are assumed at 100% of future retirees and 60% of eligible retirees assumed to have spousal coverage.

The actuarial cost method utilized for the County's actuarial valuation is the Projected Unit Credit method. It is an acceptable method under GASB Statement 45 and is a method whereas an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The normal cost amount is expected to increase annually at the discount rate, currently 4.50%. In addition, the asset valuation method is not applicable, as the plan is currently unfunded.

APPENDIX A

**SELECTED FINANCIAL INFORMATION
FOR YEARS ENDED DECEMBER 31, 2005-2009**

The selected data presented on pages A-62 to A-66 under the section "Selected Financial Information" as of and for each of the years in the five year period ended December 31, 2009 are derived from the financial statements of the County of Passaic. The excerpts from the financial statements as of December 31, 2008 and the Independent Auditor's Report thereon are included in the previous section.

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - CURRENT FUND

	(Unaudited) Balance December 31, 2009	Balance December 31, 2008	Balance December 31, 2007	Balance December 31, 2006	Balance December 31, 2005
ASSETS					
Cash	60,504,401	51,572,306	51,391,097	32,894,966	33,666,524
Deposits - Health Benefits	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>	<u>570,000</u>
	61,074,401	52,142,306	51,961,097	33,464,966	34,236,524
Change Fund	675	675	675	675	1,709
Federal and State Grants Receivable	<u>41,947,140</u>	<u>38,284,754</u>	<u>34,317,719</u>	<u>35,981,837</u>	<u>31,752,405</u>
	103,022,216	90,427,735	86,279,491	69,447,478	65,990,638
Receivables With Full Reserves					
Revenue Accounts Receivable	447,069	948,561	1,917,500	3,123,243	2,346,870
Due from Community Development Grant Fund					11,572
Due from General Capital Fund		405,266	330,524		481,067
Due From Federal and State Grant Fund					
Due from Other Trust Fund				105,648	213,395
Due Confiscated Trust Fund		1,583			
Due From Net Payroll Account	4,810				
Due From Payroll Agency Account		175			
Due from Clearing Account		<u>313,621</u>	<u>152,518</u>		
	451,879	1,669,206	2,400,542	3,228,891	3,052,904
Deferred Charges					
Emergency Authorizations (40A:4-47)			<u>10,000,000</u>	<u>1,070,000</u>	
			10,000,000	1,070,000	
Total Assets	<u>103,474,095</u>	<u>92,096,941</u>	<u>98,680,033</u>	<u>73,746,369</u>	<u>69,043,542</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	22,282,945	18,246,089	16,308,448	15,565,541	6,456,562
Accounts Payable	547,240	547,240	537,433	609,555	591,231
Encumbrances Payable	11,931,962	8,162,109	12,630,599	9,905,229	9,712,669
Reserve for Salary and Wage Adjustment	8,300,000	4,000,000			
Emergency Note Payable			10,000,000		
Due to Other Trust Fund	744,393	479,311	432,209		
Due to Community Development Grant Fund		104,549	21,932	21,931	
Due to General Capital Fund	231,578	4,000,000	4,000,000	4,765,650	4,000,000
Due to Clearing Account				126,966	
Sheriff's Overtime DWI-DDEF	17,055	15,804		14,666	
Miscellaneous Reserves	2,457,630	1,236,807	2,339,501	2,371,647	1,641,001
Reserve for State and Federal Grants					
Appropriated	35,569,358	34,619,490	24,989,443	26,049,007	22,821,124
Unappropriated		<u>105,473</u>	<u>88,337</u>	<u>475,712</u>	<u>191,324</u>
Total Liabilities	82,082,161	71,516,852	71,347,902	59,905,904	45,413,911
Reserve for Receivables	1,181,610	1,669,206	2,400,542	3,228,891	3,052,904
Fund Balance	<u>20,210,324</u>	<u>18,910,883</u>	<u>24,931,689</u>	<u>10,611,574</u>	<u>20,576,727</u>
Total Liabilities, Reserves and Fund Balance	<u>103,474,095</u>	<u>92,096,941</u>	<u>98,680,033</u>	<u>73,746,369</u>	<u>69,043,542</u>

COUNTY OF PASSAIC

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	(Unaudited) Balance December 31, 2009	Balance December 31, 2008	Balance December 31, 2007	Balance December 31, 2006	Balance December 31, 2005
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	14,418,102	14,931,589	9,563,504	16,844,878	16,843,000
Miscellaneous Revenue Anticipated	129,544,425	131,011,783	141,698,189	134,169,784	132,746,036
Receipts from Current Taxes	283,835,372	277,340,015	253,177,231	235,187,707	209,321,070
Nonbudget Revenues	3,967,084	4,871,570	5,741,508	6,016,686	4,950,444
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	9,489,717	7,750,167	14,494,471	2,356,825	2,210,956
Prior Year Interfund Returned		483,042	105,648	927,732	8,866,077
Cancellation of Liabilities		248,090	72,120	9,223	498,665
Total Revenues	441,254,700	436,636,256	424,852,651	395,512,815	375,446,248
Expenditures					
Budget Appropriations	423,846,051	426,674,997	410,486,090	387,826,531	356,309,006
Cancellation of Federal and State Grants Receivable		107,106			
Adjustments/Refunds	71,964			1,533,956	63
Interfunds Advanced	1,619,142	943,270	483,042	342,603	2,353,332
Total Expenditures	425,537,157	427,725,373	410,969,132	389,703,090	358,662,401
Excess (Deficit) in Revenue	15,717,543	8,910,883	13,883,519	5,809,725	16,783,847
Adjustment to Income Before Fund Balance Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding			10,000,000	1,070,000	
Statutory Excess to Fund Balance	15,717,543	8,910,883	23,883,519	6,879,725	16,783,847
Fund Balance, January 1	18,910,883	24,931,589	10,611,574	20,576,727	20,635,880
	34,628,426	33,842,472	34,495,093	27,456,452	37,419,727
Decreased by:					
Utilization as Anticipated Revenue	14,418,102	14,931,589	9,563,504	16,844,878	16,843,000
Fund Balance, December 31	20,210,324	18,910,883	24,931,589	10,611,574	20,576,727

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - TRUST FUND

	(Unaudited) Balance December 31, 2009	Balance December 31, 2008	Balance December 31, 2007	Balance December 31, 2006	Balance December 31, 2005
ASSETS					
Other Trust Funds					
Cash	31,547,544	33,954,290	30,317,533	24,669,927	27,144,167
Due From General Capital fund		1,300,000			
Due from Current Fund	642,509	484,478	435,433		
	<u>32,190,053</u>	<u>35,738,768</u>	<u>30,752,966</u>	<u>24,669,927</u>	<u>27,144,167</u>
Self Insurance					
Cash	392,666	218,657	197,682	338,519	284,700
	<u>392,666</u>	<u>218,657</u>	<u>197,682</u>	<u>338,519</u>	<u>284,700</u>
Community Development Grant Fund					
Cash	10,067,124	10,520,518	9,596,458	7,746,760	6,676,876
H.U.D. Grants Receivable	15,783	15,783	31,293	42,754	66,194
Due From Current Fund	104,549	104,549	21,932	21,932	
	<u>10,187,456</u>	<u>10,640,850</u>	<u>9,649,683</u>	<u>7,811,446</u>	<u>6,743,070</u>
Total Assets	<u>42,770,175</u>	<u>46,598,275</u>	<u>40,600,331</u>	<u>32,819,892</u>	<u>34,171,937</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Other Trust Fund					
Various Trust Deposits	1,442,306	1,466,227	1,537,784	1,334,780	1,347,855
Due to General Capital Fund					1,555,000
Due to Current Fund	2,665	6,750	3,224	105,648	213,395
Due to Municipalities	157,062				
Open Space Commitments Payable	3,790,279	6,031,121	8,282,174	7,014,916	5,103,187
Reserve for Dedicated Revenues	26,795,752	28,232,681	20,927,795	16,212,594	18,922,741
Fund Balance	1,989	1,989	1,989	1,989	1,989
	<u>32,190,053</u>	<u>35,738,768</u>	<u>30,752,966</u>	<u>24,669,927</u>	<u>27,144,167</u>
Self Insurance Fund					
Due to General Capital Fund				74,955	7,000
Reserve for Workmen's Compensation	49,678	26,407	5,779	7,693	68,611
Reserve for Health Benefits	187,092	186,998	186,854	22,257	22,235
Reserve for Liability Insurance	155,896	5,252	5,049	233,614	186,854
	<u>392,666</u>	<u>218,657</u>	<u>197,682</u>	<u>338,519</u>	<u>284,700</u>
Community Development Grant Fund					
Accounts Payable	1,702,632	1,702,632	2,125,541	1,469,374	1,216,266
Due to Current Fund					11,572
Reserve for:					
Housing Security Payments					9,772
Existing Housing Rent Supplement Program	8,484,824	8,938,218	7,524,142	6,342,072	5,505,460
	<u>10,187,456</u>	<u>10,640,850</u>	<u>9,649,683</u>	<u>7,811,446</u>	<u>6,743,070</u>
Total Liabilities, Reserves and Fund Balance	<u>42,770,175</u>	<u>46,598,275</u>	<u>40,600,331</u>	<u>32,819,892</u>	<u>34,171,937</u>

COUNTY OF PASSAIC
COMPARATIVE BALANCE SHEETS - GENERAL CAPITAL FUND

	(Unaudited) Balance December 31, 2009	Balance December 31, 2008	Balance December 31, 2007	Balance December 31, 2006	Balance December 31, 2005
ASSETS					
Cash	31,386,736	17,584,513	46,402,169	58,185,120	65,644,863
Grants Receivable	1,975,000	1,975,000	1,975,000	1,975,000	1,975,000
State Aid	36,905,614	29,741,851	23,977,315	14,838,211	23,230,791
Due From State Bond Proceeds					4,000
Due from Workers Compensation Trust				74,955	7,000
Due from Trust Fund					1,555,000
Due From Grant Fund		4,000,000	4,000,000	4,000,000	4,000,000
Due From Current Fund	231,578			765,650	
Deferred Charges to Future Taxation					
Deficit in Capital Improvement Fund					207,056
Funded	391,657,773	419,737,092	384,133,465	396,493,760	370,163,434
Unfunded	136,385,128	114,341,365	150,066,336	145,799,775	178,858,219
Total Assets	598,542,029	587,379,821	610,554,285	622,132,471	645,645,363
LIABILITIES, RESERVES AND FUND BALANCE					
Serial Bonds	298,480,000	324,174,000	287,279,000	299,014,000	295,234,000
Loan Payable	2,762,773	3,243,092	3,104,465	3,519,760	3,929,434
Bond Anticipation Notes	59,474,350	23,642,000	83,286,000	71,544,000	79,644,000
Improvement Authorizations					
Funded	46,051,118	35,630,802	43,952,269	46,851,873	47,640,745
Unfunded	63,243,568	56,475,312	61,494,377	73,209,589	109,713,120
Capital leases Payable	90,415,000	92,320,000	93,750,000	93,960,000	71,000,000
Accounts Payable	264,927	264,927	264,927	264,927	264,927
Encumbrances Payable	16,139,905	20,080,406	21,572,463	18,836,864	18,572,251
Due to General Fund		405,266	330,524		481,067
Due to Other Trust Fund		1,300,000			
Capital Improvement Fund	176,604	149,997	159,968	69,618	
Other Reserves	18,619,181	26,675,866	11,514,442	7,758,952	5,615,777
Reserve for Salt Shed - West Milford					296,619
Reserve for Final Payments and Litigation	456,877	456,877	456,877	160,258	160,258
Due to Township of Wayne	55,151	55,151	55,151		
Reserve for Unappropriated Grants				2,857,000	9,509,000
Reserve for EFA Funding	500,000	500,000	500,000	500,000	500,000
Reserve for Uncommitted State/Federal Aid					313,000
Fund Balance	1,902,575	2,006,125	2,833,822	3,585,630	2,771,165
Total Liabilities, Reserves and Fund Balance	598,542,029	587,379,821	610,554,285	622,132,471	645,645,363

There were Bonds and Notes Authorized But Not Issued on December 31, 2009, 2008, 2007, 2006, and 2005 of \$76,910,778, \$90,699,365, \$66,780,336, \$74,255,775 and \$99,214,219 respectively.

COUNTY OF PASSAIC
COMPARATIVE STATEMENTS OF FUND BALANCE

	(Unaudited) 2009	2008	2007	2006	2005
Balance, January 1,	2,006,125	2,833,822	3,585,630	2,771,165	1,357,573
Increased by:					
Premiums on Bond/Note Sales	896,450	172,303	248,192	616,607	581,509
Cancellation of Outstanding Checks				197,858	2,189,083
	2,902,575	3,006,125	3,833,822	3,585,630	4,128,165
Decreased by:					
Appropriated to Improvement Authorizations					
Realized as Current Fund Miscellaneous Revenue	1,000,000	1,000,000	1,000,000		1,357,000
Balance, December 31,	<u>1,902,575</u>	<u>2,006,125</u>	<u>2,833,822</u>	<u>3,585,630</u>	<u>2,771,165</u>

APPENDIX B

**FORM OF APPROVING LEGAL OPINION OF
DECOTIS, FITZPATRICK & COLE, LLP**

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

_____, 2010

Board of Chosen Freeholders of the
County of Passaic, New Jersey

Re: County of Passaic, New Jersey, \$1,177,000 County College Bonds and \$1,176,000
State Aid County College Bonds

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the County of Passaic, New Jersey (the "County"), of its County College Bonds in the aggregate principal amount of \$1,177,000 (the "County College Bonds") and its State Aid County College Bonds in the aggregate principal amount of \$1,176,000 (the "State Aid County College Bonds" and, collectively with the County College Bonds, the "Bonds"). The Bonds are general obligations of the County and the full faith, credit and taxing power of the County is available to pay the principal of and interest on the Bonds. The Bonds are dated August __, 2010, and bear interest at the rates set forth on the inside front cover of the Official Statement dated August __, 2010 relating to the Bonds, payable on February 1, 2011 and semiannually thereafter on the first day of August and February of each year until maturity, and mature on August 1 in the years and in the principal amounts as follows:

<u>Year</u>	<u>County College Bonds</u>	<u>State Aid County College Bonds</u>
2011	\$80,000	\$80,000
2012	85,000	85,000
2013	90,000	90,000
2014	95,000	95,000
2015	100,000	100,000
2016	105,000	105,000
2017	110,000	110,000
2018	115,000	115,000
2019	120,000	120,000
2020	125,000	125,000
2021	152,000	151,000

The Bonds are not subject to optional redemption prior to maturity. The Bank of New York, West Paterson, New Jersey, serves as Paying Agent for the State Aid County College Bonds.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the 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 of each series of the Bonds may be made in the principal amount of \$1,000 with a minimum purchase of \$5,000 required 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"), Chapter 12 of the Laws of New Jersey of 1971, effective January 28, 1971, and the acts amendatory thereof and supplemental thereto (the "County College Bond Act"), resolutions adopted by the County on July 13, 2010 (collectively, the "Resolutions") and Ordinance No. 2009-10 of the County, finally adopted on December 8, 2009 (the "Ordinance"). The Bonds are issued for the purpose of providing funds for the financing of certain capital improvements for Passaic County College, as described in the Ordinance (the "Project").

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 Resolutions and the Ordinance; (b) such matters of law, including, *inter alia*, the Act, the County College Bond 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 County; the Resolutions and the Ordinance have been duly authorized and adopted by the County; and the Bonds, the Resolutions and the Ordinance are legal, valid and binding obligations of the County enforceable in accordance with their respective terms. The State Aid County College Bonds are entitled to the benefits of the provisions of the County College Bond Act.

2. The County has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the County with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, adopted by the Congress of the United States of America and signed into law on February 17, 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the County to pay the Bonds is unlimited, and the County shall be required to levy *ad valorem* taxes upon all taxable real property within the County 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.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

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.

DECOTIIS, FITZPATRICK & COLE, LLP

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Passaic, New Jersey (the "Issuer" or the "County") in connection with the issuance by the Issuer of \$1,177,000 principal amount of its County College Bonds and \$1,176,000 principal amount of its State Aid County College Bonds (collectively, the "Bonds"). The Bonds are being issued pursuant to Bond Ordinance No. 2009-10 (the "Ordinance") duly adopted by the Board of Chosen Freeholders of the Issuer (the "Board") on December 8, 2009, and resolutions duly adopted by the Board on July 13, 2010 (collectively, the "Resolution"). The Bonds are dated _____, 2010, and shall mature on August 1 in the years 2011 through 2021, 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 S.E.C. Rule 15c2-12(b)(5).

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.

"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.

"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.

"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) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2010, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by 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 which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; 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).

(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, 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 modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law. 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. Certain financial information and operating data consisting of (i) Issuer and overlapping indebtedness including a schedule of outstanding debt issued by the County,

(ii) the County's most current adopted budget, (iii) property valuation information, and (iv) tax rate, levy and collection data.

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, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, 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. 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 7. 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 8. 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 or 5(a), 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 9. 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 10. 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 11. 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 11 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: _____, 2010

COUNTY OF PASSAIC, NEW JERSEY

By: _____
Louis J. Garbaccio, Chief Financial Officer

**EXHIBIT A TO DISCLOSURE CERTIFICATE
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: County of Passaic County, New Jersey

Name of Bond Issue: \$1,177,000 County College Bonds and \$1,176,000 State Aid
County College Bonds

Dated Date: _____, 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 _____.

Dated: _____

COUNTY OF PASSAIC, NEW
JERSEY

By: _____
_____,
Chief Financial Officer