NEW ISSUES – BOOK-ENTRY ONLY **RATINGS: (See "RATINGS" herein)**

In the opinion of Gibbons P.C., Bond Counsel to the County (as defined herein), assuming continuing compliance by the County with certain tax covenants described herein, under existing law, interest on the Tax-Exempt Obligations (as defined herein) is excluded from the gross income of the owners of the Tax-Exempt Obligations for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Tax-Exempt Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Tax-Exempt Obligations, interest on the Tax-Exempt Obligations will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Tax-Exempt Obligations in "adjusted current earnings" of certain corporations. Under existing law, interest on the Obligations (as defined herein) and net gains from the sale of the Obligations are exempt from the tax imposed by the New Jersey Gross Income Tax. See "TAX MATTERS" herein.

COUNTY OF PASSAIC
New Jersey

$44,400,000 GENERAL OBLIGATION BONDS, SERIES 2017
consisting of
$7,385,000 General Improvement Bonds, Series 2017A,
$36,000,000 County Vocational School Bonds, Series 2017B
(New Jersey School Bond Reserve Act, P.L. 1980, c.72)
and
$1,015,000 County Vocational School Bonds, Series 2017C
(New Jersey School Bond Reserve Act, P.L. 1980, c.72)
(Callable)

Dated: Date of Delivery **Due: December 1, as shown on inside front cover**

$54,045,000 BOND ANTICIPATION NOTES, SERIES 2017A (TAX-EXEMPT)
and
$24,730,000 BOND ANTICIPATION NOTES, SERIES 2017B (FEDERALLY TAXABLE)
(Noncallable)

Dated: Date of Delivery **Due: December 6, 2018**
Tax-Exempt Notes – Rate of Interest: 2.50% **Tax-Exempt Notes – Reoffering Yield: 1.40%**
Taxable Notes – Rate of Interest: 2.00% **Taxable Notes – Reoffering Yield: 1.75%**

The $44,400,000 General Obligation Bonds, Series 2017, consisting of $7,385,000 General Improvement Bonds, Series 2017A, $36,000,000 County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) and $1,015,000 County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (collectively, the "Bonds") issued by the County of Passaic, New Jersey ("the County") will be issued in the form of one certificate for the aggregate principal amount for each maturity of each series of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository. See "Book-Entry Only System" herein.

The $54,045,000 Bond Anticipation Notes, Series 2017A (Tax-Exempt) (the "Tax-Exempt Notes" and together with the Bonds, the "Tax-Exempt Obligations") and the $24,730,000 Bond Anticipation Notes, Series 2017B (Federally Taxable) (the "Taxable Notes", and together with the Tax-Exempt Notes, the "Notes", and the Notes together with the Bonds, the "Obligations") issued by the County will be issued in the form of one certificate of each issue for the aggregate principal amount of the Notes and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as Securities Depository. See "Book-Entry Only System" herein.

The Bonds will be dated the date of delivery and will mature on December 1 in the years and in the principal amounts set forth on the inside front cover page hereof. Interest on the Bonds will be paid semiannually on the first day of June and December in each year until maturity or prior optional redemption, commencing on June 1, 2018. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding May 15 and November 15 (the "Record Dates" for the payment of interest on the Bonds).

The Notes will be dated the date of delivery and will mature on December 6, 2018 and in the principal amounts set forth on the front cover page hereof. The principal and interest on the Notes is payable on the maturity date.

Principal of and interest on the Obligations will be paid to the Securities Depository by the County, as Paying Agent for the Obligations. Interest on the Obligations shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See "THE BONDS - Redemption" herein.

The Notes are not subject to redemption prior to their maturity. See "THE NOTES - Redemption" herein.

The Obligations 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 property within the County for the payment of the Obligations and the interest thereon without limitation as to rate or amount.

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

The Obligations are offered when, as and if issued by the County, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Gibbons P.C., Newark, New Jersey, Bond Counsel to the County, and certain other conditions described herein. Delivery is anticipated to be through the facilities of DTC in New York, New York, or at such other place as agreed to by the County on or about December 7, 2017.

Dated: November 28, 2017

$44,400,000 GENERAL OBLIGATION BONDS, SERIES 2017
MATURITIES, INTEREST RATES, YIELDS AND CUSIP NUMBERS

$7,385,000
General Improvement Bonds, Series 2017A

Year	Amount	Interest Rate	Yield	CUSIP Number*
2018	$405,000	2.00%	1.25%	702725YF3
2019	425,000	2.00	1.45	702725YG1
2020	440,000	2.00	1.60	702725YH9
2021	450,000	2.00	1.75	702725YJ5
2022	470,000	3.00	1.85	702725YK2
2023	490,000	3.00	2.00	702725YL0
2024	515,000	3.00	2.10	702725YM8
2025	545,000	4.00	2.20	702725YN6
2026	555,000	4.00	2.30	702725YP1
2027	575,000	4.00	2.40	702725YQ9
2028	595,000	3.00	2.55**	702725YR7
2029	615,000	3.00	2.65**	702725YS5
2030	645,000	3.00	2.80**	702725YT3
2031	660,000	3.00	2.90**	702725YU0

$36,000,000
County Vocational School Bonds, Series 2017B
(New Jersey School Bond Reserve Act, P.L. 1980, c.72)

Year	Amount	Interest Rate	Yield	CUSIP Number*
2018	$1,245,000	2.00%	1.25%	702725YV8
2019	1,295,000	2.00	1.45	702725YW6
2020	1,345,000	2.00	1.60	702725YX4
2021	1,395,000	2.00	1.75	702725YY2
2022	1,445,000	3.00	1.85	702725YZ9
2023	1,495,000	3.00	2.00	702725ZA3
2024	1,555,000	3.00	2.10	702725ZB1
2025	1,600,000	4.00	2.20	702725ZC9
2026	1,695,000	4.00	2.30	702725ZD7
2027	1,755,000	4.00	2.40	702725ZE5
2028	1,820,000	3.00	2.55**	702725ZF2
2029	1,895,000	3.00	2.65**	702725ZG0
2030	1,945,000	3.00	2.80**	702725ZH8
2031	1,995,000	3.00	2.90**	702725ZJ4
2032	2,090,000	3.00	2.95**	702725ZK1
2033	2,095,000	3.00	3.00	702725ZL9
2034	2,195,000	3.00	3.05	702725ZM7
2035	2,385,000	3.00	3.10	702725ZN5
2036	2,370,000	3.00	3.15	702725ZP0
2037	2,385,000	3.00	3.20	702725ZQ8

$1,015,000
County Vocational School Bonds, Series 2017C
(New Jersey School Bond Reserve Act, P.L. 1980, c.72)

Year	Amount	Interest Rate	Yield	CUSIP Number*
2018	$ 65,000	2.00%	1.25%	702725YV8
2019	70,000	2.00	1.45	702725YW6
2020	75,000	2.00	1.60	702725YX4
2021	80,000	2.00	1.75	702725YY2
2022	85,000	3.00	1.85	702725YZ9
2023	90,000	3.00	2.00	702725ZA3
2024	95,000	3.00	2.10	702725ZB1
2025	100,000	4.00	2.20	702725ZC9
2026	115,000	4.00	2.30	702725ZD7
2027	120,000	4.00	2.40	702725ZE5
2028	120,000	3.00	2.55**	702725ZF2

*CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP Numbers listed above are being provided solely for the convenience of holders only at the time of issuance of the Obligations and the County does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Obligations as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Obligations.

**Priced to the December 1, 2027 optional call date.

PASSAIC COUNTY OFFICIALS

BOARD OF CHOSEN FREEHOLDERS

FREEHOLDER - DIRECTOR OF THE BOARD

Sandra Lazzara

FREEHOLDERS

Bruce James
Assad Akhter
Theodore O. Best, Jr.
John W. Bartlett
Pasquale Lepore
Terry Duffy

COUNTY ADMINISTRATOR

Anthony J. DeNova

COUNTY COUNSEL

William J. Pascrell, III, Esq.

CLERK TO THE BOARD

Louis E. Imhof III

DIRECTOR OF FINANCE

Richard Cahill

COUNTY AUDITOR

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

BOND COUNSEL

Gibbons P.C.
Newark, New Jersey

No broker, dealer, salesperson or other person has been authorized by the County of Passaic, New Jersey (the "County") to give any information or to make any representations with respect to the Obligations 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 Underwriters (as defined herein) 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 Obligations 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 Underwriters.

TABLE OF CONTENTS

OFFICIAL STATEMENT
OF THE
COUNTY OF PASSAIC, NEW JERSEY
$44,400,000 GENERAL OBLIGATION BONDS, SERIES 2017
CONSISTING OF
$7,385,000 GENERAL IMPROVEMENT BONDS, SERIES 2017A,
$36,000,000 COUNTY VOCATIONAL SCHOOL BONDS, SERIES 2017B
(NEW JERSEY SCHOOL BOND RESERVE ACT, P.L. 1980, c.72)
AND
$1,015,000 COUNTY VOCATIONAL SCHOOL BONDS, SERIES 2017C
(NEW JERSEY SCHOOL BOND RESERVE ACT, P.L. 1980, c.72)
(CALLABLE)

$54,045,000 BOND ANTICIPATION NOTES, SERIES 2017A (TAX-EXEMPT)
AND
$24,730,000 BOND ANTICIPATION NOTES, SERIES 2017B (FEDERALLY TAXABLE)
(NONCALLABLE)

INTRODUCTION

This 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"), State of New Jersey (the "State") in connection with the sale and issuance of $44,400,000 General Obligation Bonds, Series 2017, consisting of $7,385,000 General Improvement Bonds, Series 2017A, $36,000,000 County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) and $1,015,000 County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (collectively, the "Bonds"), and $54,045,000 Bond Anticipation Notes, Series 2017A (Tax-Exempt) (the "Tax-Exempt Notes" and together with the Bonds, the "Tax-Exempt Obligations") and $24,730,000 Bond Anticipation Notes, Series 2017B (Federally Taxable) (the "Taxable Notes", and together with the Tax-Exempt Notes, the "Notes", and the Notes together with the Bonds, the "Obligations"). This Official Statement has been executed by the Director of Finance of the County.

THE BONDS

General Description

The Bonds may be purchased in book-entry only form in the amount of $5,000 each or any integral multiple thereof, through book entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. The Bonds will be dated the date of delivery and will mature on December 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 June 1 and December 1, commencing June 1, 2018 (each, an "Interest Payment Date"), in each year until maturity or prior optional redemption 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, calculated on a 30 day month and 360 day year basis, will be made by the County, as the Paying Agent for the Bonds (the "Paying Agent"), directly to Cede & Co. (or any successor or assign), as nominee of DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the close of business on May 15 and November 15 (the "Record Dates" for the payment of interest on the Bonds).

Security for the Bonds

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 interest 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.

New Jersey School Bond Reserve Act

The County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) and the County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72) are additionally secured by the New Jersey School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980 c. 72, as amended by P.L. 2003 c. 118) (the "New Jersey School Bond Reserve Act") and accordingly the County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c.72) and the County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72) will bear the following legend as required by the New Jersey School Bond Reserve Act:

"Payment of this obligation is secured under the provisions of the 'New Jersey School Bond Reserve Act' in accordance with which an amount equal to 1% of the aggregate outstanding bonded indebtedness (but not to exceed the moneys available in the fund), of New Jersey counties, municipalities and school districts for school purposes as of September 15 of each year, is held within the State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of the issuer to make payment."

The major change made by the 2003 amendments to the New Jersey School Bond Reserve Act was to reduce the reserve level to 1% for bonds issued on or after the effective date of the legislation (July 1, 2003) by creating an old reserve account (for bonds issued prior to July 1, 2003, with a 1.5% reserve level (the old statutory reserve level)) and a new reserve account (for bonds issued on or after July 1, 2003, with a 1% reserve level). In addition, various changes were made to the School Bond Reserve Act which were intended to strengthen the School Bond Reserve. These changes are discussed hereinafter and included cross-collateralization, State aid intercept and annual replenishment provisions.

The New Jersey School Bond Reserve Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. Securities representing at least one-third of the minimum market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. The trustees of the Fund are to determine, on or before September 15 of each year, the aggregate amount of school purpose bonds issued and outstanding and to maintain the old school bond reserve account and the new school bond reserve account at the appropriate levels for the ensuing year based upon annual market valuations of the obligations invested. The funds that are set aside in the old school bond reserve account are pledged as security for the prompt payment to holders of bonds issued prior to July 1, 2003 for school purposes by counties, municipalities and school districts of the principal of and the interest on such bonds in the event of the inability of the issuer to make payment. The funds that are set aside in the new school bond reserve account are pledged as security for the prompt payment to holders of bonds issued on or after July 1, 2003 for school purposes by counties, municipalities and school districts of the principal of and the interest on such bonds issued in the event of the inability of the issuer to make payment. The two school bond reserve accounts are cross-collateralized.

Trustees of the Fund are charged with making an annual determination of the amount of school bonds outstanding and with adjusting the level of each of the reserve accounts accordingly, to the extent that moneys are available in the Fund. The School Bond Reserve Act provides that moneys received from the sale of lands belonging to the State as of 1980 or formerly lying under water are dedicated to the support of public schools and shall constitute a part of the Fund. In the event that proceeds from the sale of State riparian interests are, in the future, made payable by law to purposes other than the Fund, they may not be applied to such purposes so long as there is a deficit in the School Bond Reserve. The State Treasurer is required, subject to the availability of other State funds, to replenish any deficiencies in the School Bond Reserve accounts on an annual basis. Further, the State is prohibited from borrowing from the Fund for liquidity purposes unless the reserve accounts are at their required levels, as measured annually.

Under the School Bond Reserve Act, the School Bond Reserve is pledged as security for the prompt payment of principal of and interest on bonds issued by counties, municipalities or school districts for school purposes in the event any issuer thereof is unable to make payment. Any issuer which anticipates that it will be unable to make such payment is instructed to certify its inability to the Commissioner of Education (the "Commissioner") and the Director of the Division of Local Government Services in the Department of Community Affairs (the "Director") at least 10 days prior to the date payment is due. If the Commissioner and the Director approve the certification, they then certify the same to the Fund Trustees. On receipt of the certification or other notice of the inability of a district to make a debt service payment, the Trustees are required, within the limits of the School Bond Reserve, to purchase such bonds at the face amount or pay such interest when due. The amount which may be applied to any one issuer's bonds is not limited. There is a State aid intercept mechanism to replenish draws on the School Bond Reserve. There have not been any required withdrawals from the Reserve since its establishment.

The School Bond Reserve Act does not contain a covenant by the State to refrain from repealing, revoking, rescinding, modifying or amending the provisions of that Act.

Redemption

The Bonds maturing on or prior to December 1, 2027 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after December 1, 2028 shall be subject to redemption prior to their respective maturity dates, on or after December 1, 2027, at the option of the County either in whole or in part at any time, at par (the "Redemption Price") and accrued interest thereon to the date of redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the County, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as

Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the County determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Authorizations and Purpose of the Bonds

The Bonds have been 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, as amended (the "Local Bond Law") and where appropriate, Title 18A, Education, of the New Jersey Statutes (the "Education Law"), various bond ordinances and a resolution adopted by the County on October 24, 2017. The bond ordinances included in the sale of the Bonds were published in full or in summary form after their adoption along with the statement that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances 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, execution or delivery of the Bonds of the County.

The proceeds of the Bonds will be used to (i) finance certain new money projects and currently refund $29,400,000 aggregate principal amount of the County's outstanding bond anticipation notes maturing on December 11, 2017 and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

Ordinance Number	Description	New Money	Current Refunding	Bonds to be Issued
General Improvement Bonds, Series 2017A				
08-02	Various Capital Improvements	$ -	$4,000,000	$4,000,000
09-06	Buildings and Grounds Improvements	-	3,100,000	3,100,000
14-01	Various Capital Improvements	-	285,000	285,000
		$ -	$7,385,000	$7,385,000
County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c.72)				
16-09/17-05	PCTI Stem	$15,000,000	$21,000,000	$36,000,000
		$15,000,000	$21,000,000	$36,000,000
County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72)				
09-09	Various Capital Improvements - PCTI	$ -	$ 600,000	$ 600,000
13-08	PCTI	-	415,000	415,000
		$ -	$1,015,000	$1,015,000
		$15,000,000	$29,400,000	$44,400,000

The proceeds of the County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c. 72) are being issued to permanently finance the construction of a new Academy School to house a STEM (Science, Technology, Engineering and Math) Academy and Academy of Medical Arts (the "State Aid Vocational School Project") approved by the governing body of and deemed necessary for the County.

Pursuant to the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), which became law on July 18, 2000, the State provides aid either in the form of a grant or debt service aid as determined under the EFCFA for school facilities projects. The County previously submitted a project application to the State pursuant to the EFCFA and subsequently, by letter dated February 2, 2017, received approval for its State Aid Vocational School Project. Furthermore, the State pursuant to the EFCFA and by letter dated March 7, 2017 established (i) final eligible project costs of $37,940,676, and (ii) debt service aid in an amount equal to 64.2601% of final eligible project costs of the State Aid Vocational School Project.

THE NOTES

General Description

The Notes may be purchased in book-entry only form in the amount of $5,000 or any integral multiple thereof through book entries made on the books and records of DTC and its participants. The Notes will be dated the date of delivery and will mature December 6, 2018.

So long as DTC or its nominee, Cede & Co. (or any successor or assign) is the registered owner of the Notes, payments of the principal of and interest on the Notes, calculated on a 30 day month and 360 day year basis, will be made by the County, as the Paying Agent for the Notes to Cede & Co. (or any successor or assign) as nominee of DTC. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of the close of business on November 29, 2018 (the "Record Date," for the payment of interest on the Notes).

Security for the Notes

The Notes 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 on the Notes. 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 Notes without limitation as to rate or amount.

Redemption

The Notes are not subject to redemption prior to their stated maturity.

Authorizations and Purpose of the Notes

The Notes have been authorized and are to be issued pursuant to the Local Bond Law and the Education Law and the various bond ordinances of the County set forth below. The Note ordinances included in the sale of the Notes were published in full or in summary form after their adoption along with the statement that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing note ordinances 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, execution or delivery of the Notes of the County.

The proceeds of the Notes will be used to (i) currently refund $78,775,000 aggregate principal amount of the County's outstanding bond anticipation notes maturing on December 11, 2017; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

Tax-Exempt - Series 2017A Notes

Ordinance Number	Description	New Money	Refunded Amounts	Total Issue
11-04	Various Capital Improvements	$ -	$ 800,000	$ 800,000
12-06	Various Capital Improvements	-	1,500,000	1,500,000
12-07	Various Capital Improvements	-	3,000,000	3,000,000
13-06	Improvements to PCCC	-	1,865,000	1,865,000
13-10	Various Capital Improvements	-	2,600,000	2,600,000
13-08	Improvements to PCCC	-	400,000	400,000
07-12	Acquisition of Equipment	-	900,000	900,000
08-01	Various Buildings and Grounds Improvements	-	2,000,000	2,000,000
09-08	Improvements to PCCC	-	2,278,000	2,278,000
12-05	Various Capital Improvements PCTI	-	1,200,000	1,200,000
13-07	Various Capital Improvements	-	1,500,000	1,500,000
14-02	Improvements to PCCC	-	700,000	700,000
14-10	Police Radio Communication System	-	1,206,000	1,206,000
15-02	Acquisition of Golf Carts	-	580,806	580,806
13-05	Various Bridges/Drainage/Road Improvements	-	1,500,000	1,500,000
06-06	Bridge Replacement and Repair	-	648,822	648,822
08-02	Various Capital Improvements	-	1,696,000	1,696,000
12-04	PCCC	-	2,338,508	2,338,508
12-07	Various Capital Improvements	-	5,000,000	5,000,000
13-07	Various Capital Improvements	-	1,172,000	1,172,000
14-02	PCCC	-	280,840	280,840
14-04	PCTI	-	1,958,616	1,958,616
14-08	Various Capital Improvements	-	9,510,000	9,510,000

Ordinance Number	Description	New Money	Refunded Amounts	Total Issue
15-03	PCTI	$ -	$ 979,308	$ 979,308
15-04	PCCC	-	1,896,985	1,896,985
16-04	Various Capital Improvements	-	4,034,115	4,034,115
16-08	Acquire Office Condominiums	-	2,500,000	2,500,000
Total Tax-Exempt Notes		$ -	$54,045,000	$54,045,000
Taxable - Series 2017B Notes				
14-06	Self Insurance Funding	$ -	$24,730,000	$24,730,000
		$ -	$78,775,000	$78,775,000

Book-Entry Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Obligations, payment of principal of and interest, and other payments due on the Obligations to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the County. Accordingly, the County does not make any representations concerning these matters.

DTC will act as securities depository for the Obligations. The Obligations 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 certificate will be issued for each year of maturity of the Obligations, 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 rating of AA+. 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.**

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor CEDE & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations 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 Obligations are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Obligations 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 Obligations 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.

Discontinuance of Book-Entry-Only System

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

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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 municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the County are general full faith and credit obligations.

The authorized bonded indebtedness of the County for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 2.00% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of County, as annually determined by the State Director of Taxation is $46,381,905,730.

The County has not exceeded its statutory debt limit. As of December 31, 2016, the statutory net debt as a percentage of average equalized valuation was 0.779%. As noted above, the statutory limit is 2.00%.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The County may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the County may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the County or substantially reduce the ability of the County to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the County to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

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 a 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 creating such capital expenditure, as it may be amended and supplemented. 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 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. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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

This legislation has been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

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.

Tax Assessment and Collection Procedure

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

The tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statues. A table detailing tax title liens is included in Appendix "A".

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, municipalities must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the County is on file with the Clerk and is available for review during business hours.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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 197.05 square miles there are 40 lakes and ponds, three state parks and two state forests.

Population of the County of Passaic

2015	510,916
2014	508,856
2013	505,672
2012	504,245
2011	503,508
2010	501,226
2000	490,377
1990	470,864
1980	447,585
1970	460,782
1960	406,618
1950	337,093

Source: United States Bureau of the Census.
http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk

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, components for the aerospace industry, chemicals 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 249,700 in August 2015 and the unemployment rate was 6.9% in August 2015. The labor force was 249,900 in 2016 and the unemployment rate was 6.8% in August 2016.

County of Passaic
Labor Force Estimates

(000's Omitted)

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2016*	249.9	323.9	17.0	6.8%
2015	249.7	232.5	17.1	6.9
2014	248.4	228.3	20.2	8.1
2013	241.4	217.4	24.0	9.9
2012	243.3	216.1	27.2	11.2
2011	246.0	216.7	27.3	11.1
2010	243.0	215.7	27.3	11.3
2009	243.8	217.0	27.5	11.0
2008	240.4	224.1	16.4	6.8
2007	238.0	225.3	12.7	5.3

Source: New Jersey Department of Labor and Workforce Development, Office of Research and Information, - Annual Averages for all Years
*2016 data from August 2016 http://lwd.dol.state.nj.us/labor/lpa/employ/uirate/lfest_index.html

Statistics of Income 2015: New Jersey Income Tax Returns for 2015
Summarized by County

Rank	County	Total Income (000's)	Total Average Income
1	Bergen	$46,011,761.00	$107,512
4	Essex	30,620,801.40	90,272
2	Monmouth	29,447,812.90	99,415
3	Morris	28,873,900.00	122,761
5	Middlesex	27,508,909.70	73,141
6	Union	20,829,418.50	82,753
8	Hudson	19,282,152.80	64,326
7	Somerset	19,216,923.20	124,035
9	Ocean	15,896,701.80	61,695
10	Burlington	15,439,231.70	76,301
11	Mercer	14,884,553.90	92,392
12	Camden	14,283,144.40	63,696
13	**PASSAIC**	**13,200,038.70**	**56,646**
14	Gloucester	8,824,895.80	69,246
15	Hunterdon	7,219,874.00	52,623
16	Atlantic	6,808,885.00	120,478
17	Sussex	5,475,670.30	79,835
18	Warren	3,389,667.10	68,693
19	Cumberland	2,963,751.20	46,258
20	Cape May	2,651,111.10	58,164
21	Salem	1,686,678.40	59,415
	County Unknown	611,097.70	122,440
	State Totals	$335,126,980.60	$1,792,097.00

Source: State of New Jersey Department of the Treasury, Division of Taxation, Statistics of Income, 2015, Table 5.1: Income Tax Return Amounts Summarized by County for Full Year Residents. http://www.state.nj.us/treasury/taxation/soiintro.shtml

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

Authorized Permits for New Construction - 2012 to 2016

Authorized Permits and Construction Value	2012	2013	2014	2015	2016
Housing Units: New Construction	325	653	332	299	437
Office: Authorized Square Feet	355,689	121,323	112,301	239,108	232,600
Retail: Authorized Square Feet	36,043	28,344	254,294	177,368	13,455
Other Non-Residential Uses: Authorized Square Feet	514,847	1,360,190	2,297,335	514,681	1,355,001
Estimated Cost of Construction Authorized by Building Permits	$290,476.115	$360,543,168	$351,061,314	$419,113,340	$449,486,746

Source: NJ Department of Community Affairs, Building Permits Yearly Data: 2016, 2015, 2014, 2013 and 2012. http://www.state.nj.us/dca/divisions/codes/reporter/building_permits.html#2

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

Economic Outlook

According to the New Jersey Department of Labor and Workforce Development, Passaic County's 2015 annual average labor force totaled 249,700 with an unemployment rate of 6.9% and as of August 2016 the labor force rose to 249, 900 with an unemployment rate of 6.8 %, significantly lower than the 2013 unemployment number at 9.9%. The economy is highly diversified with no particular industry or sector accounting for a large percentage of the employment in the County.

Major areas of employment in 2015 included: retail trade (18%); healthcare and social assistance (18%); manufacturing (13%); wholesale trade (6%); construction (5.5%); administrative and waste services (7.5%); accommodation and food services (7.4%; professional and technical services (5%); other services, excluding public administration (5%); and finance and insurance (3%).

New York financial technology company SmartAsset evaluated the Gross Domestic Product (GDP) of New Jersey counties by measuring the change in the local GDP over a four year period. Passaic County ranked number nine compared to all 21 counties in the state by experiencing strong growth and investment

The study captured the places around the country that are receiving the most incoming investments in business, real estate, government and the local economy as a whole. SmartAsset looked at four factors: business establishment growth, GDP growth, new building permits and municipal bond investment. Every county in the study was scored on these four factors, weighting each factor equally. Passaic County received a high ranking due to its business growth, $813 million in business investment, number of building permits and municipal bond activity.

According to the NJ Department of Labor and Workforce Development, Key Industries in Passaic County, NJ, published February 2016, between 2012 to 2022, employment in Passaic County is projected to rise by 13,150 or 7.4 percent, compared to the state's rate of 7.5 percent. Healthcare and Social Services is expected to add the most jobs (+4,500) and grow at a rate of 18.1 percent between 2012 and 2022. Professional, Scientific and Technical Services are projected to grow by 1,100 jobs or 15.1% between 2012 and 2022.

For decades, financial companies have been migrating from New York City's Lower Manhattan historic financial district to new areas such as New Jersey which remains the largest data center market in the country, according to Sean Brady, Senior Director, Cushman & Wakefield. Many of these data centers have located in Passaic County. This pattern continues with the data center built for Credit Suisse at the 284,000 square foot Hudson Communication Center located in Clifton, and the 126,000 square foot Russo Development Data Center in Totowa, NJ. In addition, Digital Totowa has broken ground on a 457,117 square foot data center along Union Boulevard, Totowa, NJ. In addition, Mountain Development Corporation has completed their Financial Data Center at 2 Peekay Drive, Clifton, NJ to house Telx Group, Inc. This 215,000 square foot, 3 story data center is a flagship site for Telx, providing cloud computing services, high-speed connections to financial exchanges and space for back-up data storage. Telx has subsequently purchased this site from Mountain Development Corporation.

The educational and health services industry, continues to be robust and able to withstand economic shifts, and will continue to see gains in the coming year. Star Academy, Clifton plans to debut a new hospitality/food service curriculum. The area's demand for services by the aging baby boom population cohort continues to grow necessitating home health care services. Social assistance jobs may also grow due to increased need for child care facilities.

In commercial construction, Passaic County has demonstrated a particular strength in generating new construction permits. Permits for the new construction of housing totaled 437 units in 2016. New construction permits for office space totaled 232,600 square feet and retail permits totaled 13,455 square feet in 2016. The estimated Cost of Construction authorized by building permits totaled $449,486,746 in 2016, up by 7.25%.

Grow New Jersey Assistance Program

On September 18, 2013, the State established the Grow New Jersey Assistance Program (GrowNJ) which provides corporate business tax credits as financial incentives for the relocation and expansion of companies in the State. For each year of incentives (up to maximum of 10 years), the business must commit to maintaining the project with the minimum number of full-time job positions for 1.5 times the length of the incentive award period. The Passaic County cities of Paterson and Passaic have been designated as Garden State Growth Zones which greatly increases benefits under GrowNJ. In addition, the City of Clifton is also designated as a special location, receiving enhanced benefits.

As a result of GrowNJ, the following companies have invested in Passaic County. **Better Team USA** has located their 16,500 square foot manufacturing plant in Clifton, NJ from Hong Kong, due to the receipt of a $11,250,000 incentive grant, the company invested $2,230,000 and created 150 new jobs**. Jimmy's Cookies** relocated their 87,280 square foot manufacturing facility to Clifton, NJ after the receipt of a $7,537,500 GrowNJ incentive grant, creating 79 jobs and retaining 43. **Metropolitan Foods aka Driscoll Foods**, received a $18,487,500 GrowNJ incentive and will invest $67,600,000 as the company expands into a 562,000 square foot facility in Wayne, NJ, creating 139 jobs and retaining 215 employees. **Accurate Box Company** received a $39,875,000 GrowNJ incentive award to fuel their expansion in Paterson, NJ renovating and expanding their 365,000 square foot manufacturing plant as they plan to invest $19,807,551 in new construction and the creation of 51 new jobs and the retention of 229 employees. **Sandy Alexander**, Clifton, NJ received a $12,740,000 incentive due to their planned investment of $2,800,000 and the creation of 74 jobs and retention of 216 in their 134,000 square foot facility. **Patella Woodworking** received a $10,325,000 GrowNJ incentive for their investment of $5,856,884 in their new facility in the City of Passaic, relocating from Orangeburg, NY, fueling the creation of 70 new jobs in their 79,784 square foot facility. In addition, **MGP Manufacturing** in Paterson received an award of $3,797,500 as they invested $295,000 in their 12,400 square foot facility creating 31 new jobs. **Seton Hall – Hackensack School of Medicine** received a GrowNJ incentive of $16,937,500, for their new facility located along Route 3 East in Clifton, NJ. This new medical school will employ over 271, and will invest a total capital investment of $55,158,000 in their 238,576 square feet facility. In addition, **Coronet, Inc.** will expand in Paterson, NJ into a 67,484 square foot facility and received an incentive of $17,760,000 and plans to invest $5,982,644 in the new facility, employing 148.

In addition, Maquet Cardiovascular LLC, a global leader in manufacturing medical devices, added new employees at its United States headquarters in Wayne (Passaic County). The Maquet Company relocated manufacturing facilities from Puerto Rico and brought 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. Kontos Foods in Paterson, NJ has purchased a new 41,000 square foot facility and is manufacturing crepes, employing an additional 40.

UPS relocated their data processing center comprised of 650 employees from Morris County to Wayne, NJ and is considering another expansion of its Paramus data center into a Rifle Camp Road office building in Woodland Park, bringing 1,000 jobs to Passaic County.

Area employment in retail trade will post gains in the coming months. One positive development is the completely leased 160,000 square feet Promenade Shops with exclusive retail space and over 17 major retailers from Chico's to La Fitness and Coldwater Creek and Joseph A. Bank and Stew Leonard's Wines. In addition, a new 28,000 square foot retail site has been completed along Route 3 in Clifton, Clifton Towne Center, which is occupied by Trader Joe's and Ulta Cosmetics retailers. Plaza 46 West also added 20,000 square feet of new retail space along the corridor. Another positive sign for the industry is that more than 85 percent of the space is leased in the Paterson Center City Mall. Current tenants include The Children's Place, Marshall's, Shoe Factory, AT&T, Sprint, T-Mobile and The New Fabian Theater. When the remaining space is fully leased and occupied, it is estimated that 600 new jobs will be added at this location. In addition, the Willowbrook Mall, the Wayne retail Power Center has increased their retail capacity by approximately 250,000 square feet for new restaurants and retailers.

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

- Within Bloomingdale, Avalon Bay constructed a 174 unit residential expansion. In addition, companies have continued to reinvest along Main Street with the opening of River of Beer, a new tavern/restaurant and Kings Corner, a convenience store and restaurant for local residents.

- Within the City of Clifton, Prism Development has purchased the former 116-acre Hoffmann La Roche site at which it will construct a new medical center and a residential/commercial development along Route 3 East. In addition, the Main Mews, a 4- story mixed-use commercial and residential development located at 998 Main Avenue, Clifton will be constructed with 3,388 square feet of retail space.

- The City of Paterson, home of the Great Falls, is the home of a successful $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. 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 a 117,953 square foot site located along Route 20 in Paterson between 4th and 5th Avenues.

- In addition, MGP Manufacturing in Paterson moved its new company into Paterson investing $295,000 in their 12,400 square foot facility creating 31 new jobs. Accurate Box Company just completed phase I of their extensive renovation and expansion of their 365,000 square foot manufacturing plant as they plan to invest $19,807,551 in new construction and the creation of 51 new jobs and the retention of 229 employees.

- Riverside Village has completed its new construction along Route 20 in Paterson, tenants include a McDonald's, Spanish restaurant and bank. 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 Regional Medical Center in Paterson has completed the $250 million expansion of their new 173,798 square foot Critical Care Facility and building renovations and has proceeded to begin construction of a new medical arts building, hotel and 1,122 car parking deck. A retail complex has been constructed totaling 20,000 square feet for a pharmacy and related retail stores.

- Medical Missions for Children, headquartered at St. Joseph's Regional Medical Center, and The Hampshire Group, based in Morristown, received a $105 million Urban Transit Hub Tax Credit from the NJ Economic Development Authority.

- A tower will be built on the corner of Main and Levine Streets to house the New York Medical College Regional Branch Campus at St. Joseph's and physicians' office building. The seven-story, 105,000-square-foot building will provide space for expansion of the instructional programs for the medical school as well as the allied health professions programs of Touro College and University. In addition, the physician practices will have ideal proximity to St. Joseph's Regional Medical Center and St. Joseph's Children's Hospital.

- The expansion of the hospital has encouraged many other developments in the area including a 46,928 square foot retail/apartment complex at Buffalo and Main Avenues; a 54,977 square foot office building on Main Street by Straight Street Properties; a 15,703 square foot Walgreen's Pharmacy opened on Main Street; and a 20,913 square foot medical arts building will be developed by Abby 2012, LLC.

- Two retail facilities have also opened in Paterson by Paramount Assets on Straight Street (12,800 square feet) and on East 18th Street (13,468 square feet).

- 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.

- Additional construction projects in Wayne include, but are not limited to: Driscoll Foods who purchased the former Bayer Pharmaceutical property and will be completing a 562,000 square foot warehouse distribution center and create/retain approximately 350 jobs; the former Drake's Bakery property has been purchased and redeveloped as a warehouse distribution facility; Bimbo Bakeries have constructed a 55,456 square foot warehouse/distribution facility along Riverview Drive, Hajjar Medical Office Building constructed a 30,975 square foot medical arts building along Hamburg Turnpike; Quick Chek constructed a 13,186 square foot convenience store along Hamburg Turnpike, Walgreens will construct a 12,500 square foot pharmacy along Paterson Hamburg Turnpike, BD Investment Properties constructed a 24,053 square foot office building; the First Jersey Credit Union 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 has completed a 28,500 square foot addition on Alps Road. The Hilton Garden Inn has constructed a new 92,477 square foot hotel on Valley Road, Wayne, NJ. In addition, a recent approval will permit the construction of a 150 bed assisted living facility in a 251,552 square foot building in Wayne. Additional projects include the construction by Millbrook Development of a 14,318 square foot development located at 20 Mansard Court, Wayne and an expansion of the warehouse located at 75 Demarest Drive, Wayne adding 154,682 square feet of distribution space.

- Projects in Hawthorne include the completion of the environmental remediation of a 10-acre tract located along Wagaraw Road. Proposals for residential and retail development are now being considered. In addition, Kohler Distribution has expanded its facility by 49,000 square feet.

- In Haledon, Patriot Pickle has expanded into 15,000 square feet of warehouse and distribution space.

- 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. Within the Township of Little Falls a new three-story mixed use commercial and retail facility will be constructed at 36 Main Street, Little Falls, NJ.

- In West Milford, the 649,044 square foot Shoprite Shopping Center added a new major retailer TJ MAXX.

- Within Woodland Park, Berkeley College expanded by 19,250 square feet; and 1225 McBride Avenue associates has restructured their 153,182 medical arts facility.

- Expansion projects in Totowa include: ADT Security Services, Inc. who have relocated to a 46,300 square foot office and warehouse space in the Totowa Business Center located along Riverview Drive. Kari-Out, a packaging manufacturing facility, has expanded its manufacturing facility by an additional 49,580 square feet, the third time this company has expanded at its Totowa location.

- 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. Passaic County Community College has opened its 43,640 square foot nursing school in the City of Passaic. In addition, 585 Main LLC has completed construction on a 43,500 square foot residential and retail development. Patella Woodworking has relocated from Orangeburg, NY into a 79,784 square facility and will create approximately 70 new jobs. In addition, a new 3- story mixed-use commercial and residential development will be constructed at 883 Main Avenue, Passaic with 2,560 square feet of retail space.

- West Milford, Twins Realty Group has increased its concrete manufacturing company by 46,433 square feet, manufacturing concrete for bridges and roads.

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% 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.

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 the 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 Lines 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 construction include 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") 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 Authority Law (N.J.S.A. 40:14B-1 et seq.; the "Act") as a county utilities authority via resolution of the Board of Chosen Freeholders of the County 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, 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:

Member and Office	Membership Term Expires	Officer Term Expires
Gary Marchese - Chairman	2/01/19	2/01/18
Michael Hanrahan, Vice Chairman	2/01/15*	2/01/18
Catherine Kazan, Secretary/Treasurer	2/01/18	2/01/18
Nada Basmouk	2/01/17*	
Teofilo Javier	2/01/17*	
Clark Okun	2/01/15*	
Haresh Shah	2/01/19	
Mohammad Qudah - Alternate	2/01/16*	

*Serving until a successor is appointed.

The Authority maintains offices at 401 Grand Street, Room 123, Paterson, New Jersey 07505.

Debt of the Authority

As of December 31, 2016, the Authority had issued and outstanding the principal amount of $53,170,000 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.

Solid Waste Indebtedness Currently Secured by the County Landfill Agreement

The Authority has outstanding debt at December 31, 2016 of the below listed series of bonds that are secured by the County Landfill Agreement (the "Secured Bonds").

-$33,015,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012 (the "2012 Refunding Bonds") outstanding in the amount of $29,620,000 consisting of $14,115,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012A and $15,505,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012B (Federally Taxable).

- $19,270,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2008 outstanding in the amount of $15,895,000.

- $8,270,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2014B - Taxable outstanding in the amount of $7,655,000.

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 prescribes the procedures for adoption and execution of annual budgets by local authorities, and Local Finance Board 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 Local Finance Board 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 Local Finance Board so approves and a local authority may not be dissolved without providing for payment of all outstanding obligations and without approval by the Local Finance Board.

County Landfill Agreement

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 as of May 1, 1996 (the "1996 Amended and Restated County Landfill Agreement"), as further amended as of June 1, 1999 (the "1999 County Landfill Agreement Amendment") and as further amended as of February 15, 2004 (the "2004 County Landfill Agreement Amendment" and collectively referred to as the "County Landfill Agreement"). Pursuant to the County Landfill Agreement, the County has agreed to pay to the Authority, within the Agreement Cap (as hereinafter defined), such sums of money as may be required to provide for monetary deficits of the Authority relating to: (a) the debt service on the Authority's bonds, (b) maintaining reserve requirements under the Landfill Bond Resolution, 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 the County taxpayers, residents and ratepayers to assure the payment of debt service on the Secured Bonds (as defined in the County Landfill Agreement).

The following is a summary of certain provisions of the County Landfill Agreement that relate to the Secured 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.

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 Secured 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 Secured Bonds.

2004 Amendment to the County Landfill Agreement

Pursuant to the 1996 Amended and Restated County Landfill Agreement, the initial maximum aggregate principal amount of Secured Bonds may not exceed $61,000,000 (the "Initial Agreement Cap"). In connection with the issuance of the Tax-Exempt 2004A Bonds and the Taxable 2004B Bonds, the County adopted a resolution on February 10, 2004, 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" 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"), in order to ensure said bonds would be Secured Bonds pursuant to the requirements of the County Landfill Agreement. The 2004 Amendment, in part, increased the Initial Agreement Cap to $69,500,000 (the "2004 Agreement Cap"). Under the 2004 Agreement Cap, the Secured Bonds are fully secured by the County Landfill Agreement.

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 Secured Bonds; 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

Pursuant to the County Landfill Agreement, the County's obligation to pay the deficiency in the debt service on the Secured Bonds as and when due to the Authority is an unconditional and unqualified obligation of the County, independent of any other obligation of the County.

Property Tax Act

The legislature of the State of New Jersey has enacted P.L. 2010, c.44, effective July 13, 2010 (the "Property Tax Levy Cap"), which imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection districts, with certain exceptions and subject to a number of adjustments. One of the exceptions to the Property Tax Levy Cap's 2% limitation is the "increases required to be raised for capital expenditures, including debt service." 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 Property Tax Levy Cap.

However, the LFB issued Local Finance Notice 2011-36, dated December 12, 2011, which provides that amounts, if any, required to be paid by the County to the Authority pursuant to service contracts, such as the County Landfill Agreement, and necessary for the Authority to meet its debt service obligations in a timely fashion will be treated as an automatic exclusion from the 2% cap under the Property Tax Levy Cap. Consequently, the Annual Charges payable by the County under the County Landfill Agreement for debt service on the Secured Bonds, will be considered exempt from the limitations of the 2% cap imposed by the Property Tax Levy Cap.

Additional Bonds or Project Notes

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

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

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. Twelve 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, which closed on June 1, 2005. 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, which closed on July 28, 2006. 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. A sixth project was to make a loan to 200 Hospital Plaza Corporation for the construction of a mixed-use parking/retail structure adjacent to the St. Joseph's Regional Medical Center in Paterson and the PCIA issued $29,620,000 County Guaranteed Parking Revenue Bonds (200 Hospital Plaza Corporation Project), Series 2010 on October 22, 2010 to effectuate same. A seventh project was a refunding of the 2005 Preakness Healthcare Facility Lease Revenue Bonds where the Authority issued $57,425,000 Lease Revenue Refunding Bonds, Series 2012 to advance refund all bonds maturing after May 1, 2015, which closed on August 29, 2012. An eighth project was a refunding of the (a) 2005 Prosecutor's Office Building Improvements Project Lease Revenue Bonds where the Authority issued $3,510,000 Lease Revenue Refunding Bonds, Series 2015 to advance refund all bonds maturing on and after December 15, 2016 and the (b) 2006 Preakness Healthcare Center Expansion Project Lease Revenue Bonds where the Authority issued $19,550,000 Lease Revenue Refunding Bonds, Series 2015 to advance refund all bonds maturing on and after May 1, 2017, which closed on June 16, 2015. A ninth project was to make a loan to the City of Paterson for the refunding of certain short term notes and the PCIA issued $24,785,000 County Guaranteed Governmental Loan Revenue Bonds, Series 2015 on December 2, 2015. A tenth project was to make a loan to the City of Paterson for the issuance of short term notes and the PCIA issued $14,340,000 Governmental Loan Revenue Bond Anticipation Notes, Series 2016 on June 29, 2016. An eleventh project was to make a loan to the City of Paterson for the issuance of short term notes and the PCIA issued $9,058,340 Governmental Loan Revenue Bond Anticipation Notes, Series 2017 on February 16, 2017. A twelfth project was to make a loan to the City of Paterson for the refunding of certain short term notes and the financing of capital projects and workers' compensation and litigation settlements and the PCIA issued $33,835,000 Governmental Loan Revenue Bonds, Series 2017 on June 20, 2017.

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-Bloomingdale 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.

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, 2016.

Schedule of Bond, Notes and Loan Indebtedness
as of December 31, 2016

Notes	$108,950,000
Loans	234,612
General County Purposes	190,880,000
Community College	31,491,000
Vocational and Special Needs School	12,454,000
Gross Bond and Loan Debt	$344,009,612

Debt Incurring Capacity as of December 31, 2016

Equalized Valuation Basis (last 3 years average)	$46,381,905,730
2% Borrowing Margin (1)	927,638,115
Net Debt Issued, Outstanding and Authorized	361,427,569
Remaining Borrowing Capacity	$566,210,546

(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(2)	Percentage of Gross Debt to Equalized Valuation	Net Debt	Net Debt Per Capita(2)	Percentage of Net Debt to Equalized Valuation
2016	$46,381,905,730	$393,489,975	$785.05	.85%	$361,427,569	$721.08	.78%
2015	46,259,325,806	384,601,557	767.32	.83	345,384,061	689.08	.75
2014	46,620,974,629	412,850,980	823.68	.89	383,548,769	765.22	.82
2013	48,062,947,082	403,227,364	804.48	.84	368,691,930	735.58	.77
2012	50,254,387,921	435,545,297	868.96	.87	368,462,629	735.12	.73

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.
(2) Based upon 2010 population of 501,226.

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

	2016	**2015**	**2014**	**2013**	**2012**
Bonds and Notes Issued and Outstanding:					
Bonds	$234,825,000	$231,964,000	$254,396,000	$254,095,000	$287,481,000
Notes	108,950,000	80,930,000	64,488,000	68,110,000	43,222,000
Loans	234,612	278,798	322,113	704,360	1,240,832
Total Issued	344,009,612	313,172,798	319,206,113	322,909,360	331,943,832
Bonds and Notes Authorized But Not Issued	49,480,363	71,428,759	93,644,867	80,318,004	103,602,115
	393,489,975	384,601,557	412,850,980	403,227,364	435,545,947
Less: Statutory Deductions	32,062,406	39,217,496	29,302,211	34,535,461	67,083,318
Total Issued and Authorized But Not Issued	$361,427,569	$345,384,061	$383,548,769	$368,691,903	$368,462,629

Source: Passaic County Audit Reports

Statement of Indebtedness
As of December 31, 2016

GROSS DEBT	
Bonds, Notes and Other Loans Issued and Outstanding	
Bonds	$234,825,000
Loans	234,612
Notes	108,950,000
	344,009,612
Bonds and Notes Authorized But Not Issued	49,480,363
TOTAL GROSS DEBT	393,489,975
Statutory Deductions(1)	32,062,406
TOTAL NET DEBT	$361,427,569
OVERLAPPING DEBT	
Passaic County Utilities Authority(2)	$53,170,000
GROSS DEBT	
Per Capita (2010 Census - 501,226)	$785.05
Percent of Average Equalized Valuation ($46,381,905,730)	.85%
NET DEBT	
Per Capita (2010 Census - 501,226)	$721.08
Percent of Average Equalized Valuation ($46,381,905,730)	.78%
OVERALL DEBT (GROSS AND OVERLAPPING)	
Per Capita (2010 Census - 501,226)	$891.13
Percent of Average Equalized Valuation ($46,381,905,730)	.96%

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 December 31, 2016 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, 2016

Year	Principal	Interest
2017	$25,266,000.00	$8,656,538.30
2018	28,228,000.00	7,653,941.65
2019	25,104,000.00	6,588,928.60
2020	22,257,000.00	5,621,517.70
2021	18,993,000.00	4,716,027.50
2022	18,515,000.00	3,989,450.50
2023	16,950,000.00	3,336,302.00
2024	17,618,000.00	2,698,389.50
2025	14,966,000.00	2,072,398.30
2026	15,394,000.00	1,490,886.20
2027	10,864,000.00	1,017,484.60
2028	10,520,000.00	640,800.00
2029	4,650,000.00	386,000.00
2030	2,750,000.00	220,000.00
2031	2,750,000.00	110,000.00
	$234,825,000.00	$49,198,664.85

Source: Passaic County Audit Reports

Anticipated Financings Involving County Credit

The County has in the past obligated itself to pay the principal and interest on certain debt issued by certain entities of the County. See "The Passaic County Utilities Authority" and "Passaic County Improvement Authority" above.

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 2017 was adopted on February 28, 2017.

Budget Requirements

No County budget may be adopted without the approval of 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.

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.

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

Comparative Summary of Adopted 2017, 2016, 2015, 2014 and 2013
County of Passaic County Budgets

	2017	2016	2015	2014	2013
Revenues:					
Surplus Anticipated	$18,000,000	$18,000,000	$17,000,000	$17,000,000	$18,000,000
State and Federal Grant Programs	4,224,919	6,258,129	7,341,941	14,554,974	18,811,923
State Assumption of Costs of County	4,801,098	32,460,079	30,744,608	31,570,885	29,551,970
Miscellaneous Revenues	56,906,000	57,634,000	66,508,348	65,942,148	56,348,148
Interest on Investments	100,000	18,000	18,000	30,000	35,000
Amount to be Raised by Taxation - County Purpose Tax	341,186,222	341,186,222	335,617,867	319,796,781	310,795,236
	$425,218,239	$455,556,430	$457,230,764	$448,894,788	$433,542,277
Appropriations:					
General Government	128,062,795	119,586,472	112,941,996	103,121,571	98,040,681
Regulation	17,520,941	18,666,121	17,865,131	16,310,868	15,603,621
Roads and Bridges	3,558,500	3,110,109	3,050,168	3,260,500	2,760,500
Correctional and Penal	61,029,241	58,785,111	59,597,502	59,881,649	57,052,278
Health and Welfare	72,457,404	100,398,546	98,823,412	99,158,311	97,587,469
Educational	21,794,650	21,389,973	21,154,703	21,031,480	20,907,790
Recreational	4,636,684	3,476,062	3,495,549	3,247,360	3,148,799
Unclassified	10,814,989	11,743,941	12,250,990	12,056,450	12,865,052
Other Public and Private Programs	7,202,232	9,235,442	10,337,511	17,532,287	21,789,236
Contingent	50,000	50,000	50,000	50,000	50,000
Capital Improvement Fund	700,000	700,000	700,000	1,700,000	700,000
Debt Service	51,000,000	61,169,550	62,239,550	61,394,550	58,979,452
Deferred Charges and Statutory Expenditures	46,390,804	47,245,103	54,724,252	50,149,762	44,057,399
	$425,218,240	$455,556,430	$457,230,764	$448,894,788	$433,542,277

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 five 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 Capital Budget (2017) and Capital Program (2017-2021) 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 2017-2021. 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 (2017-2021)
Anticipated Project Schedule and Funding Requirements

Project	Total Cost
Bridge Replacement and Repairs	$12,385,000
Drainage Projects	900,000
Road Improvement Projects	4,189,000
Preakness Hospital	3,834,500
Traffic Safety Program	900,000
Intersection Improvements	850,000
Acquisition of Various Equipment	5,188,707
Road Resurfacing Program	4,951,000
Buildings and Grounds Projects	4,525,000
County College Improvements	25,052,375
Radio Communication Tower	420,000
Jail Generator	1,800,000
City of Passaic Riverfront Park	10,000,000
	$74,995,582

Year	Amount
2017	$24,395,582
2018	14,200,000
2019	14,200,000
2020	14,200,000
2021	4,000,000
2022	4,000,000
	$74,995,582

Source: 2017 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

				County Tax Rate Base	
Year	Assessed Valuation of Real Property	Assessed Valuation of Personal Property	Net Valuation Taxable	Valuation of Real and Personal Property	General Tax Rate Per $100
2016	$34,617,289,618	$43,757,319	$34,661,046,937	$46,597,274,203	$.7407
2015	32,786,310,200	34,040,195	32,820,350,395	45,505,119,344	.7510
2014	35,280,703,902	33,890,547	35,314,594,449	46,694,641,422	.6968
2013	35,477,614,974	38,786,512	35,516,401,486	47,074,403,060	.6665
2012	36,051,366,476	40,161,083	36,091,527,559	49,831,673,730	.6256

Source: Passaic County Board of Taxation, Abstract of Ratables.

Equalized Valuation of Property of Constituent Municipalities

Municipality	2017	2016	2015	2014	2013	2017 General Rate(1)
Bloomingdale	$843,411,170	$808,108,186	$796,502,271	$784,384,124	$818,385,144	4.214%
Clifton	9,662,113,780	9,430,462,733	9,558,441,489	9,877,196,508	9,449,850,579	5.364
Haledon	537,152,256	521,501,461	538,282,439	532,576,389	581,278,510	4.505
Hawthorne	2,363,975,373	2,309,138,687	2,309,625,963	2,266,709,734	2,355,613,294	5.751
Little Falls	1,627,535,576	1,639,768,448	1,648,964,705	1,663,010,478	1,623,729,535	3.163
North Haledon	1,315,477,970	1,296,451,026	1,302,643,635	1,291,749,483	1,329,849,962	2.850
Passaic	3,430,959,275	3,334,909,672	3,089,652,409	3,248,963,982	3,266,831,739	3.487
Paterson	6,091,931,422	6,431,924,413	5,925,172,890	6,646,031,755	6,910,599,668	4.160
Pompton Lakes	1,125,987,876	1,111,388,901	1,125,411,927	1,131,012,786	1,173,080,283	6.954
Prospect Park	282,294,785	274,276,948	264,717,261	267,990,846	253,901,232	5.053
Ringwood	1,632,305,507	1,644,909,923	1,638,586,197	1,631,134,925	1,663,039,694	3.655
Totowa	2,128,007,043	2,227,658,560	2,167,694,622	1,983,700,064	2,126,535,352	2.359
Wanaque	1,262,422,911	1,245,557,989	1,257,130,277	1,289,326,322	1,212,597,512	3.740
Wayne	10,104,904,128	9,520,997,642	9,285,439,839	9,450,966,399	9,507,827,870	5.415
West Milford	2,997,893,718	3,060,085,223	2,907,269,303	2,981,390,799	3,103,608,706	3.703
Woodland Park	1,802,509,345	1,740,134,391	1,689,584,117	1,648,496,828	1,697,673,980	3.079
	$47,208,882,135	$46,597,274,203	$45,505,119,344	$46,694,641,422	$47,074,403,060	
County Rate Per $100	$73.05	$74.07	$75.10	$69.68	$66.65	

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 - 2017

Name	Assessed Valuation	Percent of Tax Base (1)
Willow Brook Mall	$187,500,000	.005
West Belt Fee Owners	75,896,100	.002
St. Joseph's Hospital & Medical Center	67,921,800	.002
North Jersey District Water Supply	59,043,000	.002
Rose Manor Estates	58,294,100	.002
Totowa VF LLC, c/o Vornado Rlty Trust	54,000,000	.001
Prime Healthcare Services	49,246,200	.001
201 Main Ave LLC	48,800,000	.001
Fidelity Syn.	46,000,000	.001
Levco Route 46 Assoc.	43,091,000	.001

Source: Passaic County Board of Taxation

(1) Total Taxable Value for 2017 - $34,565,695,715

Ten Largest Employers in the County - 2016

Employer	Number of Employees
St. Joseph's Hospital	3,700
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 2012 through 2016:

Year	Tax Levy	Cash Collections	Percent of Collections
2016	$341,186,222	$341,186,222	100%
2015	335,617,867	335,617,867	100
2014	319,796,781	319,796,781	100
2013	310,795,236	310,795,236	100
2012	304,999,886	304,999,886	100

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. This assures the County of 100% collection.

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 payment (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

Tax-Exempt Obligations

Exclusion of Interest on the Tax-Exempt Obligations from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Tax-Exempt Obligations in order to assure that interest on the Tax-Exempt Obligations will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the County to comply with such requirements may cause interest on the Tax-Exempt Obligations to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Tax-Exempt Obligations. The County will make certain representations in its Tax Certificates which will be executed on the date of issuance of the Tax-Exempt Obligations, as to various tax requirements. The County has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Obligations and has covenanted not to take any action or fail to take any action that would cause the interest on the Tax-Exempt Obligations to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Tax-Exempt Obligations to be treated as an item of tax preference under Section 57 of the Code. Gibbons P.C., Bond Counsel to the County, has relied upon the representations of the County made in the Tax Certificates and has assumed continuing compliance by the County with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Tax-Exempt Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Tax-Exempt Obligations for the purposes of alternative minimum tax.

Assuming the County observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the County, is of the opinion that, under existing law, interest on the Tax-Exempt Obligations is excluded from the gross income of the owners of the Tax-Exempt Obligations for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Tax-Exempt Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Tax-Exempt Obligations, interest on the Tax-Exempt Obligations will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Tax-Exempt Obligations in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Tax-Exempt Obligations should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Tax-Exempt Obligations, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Tax-Exempt Obligations should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinions with regard to the exclusion of interest on the Tax-Exempt Obligations from gross income pursuant to Section 103 of the Code and interest on the Tax-Exempt Obligations not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Tax-Exempt Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Tax-Exempt Obligations.

State Taxation

Bond Counsel to the County is of the opinion that, under existing law, interest on the Tax-Exempt Obligations and net gains from the sale of the Tax-Exempt Obligations are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Miscellaneous

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Tax-Exempt Obligations, the exclusion of interest on the Tax-Exempt Obligations from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Tax-Exempt Obligations or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Pending Federal Legislation

As of the date of this Official Statement, legislation has been introduced in the United States Congress which, if enacted, would, among other things, significantly change the federal income tax rates for individuals and corporations and would repeal the alternative minimum tax for tax years beginning after December 31, 2017. There can be no assurance that this introduced legislation will be adopted, and if adopted, which parts of the proposal will be incorporated into final law.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE TAX-EXEMPT OBLIGATIONS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE TAX-EXEMPT OBLIGATIONS.

Taxable Notes

Federal Tax Matters

General

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Taxable Notes by original purchasers of the Taxable Notes who are U.S. Holders (as defined below). This summary (i) is based on the Code, Treasury regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Notes will be held as "capital assets;" and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Notes as a position in a "hedge" or "straddle," holders whose functional currency (as defined in Section 985 of the Code) is not, the United States dollar, holders who acquire Taxable Notes in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of the Taxable Notes should consult with their own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Notes as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Interest Income

Interest on the Taxable Notes is not excludable from gross income under Section 103 of the Code for Federal income tax purposes.

Disposition of Taxable Notes

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Note, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Taxable Notes.

Defeasance

The deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Notes to be deemed to be no longer outstanding under the bond ordinances (a "defeasance"), for Federal income tax purposes, could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Notes subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a Taxable Note before maturity within the United States. Backup withholding may apply to holders of Taxable Notes under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Taxable Note that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

State Taxation

Bond Counsel is of the opinion that, under existing law, interest on the Taxable Notes and net gains from the sale of the Taxable Notes are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

EACH PURCHASER OF THE TAXABLE NOTES SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

LITIGATION

To the knowledge of the County Counsel, William J. Pascrell, III, Esq., 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 principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the County or the title of any of the present officers. Moreover, to the knowledge of the County Counsel, no litigation is presently pending or threatened that, in the opinion of the County Counsel, would have a material adverse impact on the financial condition of the County if adversely decided.

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

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Obligations are not exempt from the Rule and provided that the Obligations are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Obligations remain outstanding (unless the Obligations have been wholly defeased), the County shall provide:

(a) For the benefit of the holders of the Bonds and the beneficial owners thereof, not later than October 1 of each fiscal year, beginning after fiscal year ending December 31, 2017, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (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 indebtedness including a schedule of outstanding debt issued by the County, (ii) property valuation information and (iii) 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. Notwithstanding the foregoing, if the fiscal year is not a calendar year then the County shall provide financial information and operating data relating to the County by not later than the first day of the tenth month of each fiscal year;

(b) For the benefit of the holders of the Obligations and the beneficial owners thereof, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Obligations (herein "Disclosure Events"):

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the securities, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) For the benefit of the holders of the Bonds and the beneficial owners thereof, 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 above.

The undertaking may be amended by the County from time to time, without the consent of the holder of the Obligations or the beneficial owners of the Obligations, 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.

There can be no assurance that there will be a secondary market for the sale or purchase of the Obligations. 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 Obligations.

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 Obligations being specifically limited in the undertaking to specific performance of the covenants.

The County has entered into prior undertakings to provide continuing disclosure for certain outstanding debt issues. In connection with such debt issues, the County failed to timely file its audited financial statements and operating data for the fiscal years ended December 31, 2012 through 2013. In addition, the County failed to timely file notices with respect to such late filings and event notices with respect to certain rating changes. The County has engaged the services of Digital Assurance Certification, L.L.C. to assist with the County's continuing disclosure obligations.

UNDERWRITING

The Bonds have been purchased from the County at a public sale by Roosevelt & Cross, Inc. and Associates (the "Bonds Underwriter") at a price of $45,016,686.10 (consisting of the par amount of the Bonds, plus a net original issue premium in the amount of $616,686.10).

The Tax-Exempt Notes have been purchased from the County at a public sale by Jefferies LLC (the "Tax-Exempt Notes Underwriter") at a price of $54,622,741.05 (consisting of the par amount of the Tax-Exempt Notes, plus an original issue premium in the amount of $577,741.05).

The Taxable Notes have been purchased from the County at a public sale by Oppenheimer & Co. (the "Taxable Notes Underwriter"and together with the Bonds Underwriter and the Tax-Exempt Notes Underwriter, the "Underwriters") at a price of $24,757,450.30 (consisting of the par amount of the Taxable Notes, plus an original issue premium in the amount of $27,450.30).

The Underwriters intend to offer the Obligations to the public initially at the offering yields set forth on the inside front cover page of this Official Statement with respect to the Bonds and on the front cover page of this Official Statement with respect to the Notes, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Obligations to the public. The Underwriters may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) at yields higher than the public offering yield set forth on the inside front cover page and front cover page, and such public offering yields may be changed, from time to time, by the Underwriters without prior notice.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned its rating of "AA" to the Bonds and "SP-1+" to the Notes. An explanation of the significance of such credit ratings may be obtained from S&P, 55 Water Street, New York, New York 10041. The ratings are not a recommendation to buy, sell or hold the Bonds or the Notes and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds or the Notes.

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 Director of Finance, 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, Wielkotz, 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, Wielkotz, 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.

Gibbons P.C. has not verified the accuracy, completeness or fairness of the information contained herein, except "TAX MATTERS" and, accordingly, assumes no responsibility therefor and will express 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 Richard Cahill, Director of Finance, 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: /s/ *Richard Cahill*
Richard Cahill
Director of Finance

Dated: November 28, 2017

APPENDIX A

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 AND SELECTED FINANCIAL INFORMATION FOR YEARS ENDED DECEMBER 31, 2016-2012

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the County of Passaic in the State of New Jersey, as of December 31, 2016 and 2015, the related statement 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Community Development Grant Fund as of December 31, 2016 and 2015 which represents 13.1 percent and 13.9 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. We conducted our audit 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 (the "Division"), 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the County of Passaic on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County of Passaic as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Passaic's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FWCC

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017 on our consideration of the County of Passaic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Passaic's internal control over financial reporting and compliance.

Steven D. Wielkotz

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

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

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

February 16, 2017

FWCC

Exhibit A

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2016 and 2015

	Ref.	2016	2015
Assets			
Current Fund:			
Cash	A-4	$ 80,514,757	61,460,946
Investments	A-4		2,004,197
Change Fund	A-5	675	675
Cash - Fiscal Agent for Health Benefits		3,245,302	570,000
		83,760,734	64,035,818
Receivables and Other Assets with Full Reserves:			
Revenue Accounts Receivable	A-8	740,414	921,785
Amount Due from:			
Other Trust	A-9		79
HUD Trust	A-9		503
Payroll Agency Account	A-9		250
		740,414	922,617
Deferred Charges:			
Special Emergency Authorizations	A-19		1,129,611
			1,129,611
		84,501,148	66,088,046
Federal and State Grant Fund:			
Grants Receivable	A-7	59,619,754	43,359,116
Due from Current Fund	A-18	1,640,993	2,403,817
		61,260,747	45,762,933
Total Assets		$ 145,761,895	111,850,979

Exhibit A

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2016 and 2015

	Ref.		2016	2015
Liabilities, Reserves and Fund Balance				
Current Fund:				
Appropriation Reserves	A-3/A-10	$	23,854,963	19,496,070
Accounts Payable	A-11		2,482,010	1,393,980
Encumbrances Payable	A-12		7,236,001	6,212,192
Prepaid Revenues	A-15		33,056	19,825
Due to State & Federal Grants Fund	A-9		1,640,993	2,403,817
Due to Open Space Trust	A-9			1,099
Due to Worker's Compensation Trust Fund	A-9		2,367,731	
Due to General Capital Fund	A-9			63,509
Due to Motor Vehicle Dedicated Trust	A-9		448	
Miscellaneous Reserves	A-16		1,129,280	1,210,747
			38,744,482	30,801,239
Reserve for Receivables	Contra		740,414	922,617
Fund Balance	A-1		45,016,252	34,364,190
			84,501,148	66,088,046
Federal and State Grant Fund:				
Commitments Payable	A-13		14,963,815	14,075,446
Reserve for State and Federal Grants - Appropriated	A-14		46,241,932	31,305,587
Reserve for State and Federal Grants - Unappropriated	A-17		55,000	381,900
			61,260,747	45,762,933
Total Liabilities, Reserves and Fund Balance		$	145,761,895	111,850,979

See accompanying notes to financial statements.

Exhibit A-1

COUNTY OF PASSAIC

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

Current Fund

Years Ended December 31, 2016 and 2015

		2016	2015
Revenues and Other Income:			
Fund Balance Utilized	$	18,000,000	17,000,000
Miscellaneous Revenue Anticipated		154,293,557	134,282,757
Receipts from Current Taxes		341,186,223	335,617,867
Non-Budget Revenue		4,361,145	4,626,966
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		8,832,278	7,711,777
Prior Year Interfunds Returned		833	3,411,004
Cancellation of Liabilities			20,128
Cancellation of Appropriated Grants		10,990,653	2,898,959
Additional Working Capital - Horizon Blue Cross Blue Shield		2,675,302	
Total Revenues and Other Income		540,339,991	505,569,458
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages		137,464,822	135,643,570
Other Expenses		261,094,017	226,934,257
Capital Improvement Fund		755,000	700,000
Debt Service		55,416,549	57,043,450
Deferred Charges and Statutory Expenditures		47,364,577	54,272,101
Interfunds and Receivables Originating in Current Fund		61,752	640
Grant Receivables Canceled		9,301,613	2,551,987
Reserve for Grant Receivables Realized			3,000,000
Refunds		229,599	111,410
Total Expenditures		511,687,929	480,257,415
Statutory Excess to Surplus		28,652,062	25,312,043
Fund Balance, January 1,		34,364,190	26,052,147
		63,016,252	51,364,190
Decreased by:			
Fund Balance Utilized as Budget Revenue		18,000,000	17,000,000
Fund Balance, December 31,	$	45,016,252	34,364,190

See accompanying notes to the financial statements.

Exhibit A-2

COUNTY OF PASSAIC

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Realized	Excess or (Deficit)
Surplus Anticipated	$ 18,000,000	18,000,000	
Miscellaneous Revenues:			
County Clerk	792,565	1,016,349	223,784
Register	2,632,093	3,189,239	557,146
Surrogate	390,000	504,486	114,486
Sheriff	997,494	2,547,351	1,549,857
Interest on Investments and Deposits	18,000	316,390	298,390
Road Opening Permits	275,000	376,295	101,295
Rental Income	228,000	315,529	87,529
State Aid - County College Bonds (N.J.S.A. 18A:64-22.6)	1,600,000	2,024,152	424,152
Division of Youth and Family Services	3,694,404	3,694,404	
Supplemental Social Security Income	1,438,704	1,416,791	(21,913)
Maintenance of Patients in State Institutions for Mental Diseases	19,528,820	19,528,820	
Maintenance of Patients in State Institutions for Mentally Retarded	7,737,354	7,737,354	
County Patients - State Hospital	7,731	4,246	(3,485)
University of Medicine and Dentistry	23,107	23,107	
Maintenance of Patients in State Institutions for Mentally Retarted - '12 F	29,959	29,959	
Casino Revenue	808,074	808,074	
Area Plan Grant - Aging Area Nutrition	1,274,722	1,274,722	
Area Plan Grant	1,362,336	1,362,336	
CoC Planning Grant	35,907	35,907	
Family Court Services	278,149	278,149	
State Community Partnership	500,656	500,656	
JARC	150,000	150,000	
Division of Child Behavior Health Services	158,456	158,456	
UASI Local Share	698,396	698,396	
CSBG Non-Discretionary	97,277	97,277	
Alcohol and Drug Abuse Grant	737,782	737,782	
Juvenile Detention Alternatives Innovations	123,633	123,633	
CoC Planning Grant	32,741	32,741	
16-17 Local Safety - Hi Frict Surface Treatment	3,000	3,000	
CSBG Non-Discretionary	67,386	67,386	
Sexual Assault Nurse Examiner (SART/SANE)	87,783	87,783	
Social Service for the Homeless	35,956	35,956	
Victim Witness Advocacy	282,361	282,361	
Victim Witness Advocacy Supplemental Program	400,000	400,000	
Stop Violence Against Women	32,925	32,925	
Insurance Fraud	261,250	261,250	
Radon Awareness Program	1,000	1,000	
MRC Challenge Award	15,000	15,000	
Click it or Ticket	5,000	5,000	
CoC Planning Grant	110,995	110,995	
Social Services for the Homeless	148,000	148,000	
Eva's Village Homeless Housing	118,815	118,815	
St. Joe's CDC	47,187	47,187	
St. Paul's	47,187	47,187	

Exhibit A-2

COUNTY OF PASSAIC

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Realized	Excess or (Deficit)
Heating Improvement (HIP) 2016	323,835	323,835	
County Aid - Resurfacing 2016	4,110,800	4,110,800	
USAI Local Share	657,500	657,500	
Workforce Innovation and Opportunity Act - WIOA Adult	1,671,380	1,671,380	
Workforce Innovation and Opportunity Act - WIOA Dislocated Worker	1,691,989	1,691,989	
Workforce Innovation and Opportunity Act - WIOA Youth	1,832,249	1,832,249	
General Assistance/Supplemental Nutrition Assistance Program (GA/SN	1,832,660	1,832,660	
Workforce Learning Link (WLL)	188,000	188,000	
Housing First Pilot	329,213	329,213	
Housing First 2008	267,391	267,391	
2016 Warwick Turnpike	640,000	640,000	
2016 Fairfield Rd Bridge	1,000,000	1,000,000	
Social Services for the Homeless	1,477,780	1,477,780	
Municipal Alliance	512,024	512,024	
16BERN	48,997	48,997	
Transportation and TIP	404,914	404,914	
JARC FY2017	150,000	150,000	
PC Summer Concert Series	1,750	1,750	
JARC FY2012	50,000	50,000	
2015 CEHA	177,580	177,580	
Weatherization DOE	357,316	357,316	
JARC FY2012	40,000	40,000	
16-17 Local Safety - Rumble Strips	858,717	858,717	
16-17 Local Safety - Hi Frict Surface Treatment	5,431,702	5,431,702	
SHIP	26,000	26,000	
Clean Communities	94,415	94,415	
Seniors Farmer Market Nutrition	1,000	1,000	
Aging Area Nutrition	1,584	1,584	
Aging Area Plan Grant	2,500	2,500	
NAVAA Grant	5,000	5,000	
PHLP LINCS 2017	501,586	501,586	
Social Services for the Homeless	314,000	314,000	
Universal Service Fund	441,168	441,168	
Right to Know	15,213	15,213	
PHLP LINCS	10,000	10,000	
LIHEAP Assistance	662,752	662,752	
Temporary Assistance for Needy Families (TANF)	3,853,467	3,853,467	
CSBG Non-Discretionary	111,929	111,929	
Loves Pets	2,500	2,500	
National Children's Alliance	9,000	9,000	
Fairlawn Avenue Bridge	13,300,000	13,300,000	
Morris Canal Greenway Browertown Rd	450,000	450,000	
2016 Spruce Street Bridge	1,500,000	1,500,000	
Preakness Gero-Psych Program	338,210	338,210	
Community Development Block Grant (CDBG)	810,869	810,869	

Exhibit A-2

COUNTY OF PASSAIC

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2016

		Budget	Realized	Excess or (Deficit)
County Gang, Gun & Narcotics Taskforce		174,378	174,378	
Justice Assistance Program		26,759	26,759	
Aging Area Nutrition		689,909	689,909	
Aging Area Plan Grant		475,693	475,693	
Smart STEPS		24,075	24,075	
Body Armor PCPO		6,595	6,595	
Body Armor PCSD		43,807	43,807	
Sub Regional Transportation Grant		132,048	132,048	
CSBG Non-Discretionary		155,133	155,133	
Passaic County Film Festival		2,300	2,300	
Housing First - 2011		404,509	404,509	
Housing First 2011 Bonus		78,729	78,729	
Mosquito ID & Control Efforts		27,325	27,325	
Weatherization LIHEAP 2016		651,795	651,795	
2013 FTA Section 5310		101,025	101,025	
Heating Improvement (HIP)		100,000	100,000	
Housing First 2009		81,260	81,260	
Housing First Collab II 2009		362,951	362,951	
Recycling Enhancement		381,900	381,900	
Green Infrastructure Plan		240,000	240,000	
Added and Omitted Taxes		900,000	1,118,295	218,295
Board Inmates at County-State		87,000	104,826	17,826
Title IV D Parent Locator Program		1,098,000	1,215,234	117,234
Fringe Benefits		10,000,000	12,354,859	2,354,859
Indirect Costs - Grants		3,500,000	1,662,842	(1,837,158)
Preakness Hospital - Medicaid Reimbursements		30,000,000	30,986,290	986,290
Maintenance in Lieu of Rent - Martin Luther King - Soc. Serv.		130,000	138,906	8,906
State School Building Aid (Chapter 12)		50,000		(50,000)
Park Fees		1,700,000	1,808,029	108,029
Telephone Commissions		80,000	327,804	247,804
Site Plan Fees		54,000	73,581	19,581
Radio Tower Rental		32,000	49,584	17,584
Rental Revenue - Quarry		800,000	851,832	51,832
Reserve for Payment of Bonds		500,000	500,000	
Due From OSTF - Court House Renovation		200,000	200,000	
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		148,701,234	154,293,557	5,592,323
Amount to be Raised by Taxation - County Purpose Tax		341,186,222	341,186,223	1
Total Budget Revenues	$	507,887,456	513,479,780	5,592,324
Nonbudget Revenue			4,361,145	
			$ 517,840,925	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
OPERATIONS:					
GENERAL GOVERNMENT					
Administration Executive					
Board of Freeholders					
Salaries and Wages	340,500	350,500	343,978	6,522	
Other Expenses	75,000	75,000	61,437	13,563	
Contribution to Public Access Libraries	70,000	70,000	70,000		
County Administrator					
Salaries and Wages	569,227	569,227	501,373	67,854	
Other Expenses	327,053	252,053	183,788	68,265	
Finance Section					
Finance Department					
Salaries and Wages	1,260,000	1,175,000	1,132,598	42,402	
Other Expenses	394,306	394,306	316,834	77,472	
Audit	103,500	103,500	103,500		
Payroll Processing-Other Expenses	250,000	295,000	258,053	36,947	
Insurance Division	2,540	2,540	1,779	761	
Legal Department					
County Counsel					
Salaries and Wages	1,189,096	1,164,096	1,111,273	52,823	
Other Expenses	76,100	76,100	60,592	15,508	
Other Expenses Ethics	10,000	10,000		10,000	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
County Adjuster					
Salaries and Wages	272,000	272,000	204,740	67,260	
Other Expenses	75,388	85,388	80,751	4,637	
Clerk of the Board					
Salaries and Wages	394,694	394,694	380,908	13,786	
Other Expenses	28,000	28,000	27,801	199	
Personnel					
Salaries and Wages	443,100	443,100	399,545	43,555	
Other Expenses	77,540	77,540	67,946	9,594	
State and National Association of County Officials	10,930	10,930	10,929	1	
County Clerk					
Salaries and Wages	917,515	917,515	658,845	258,670	
Other Expenses	22,232	22,232	18,507	3,725	
Other Expenses	300,000	300,000	294,331	5,669	
County Register					
Salaries and Wages	1,232,465	1,237,465	1,184,152	53,313	
Other Expense	154,935	149,935	107,869	42,066	
Prosecutor's Office					
Salaries and Wages	18,732,789	18,283,315	16,816,718	1,466,597	
Other Expenses	623,297	623,297	579,252	44,045	
Countywide Police Radio	85,000	85,000	83,179	1,821	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Purchasing Department					
Salaries and Wages	849,078	824,078	766,292	57,786	
Other Expenses	34,750	34,750	21,084	13,666	
Other Expenses-Bulk Purchasing	86,550	86,550	(72,218)	158,768	
MIS Department (Finance Department)					
Other Expenses	880,000	880,000	872,302	7,698	
Building and Grounds					
Salaries and Wages	6,545,000	6,375,000	6,129,144	245,856	
Other Expenses	3,725,000	3,995,000	3,872,143	122,857	
Other Expenses-Parking	375,000	375,000	372,420	2,580	
Other Expenses-Preakness Health Center	125,000	125,000	85,032	39,968	
Other Expenses-Welfare Board	50,000	60,000	55,051	4,949	
Postage	200,000	200,000	162,466	37,534	
Photostat					
Other Expenses	35,493	35,493	26,421	9,072	
Surrogate					
Salaries and Wages	1,162,217	1,162,217	1,077,304	84,913	
Other Expenses	60,177	60,177	52,038	8,139	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Insurances: Group Hospitalization, Medical					
Surgical, Major Med. for Employees	55,650,000	55,650,000	50,631,173	5,018,827	
Group Life Insurance for Employee	40,000	40,000	38,667	1,333	
Surety Bond Premium	6,000	6,000	3,778	2,222	
Worker's Compensation	450,000	450,000	(1,260)	451,260	
Disability Insurance					
Liability Insurance	450,000	450,000	399,000	51,000	
Other Insurance	500,000	500,000	478,564	21,436	
Drug Plan	19,600,000	19,600,000	17,266,906	2,333,094	
Dental Plan	725,000	805,000	775,495	29,505	
REGULATION					
Sheriff's Office					
Salaries and Wages	12,409,000	12,409,000	9,062,481	3,346,519	
Other Expenses	245,750	245,750	200,440	45,310	
Weights and Measures					
Salaries and Wages	445,327	445,327	434,297	11,030	
Other Expenses	9,000	9,000	8,795	205	
Board of Taxation					
Salaries and Wages	377,551	377,551	376,645	906	
Office Expenses	15,000	15,000	11,284	3,716	
Medical Examiner					
Other Expenses-Contractual State of NJ	1,530,000	1,530,000	1,530,000		
Indigent Burials	50,000	50,000	7,227	42,773	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Board of Elections					
Salaries and Wages	730,800	760,800	759,229	1,571	
Other Expenses	159,200	159,200	136,656	22,544	
Superintendent of Elections					
Salaries and Wages	1,455,304	1,590,304	1,590,118	186	
Other Expenses	503,500	503,500	440,496	63,004	
County Emergency Management					
Salaries and Wages	192,245	192,245	135,232	57,013	
Other Expenses	18,000	18,000	14,010	3,990	
Planning Board (NJS 40:273)					
Salaries and Wages	328,144	328,144	320,373	7,771	
Other Expenses	36,850	36,850	28,501	8,349	
Economic Development					
Salaries and Wages	140,050	140,050	131,368	8,682	
Other Expenses	16,800	16,800	16,750	50	
Construction Board of Appeals	3,600	3,600		3,600	
ROADS & BRIDGES DEPT.					
Roads and Bridges Dept.					
Salaries and Wages-Roads	660,000	660,000	632,348	27,652	
Other Expenses-Roads	1,722,000	1,722,000	1,652,749	69,251	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Engineering					
Salaries and Wages	711,009	711,009	694,922	16,087	
Other Expenses	17,100	17,100	12,726	4,374	
CORRECTIONAL AND PENAL					
Jail and Workhouse					
Salaries and Wages - Jail	37,477,410	37,477,410	37,328,864	148,546	
Salaries and Wages - Patrol	11,612,411	11,612,411	10,713,660	898,751	
Other Expenses	4,131,648	4,131,648	3,432,825	698,823	
Other Expenses-Medical Expenses	5,563,642	5,563,642	4,487,097	1,076,545	
HEALTH AND WELFARE					
Crippled Children	36,000	36,000	36,000		
Mental Health Board (30:9A-3)					
Salaries and Wages	242,422	242,422	238,113	4,309	
Mental Health Program (40:5-29)					
Contractual	744,300	744,300	744,300		
Aid to Bergen-Passaic Unit for the Mentally Retarded (NJS 40:23-8.11)	54,000	54,000	54,000		
Alcohol and Drugs					
Addiction Program Contractual-Salaries and Wages	36,908	36,908	21,656	15,252	
Addiction Program Contractual-Other Expenses	155,092	155,092	155,092		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Maintenance of Patients in State Institutions:					
Mentally Diseased and Mentally Retarded	30,659,206	30,659,206	30,651,616	7,590	
Welfare Board-Administration	13,137,623	13,137,623	13,137,623		
Administration-Fringe Benefits	5,700,000	5,700,000	5,700,000		
Supplement Security Income	1,438,704	1,438,704	1,370,000	68,704	
Aid to Dependent Children (NJS 44:10-1 ST Seq	1,352,685	1,352,685	970,000	382,685	
New Jersey Bureau of Children's Services	3,694,404	3,694,404	3,694,404		
Department of Youth Services					
Salaries and Wages	220,000	220,000	195,327	24,673	
Other Expenses-Shared Services Essex County	2,320,217	2,320,217	2,320,217		
Other Expenses-Education	481,000	481,000	466,657	14,343	
Other Expenses-Shelter Beds	260,783	260,783	247,000	13,783	
Other Expenses-Medical	500,000	500,000	495,071	4,929	
Other Expenses	14,000	14,000	6,654	7,346	
Preakness Hospital					
Salaries and Wages	30,663,800	30,163,800	28,561,603	1,602,197	
Other Expenses	6,632,000	7,132,000	6,999,402	132,598	
Camp Hope (40:23-6. 1 to 16)					
Salaries and Wages	469,143	469,143	447,446	21,697	
Other Expenses	46,720	46,720	46,501	219	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Div. of Senior Services, Disabilities, & Vets Affairs, Etc.					
Salaries and Wages	199,916	199,916	163,836	36,080	
Other Expenses	22,450	22,450	21,669	781	
County Health Dept. Chapter 329 PL 1975					
Salaries and Wages	539,477	539,477	451,702	87,775	
Other Expenses	23,700	23,700	11,294	12,406	
Mosquito Division					
Salaries and Wages	718,246	718,246	641,442	76,804	
Other Expenses	35,750	35,750	33,815	1,935	
EDUCATIONAL					
Office of County Superintendent of Schools					
Salaries and Wages	495,000	505,000	492,700	12,300	
Other Expenses	25,978	25,978	25,115	863	
Passaic County Vocational School	7,044,585	7,044,585	7,044,585		
County Extension Services					
Salaries and Wages	61,000	61,000	59,930	1,070	
Other Expenses	142,850	142,850	96,554	46,296	
Passaic County Community College	13,445,560	13,445,560	13,445,560		
Reimbursement for Residents Attending Out of County Two Year College (NJS18:A:64A-23)	175,000	175,000	105,402	69,598	
RECREATIONAL					
Park and Recreational Department					
Salaries and Wages-Parks	1,457,524	1,447,524	1,386,685	60,839	
Salaries and Wages-Golf Course	1,364,195	1,374,195	1,355,810	18,385	
Other Expenses-Parks	208,184	218,184	211,313	6,871	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Other Expenses-Golf Course	421,159	421,159	415,955	5,204	
Passaic County Historical Society (NJS 40:32-6)	25,000	25,000	25,000		
UNCLASSIFIED					
Equipment, Office, Car, Other	75,000	75,000	56,500	18,500	
Sick Leave Payment	400,000	400,000	384,813	15,187	
Matching Funds for Grants	250,000	250,000	125,933	124,067	
Aid to Children Care Coordination Committee (4C'S) (NJSA 40:23)	22,500	22,500	22,500		
Aid to Women's Haven NJSA 30:14-11	15,750	15,750	15,750		
Aid to D.I.A.L (40:23-811)	54,000	54,000	54,000		
Para-Transit					
Salaries and Wages	81,600	81,600	81,593	7	
Other Expenses	50,000	50,000	48,965	1,035	
Police Academy					
Salaries and Wages	630,000	630,000	611,653	18,347	
Other Expenses	96,958	96,958	73,065	23,893	
Aid to Health & Welfare Councils (NJS 40-23-8.28)	510,000	510,000	510,000		
Salaries and Wage Adjustment	503,133	503,133		503,133	
Utilities (40A:4-45 4H)					
Gasoline	1,150,000	1,050,000	754,358	295,642	
Telephone and Telegraph	700,000	700,000	695,517	4,483	
Natural Gas & Electric	5,400,000	5,345,000	4,151,666	1,193,334	
Street Lighting	450,000	450,000	441,228	8,772	
Heating Oil	90,000	90,000	21,203	68,797	
Water	725,000	925,000	847,404	77,596	
Garbage	400,000	400,000	278,639	121,361	

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Debt Service Fees	50,000	50,000	22,214	27,786	
Aid to Housing First	90,000	90,000	65,000	25,000	
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		
SANE/SART Program					
Casino Revenue	808,074	808,074	808,074		
Area Plan Grant-Aging Area Nutrition	1,274,722	1,274,722	1,274,722		
Area Plan Grant	1,362,336	1,362,336	1,362,336		
Family Court Services	278,149	278,149	278,149		
State Community Partnership	500,656	500,656	500,656		
Alcohol/Drug Abuse Grant	737,782	737,782	737,782		
CoC Planning Grant	35,907	35,907	35,907		
CSBG Non-Discretionary	97,277	97,277	97,277		
JARC	150,000	150,000	150,000		
UASI Local Share	698,396	698,396	698,396		
Juvenile Detention Alternatives Innovations Funding	123,633	123,633	123,633		
CoC Planning Grant	32,741	32,741	32,741		
Division of Child Behavior Health Services	158,456	158,456	158,456		
GA/SNAP	1,832,660	1,832,660	1,832,660		
Workforce Learning Link	188,000	188,000	188,000		
Housing First Pilot	329,213	329,213	329,213		
Housing First 2008	267,391	267,391	267,391		
WIOA Adult	1,671,380	1,671,380	1,671,380		

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
WIOA Dislocated Worker	1,691,989	1,691,989	1,691,989		
WIOA Youth	1,832,249	1,832,249	1,832,249		
Social Services for the Homeless	1,477,780	1,477,780	1,477,780		
Municipal Alliance	512,024	512,024	512,024		
16 BERN PASP	48,997	48,997	48,997		
Transportation and Tip	404,914	404,914	404,914		
JARC FY2017	150,000	150,000	150,000		
PC Summer Concert Series	1,750	1,750	1,750		
TANF 16/17	3,853,467	3,853,467	3,853,467		
JARC FY2012	50,000	50,000	50,000		
Victim Witness Advocacy	282,361	282,361	282,361		
Victim Witness Advocacy Supplemental Program	400,000	400,000	400,000		
SHIP	26,000	26,000	26,000		
Housing First 2011	404,509	404,509	404,509		
Housing First 2011 Bonus	78,729	78,729	78,729		
Weatherization DOE	357,316	357,316	357,316		
JARC FY2012	40,000	40,000	40,000		
Seniors Farmer Market Nutrition	1,000	1,000	1,000		
Aging Area Nutrition FY14	1,584	1,584	1,584		
Aging Area Plan Grant	2,500	2,500	2,500		
Mosquito ID & Control Efforts	27,325	27,325	27,325		
Social Services for the Homeless	35,956	35,956	35,956		
Universal Service Fund	441,168	441,168	441,168		
Right to Know	15,213	15,213	15,213		
PHLP LINCS	10,000	10,000	10,000		
LIHEAP Assistance	662,752	662,752	662,752		

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Preakness GARO Psych Program	338,210	338,210	338,210		
CDBG	810,869	810,869	810,869		
County Gang, gun & Narcotics Taskforce	174,378	174,378	174,378		
Justice Assistance	26,759	26,759	26,759		
Aging Area Plan Grant	475,693	475,693	475,693		
Aging Area Nutrition FY14	689,909	689,909	689,909		
NAVAA Grant	5,000	5,000	5,000		
Stop Violence Against Woman Act	32,925	32,925	32,925		
Insurance Fraud	261,250	261,250	261,250		
Click It or Ticket	5,000	5,000	5,000		
Social Services for the Homeless	148,000	148,000	148,000		
Eva's Village Homeless Housing	118,815	118,815	118,815		
St Joes CDC	47,187	47,187	47,187		
St Pauls	47,187	47,187	47,187		
PHLP LINCS 2017	501,586	501,586	501,586		
UASI Local Share	657,500	657,500	657,500		
Radon Awareness Program	1,000	1,000	1,000		
MRC Challenge Award	15,000	15,000	15,000		
2013 FTA Section 5310	101,025	101,025	101,025		
Smart Steps	24,075	24,075	24,075		
Body Armor PCPO	6,595	6,595	6,595		
Body Armor PCSD	43,807	43,807	43,807		
Clean Communities Entitlement	94,415	94,415	94,415		
Sub Regional Transportation Grant	132,048	132,048	132,048		
CSBG Non-Discretionary	155,133	155,133	155,133		
Passaic County Film Festival	2,300	2,300	2,300		

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Housing First 2009	81,260	81,260	81,260		
Housing First Collab II 2009	362,951	362,951	362,951		
Recycling Enhancement	381,900	381,900	381,900		
Green Infrastructure Plan	240,000	240,000	240,000		
Social Services for the Homeless	314,000	314,000	314,000		
CSBG Non-Discretionary	111,929	111,929	111,929		
Loves Pets	2,500	2,500	2,500		
National Children's Alliance	9,000	9,000	9,000		
Heating Improvement (HIP)	100,000	100,000	100,000		
Morris Canal Greenway Browertown Rd	450,000	450,000	450,000		
CEHA 2015	177,580	177,580	177,580		
Weatherization LIHEAP 2016	651,795	651,795	651,795		
16-17 Local Safety - Hi Frict Surface Treatment	3,000	3,000	3,000		
CSBG Non-Discretionary	67,386	67,386	67,386		
Sexual Assault Nurse Examinter (SART/SANE)	87,783	87,783	87,783		
CoC Planning Grant	110,995	110,995	110,995		
Heating Improvement (HIP)	323,835	323,835	323,835		
County Aid - Resurfacing 2016	4,110,800	4,110,800	4,110,800		
2016 Warwick Turnpike	640,000	640,000	640,000		
2016 Fairfield Rd Bridge	1,000,000	1,000,000	1,000,000		
16-17 Local Safety - Rumble Strips	858,717	858,717	858,717		
16-17 Local Safety - Hi Frict Surface Treatment	5,431,702	5,431,702	5,431,702		
Fairlawn Ave Bridge	13,300,000	13,300,000	13,300,000		
2016 Spruce St Bridge	1,500,000	1,500,000	1,500,000		
Total Operation (item 8(A))	398,722,803	398,548,329	375,607,091	22,941,238	

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Contingent	50,000	50,000		50,000	
Total Operation Including Contingent	398,772,803	398,598,329	375,607,091	22,991,238	
Detail:					
Salaries and Wages	138,529,296	137,464,822	127,980,716	9,484,106	
Other Expenses (Including Continent)	260,243,507	261,133,507	247,626,375	13,507,132	
Capital Improvement					
Capital Improvement Fund	500,000	555,000	555,000		
Acquisition of Various Equipment	200,000	200,000	160,509		39,491
Total Capital Improvements	700,000	755,000	715,509		39,491

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
County Debt Service					
Payment of Bond Principal					
County College Bonds	3,600,000	3,600,000	3,365,000		235,000
State Aid- County College Bonds (N.J.S. 18A:64A-22.6)	1,800,000	1,800,000	1,650,000		150,000
Vocational School Bonds	810,000	810,000	570,000		240,000
Other Bonds	31,000,000	31,000,000	29,229,000		1,771,000
Payment of Bond Anticipation Notes	800,000	800,000	800,000		
Interest on Bonds					
County College Bonds	900,000	900,000	665,340		234,660
State Aid- County College Bonds (N.J.S. 18A:64A-22.6)	450,000	450,000	374,151		75,849
Vocational School Bonds	150,000	153,000	152,865		135
Other Bonds	10,000,000	9,655,000	7,321,416		2,333,584
Interest on Notes	1,200,000	1,542,000	1,541,805		195
Passaic County Utilities Authority	4,250,000	4,250,000	3,847,239		402,761
PCIA Loan					
Prosecuters Building	460,000	460,000	444,063		15,937
Preakness Healthcare Center	5,700,000	5,700,000	5,406,128		293,872
Green Trust Loan	49,550	49,550	49,542		8
Total County Debt Service	61,169,550	61,169,550	55,416,549		5,753,001

Exhibit A-3

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Deferred Charges and Statutory Expenditures					
Special Emergency Authorization 5 Years - (40A:4-55)	1,129,611	1,129,611	1,129,611		
Prior Year Bills-Summary					
Bergen Regional	13,311	13,311	13,311		
Johnston Communications	250	250	250		
NEOPOST	929	929	929		
P & A Auto Parts	241	241	241		
Simplex Grinnell	9,782	9,782	9,782		
United Federated Systems	399	399	399		
Verizon	50,676	50,676	50,676		
Deffered Charges - Capital Fund	850,000	850,000	850,000		
Deffered Charges - OSTF Ord# 2015-2016	200,000	200,000	200,000		

COUNTY OF PASSAIC

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2016

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Cancelled
Statutory Charges:					
Contribution to PERS	14,181,706	14,201,180	14,201,180		
Social Security System (O.A.S.I.)	13,400,000	13,400,000	12,659,550	740,450	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et seq.)	750,000	750,000	711,180	38,820	
Police and Fire Retirement System	14,558,198	14,558,198	14,558,198		
County Pension Fund	2,000,000	2,100,000	2,055,432	44,568	
Defined Benefit Pension	100,000	100,000	60,113	39,887	
Total Deferred Charges & Statutory Expenditures	47,245,103	47,364,577	46,500,852	863,725	
Total General Appropriations	$ 507,887,456	507,887,456	478,240,001	23,854,963	5,792,492

Adopted Budget	455,556,430
Added by N.J.S.A. 40A:4-87	52,331,026
	$ 507,887,456

Cash	$ 435,238,595
Reserve for Encumbrances	7,236,001
Grants Appropriated	35,765,405
	$ 478,240,001

See accompanying notes to financial statements.

Exhibit B

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2016 and 2015

	Ref.		2016	2015
Assets				
Other Trust Fund:				
Cash	B-1	$	37,704,679	34,099,389
Due from Current Fund	B-14		448	1,099
Due from Municipalities	B-5		40,000	
Accounts Receivable - PCSD Off Duty	B-4		439,274	251,508
			38,184,401	34,351,996
Confiscated Trust Fund:				
Cash	B-1		2,560,675	2,600,573
			2,560,675	2,600,573
Self Insurance Fund:				
Cash	B-1		4,089,171	832,668
Due from Current Fund	B-14		2,367,731	
			6,456,902	832,668
Community Development Grant Fund:				
Cash	B-1		7,136,372	6,080,996
			7,136,372	6,080,996
Total Assets		$	54,338,350	43,866,233

Exhibit B

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2016 and 2015

	Ref.		2016	2015
Liabilities, Reserves & Fund Balance				
Other Trust Fund:				
Various Trust Deposits	B-2	$	1,079,663	1,067,912
Reserve for Dedicated Revenues	B-3		21,451,121	19,573,674
Reserve for Open Space Expenditures	B-6		7,167,448	5,877,961
Open Space Grant Commitments Payable	B-7		8,486,169	7,675,308
Due to Current Fund	B-14			79
Open Space - Due to Municipalities	B-8			157,062
			38,184,401	34,351,996
Confiscated Trust Fund:				
Reserve for Confiscated Trust Fund	B-9		2,560,675	2,600,573
			2,560,675	2,600,573
Self Insurance Fund:				
Reserve for Workmen's Compensation	B-10		2,521,937	36,753
Reserve for Health Benefits	B-11		3,007,185	731,844
Reserve for Liability Insurance	B-12		927,780	64,071
			6,456,902	832,668
Community Development Grant Fund:				
Amount Due to Current Fund	B-14			503
Reserve for:				
Housing Voucher Program	B-13		7,136,372	6,080,493
			7,136,372	6,080,996
Total Liabilities, Reserves and Fund Balance		$	54,338,350	43,866,233

See accompanying notes to financial statements.

Exhibit C

COUNTY OF PASSAIC

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2016 and 2015

	Ref.		2016	2015
Assets				
Cash	C-2/C-3	$	76,971,629	36,542,805
Grants Receivable	C-4		91,646,516	103,539,223
Due from Current Fund Fund	C-12			63,509
Deferred Charges to Future Taxation:				
Funded	C-5		312,699,612	312,657,798
Unfunded	C-6		158,396,104	151,588,274
Total Assets		$	639,713,861	604,391,609
Liabilities, Reserves and Fund Balance				
General Serial Bonds	C-19	$	234,825,000	231,964,000
Green Trust Loans Payable	C-20		234,612	278,798
Bond Anticipation Notes	C-18		108,950,000	80,930,000
Capital Leases Payable	C-21		77,640,000	80,415,000
Improvement Authorizations:				
Funded	C-7		44,156,308	64,934,499
Unfunded	C-7		85,532,816	66,929,947
Committments Payable	C-8		45,651,462	36,796,788
Capital Improvement Fund	C-9		2,306	15,346
Reserve for Final Payments and Litigation	C-10		160,258	160,258
Reserve for Payment of Bonds and Notes	C-11		7,752,146	11,241,112
Reserve for Salt Shed - West Milford	C-13		296,619	296,619
Reserve for Interest for Fire Academy	C-14		1,101,710	1,101,710
Reserve for Administration Building Settlement	C-15		9,786	9,786
Reserve for Interest for DOT Projects	C-16		12,786	12,786
Reserve for Grants Receivable	C-17		27,347,679	24,722,037
Fund Balance	C-1		6,040,373	4,582,923
Total Liabilities		$	639,713,861	604,391,609

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2016 and 2015 of $49,480,363 and $71,428,760, respectively.

See accompanying notes to the financial statements.

Exhibit C-1

COUNTY OF PASSAIC

Statement of Changes in Fund Balance-Regulatory Basis

General Capital Fund

For the Years Ended December 31, 2016 and 2015

		2016	2015
Balance - January 1,	$	4,582,923	4,027,727
Increased by:			
Premium on Bond/Note Sales		1,410,958	1,361,675
Improvement Authorizations Cancelled		3,063,593	1,215,914
Cancel Reserve Balance			9,607
		4,474,551	2,587,196
		9,057,474	6,614,923
Decreased by:			
Premium on Bond/Note Sales		14,086	32,000
Due to Current Fund - Anticipated Revenue			2,000,000
Schedule of Receivables-Cancel Grant Balances		2,028,015	
Improvement Authorizations - Ordinance 16-08		975,000	
		3,017,101	2,032,000
Balance - December 31,	$	6,040,373	4,582,923

See accompanying notes to the financial statements.

Exhibit D

COUNTY OF PASSAIC

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2016 and 2015

		2016	2015
General Fixed Assets:			
Land	$	326,979,707	326,979,707
Buildings		284,335,199	280,609,199
Equipment		64,541,624	61,800,381
Construction in Progress		8,121,582	8,121,582
	$	683,978,112	677,510,869
Investment in Fixed Assets	$	683,978,112	677,510,869

See accompanying notes to financial statements.

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.

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.

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.

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 the years ended December 31, 2016 and 2015, the Governing Body approved additional revenues and appropriations of $52,331,026 and $22,564,484, respectively, in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body in 2016 and 2015.

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.

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

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

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.

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.

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

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

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.

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.

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

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

The County did not perform an update of its fixed assets inventory for the year ended December 31, 2016.

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.

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.

Recent Accounting Pronouncements

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

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

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

Recent Accounting Pronouncements, (continued)

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The County is currently reviewing what effect, if any, this Statement might have on future financial statements.

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

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

Recent Accounting Pronouncements, (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The County is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The County is currently reviewing what effects, if any, this Statement might have on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The County does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The County does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and*

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

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

Recent Accounting Pronouncements, (continued)

Financial Reporting for Pensions, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The County does not believe this Statement will have any effect on future financial statements.

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, 2016 and 2015, $-0- of the County's bank balance of $222,021,754 and $152,602,974, respectively, were exposed to custodial credit risk.

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

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.

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, 2016 and 2015 consisted of the following:

2016	Balance Dec. 31, 2015	Additions	Reductions	Balance Dec. 31, 2016	Amounts Due Within One Year
Bonds Payable - General Obligation Debt	$231,964,000	$37,675,000	$34,814,000	$234,825,000	$25,266,000
Capital Leases	80,415,000		2,775,000	77,640,000	2,930,000
Other Liabilities:					
Compensated Absences	38,008,125	2,859,766	2,349,407	38,518,484	
New Jersey:					
Green Trust Loans	278,798		44,186	234,612	45,074
Deferred Pension	8,594,182		573,994	8,020,188	625,642
	$359,260,105	$40,534,766	$40,556,587	$359,238,284	$28,866,716

NOTE 3. COUNTY DEBT, (continued)

2015	Balance Dec. 31, 2014	Additions	Reductions	Balance Dec. 31, 2015	Amounts Due Within One Year
Bonds Payable - General Obligation Debt	$254,601,000	$56,490,000	$79,127,000	$231,964,000	$34,814,000
Capital Leases	82,745,000	23,060,000	25,390,000	80,415,000	2,775,000
Other Liabilities:					
Compensated Absences	38,468,460	685,298	1,145,633	38,008,125	
New Jersey:					
Green Trust Loans	322,113		43,315	278,798	44,186
Deferred Pension	9,123,989		529,807	8,594,182	573,994
	$385,260,562	$80,235,298	$106,235,755	$359,260,105	$38,207,180

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.

The County's debt is summarized as follows:

	2016	2015
Issued		
General		
Bonds, Notes and Loans	$344,009,612	$313,172,798
Bonds Authorized by Another Public Body Guaranteed by the County	107,249,778	102,268,951
Total Issued	451,259,390	415,441,749
Authorized But Not Issued		
General		
Bonds, Notes and Loans	49,480,363	71,428,760
Total Issued and Authorized But Not Issued	500,739,753	486,870,509
Less: Funds Temporarily Held to Pay Bonds and Notes	7,752,146	11,241,112
Additional Borrowing for County College	11,291,000	11,441,000
Refunding Bonds	10,810,000	13,390,000
Bonds Authorized by Another Public Body Guaranteed by the County	107,249,778	102,268,951
Total Deductions	137,102,924	138,341,063
Net Debt	$363,636,829	$348,529,446

NOTE 3. COUNTY DEBT, (continued)

The summarized statement of debt condition which follows is extracted from the County's Annual Debt Statement, indicates a statutory net debt of .78% and .75% at December 31, 2016 and 2015, respectively.

	Gross Debt	Deductions	Net Debt
2016			
General debt	$500,739,753	$137,102,924	$363,636,829
2015			
General debt	$486,870,509	$138,341,063	$348,529,446

The County's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31 2016 and 2015, was as follows:

	2016	2015
2% of equalized valuation basis (county)	$927,638,095	$925,186,516
Net debt	363,636,829	348,529,446
Remaining Borrowing Power	$564,001,266	$576,657,070

The County's long-term debt consisted of the following at December 31, 2016 and 2015:

Paid by Current Fund:

General Obligation Bonds

	2016	2015
$30,765,000, 1998 Bonds, due in annual installments of $1,600,000 to $2,500,000 through Sept. 1,2020, interest at various rates from 5.88% to 6.77%	$9,100,000	$10,900,000
$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
$6,560,000 2003 Bonds, due in annual installments of $25,000 to $880,000 through Feb. 15, 2021, interest at various rates from 2.00% to 5.75%	1,045,000	1,825,000
$21,855,000 2003 Bonds, due in annual installments of $1,915,000 to $1,985,000 through Mar. 1, 2016, interest at 5.20%		1,915,000

NOTE 3. COUNTY DEBT, (continued)

	2016	2015
$19,495,000, 2004 Bonds, due in annual installments of $1,800,000 to $3,745,000, through March 15, 2016, interest at various rates from 3.00% to 3.50%	$	3,745,000
$12,220,000, 2004 Bonds, due in annual installments of $1,095,000 to $1,205,000, through May 1, 2017, interest at various rates from 3.00% to 3.375%	1,095,000	2,265,000
$4,788,000, 2004 Bonds, due in annual installments of $420,000 to $488,000, through Oct. 15, 2017, interest at 3.60%	488,000	953,000
$20,000,000, 2006 Bonds, due in annual installments of $200,000 to $1,100,000 through June 1, 2026, interest at various rates from 4.375% to 4.50%		1,100,000
$3,050,000, 2006 Bonds, due in annual installments of $270,000 to $300,000 through Nov. 15, 2018, interest at various rates from 3.625% to 4.00%	600,000	890,000
$3,050,000, 2006 Bonds, due in annual installments of $270,000 to $300,000 through Nov. 15, 2018, interest at various rates from 3.625% to 4.00%	600,000	890,000
$5,950,000, 2007 Bonds, due in annual installments of $525,000 to $625,000 through Nov. 15, 2019, interest at various rates from 3.625% to 4.00%	1,835,000	2,405,000
$5,950,000, 2007 Bonds, due in annual installments of $525,000 to $625,000 through Nov. 15, 2019, interest at various rates from 3.625% to 4.00%	1,835,000	2,405,000
$48,625,000, 2008 Bonds, due in annual installments of $2,000,000 to $4,225,000 through May 1, 2028, interest at various rates from 4.00% to 4.50%	2,900,000	5,000,000
$2,938,000, 2008 Bonds, due in annual installments of $260,000 to $438,000 through May 1, 2019, interest at various rates from 4.00% to 5.00%	335,000	645,000

NOTE 3. COUNTY DEBT, (continued)

	2016	2015
$8,077,000, 2008 Bonds, due in annual installments of $660,000 to $812,000 through May 1, 2020, interest at various rates from 4.00% to 5.00%	$710,000	$1,410,000
$19,671,000, 2010 Bonds, due in annual installments of $350,000 to $2,796,000 through Apr. 1, 2024, interest at various rates from 2.00% to 4.00%	16,696,000	17,696,000
$945,000, 2010 Bonds, due in annual installments of $100,000 to $130,000 through Apr. 1, 2019, interest at various rates from 2.00% to 3.50%	355,000	475,000
$2,130,000, 2010 Bonds, due in annual installments of $180,000 to $240,000 through Apr. 1, 2021, interest at various rates from 2.00% to 4.00%	1,080,000	1,280,000
$10,045,000, 2010 Bonds, due in annual installments of $1,665,000 to $1,690,000 through June 1, 2016, interest at various rates from 2.00% to 3.00%		1,665,000
$4,389,000, 2010 Bonds, due in annual installments of $200,000 to $374,000 through July 31, 2027, interest at various rates from 1.660% to 6.540%	3,193,000	3,407,000
$1,177,000, 2010 Bonds, due in annual installments of $95,000 to $152,000 through Aug. 1, 2021, interest at various rates from 2.00% to 3.00%	622,000	727,000
$1,176,000, 2010 Bonds, due in annual installments of $95,000 to $151,000 through Aug. 1, 2021, interest at various rates from 2.00% to 3.00%	621,000	$726,000
$26,415,000, 2011 Bonds, due in annual installments of $735,000 to $4,480,000 through May 1, 2020, interest at various rates from 2.00% to 5.00%	6,445,000	10,770,000
$11,695,000, 2012 Refunding Bonds, due in annual installments of $1,705,000 to $2,225,000 through February 1, 2019, interest at various rates from 3.00% to 4.00%	6,325,000	8,200,000

NOTE 3. COUNTY DEBT, (continued)

	2016	2015
$23,155,000, 2012 Bonds, due in annual installments of $1,025,000 to $2,050,000 through Apr. 1, 2026, interest at various rates from 2.00% to 3.00%	$18,555,000	$19,905,000
$13,570,000, 2012 Bonds, due in annual installments of $1,000,000 to $1,570,000 through Apr. 1, 2022, interest at various rates from 2.00% to 3.00%	9,370,000	10,570,000
$4,250,000, 2012 Series A College Bonds, due in annual installments of $375,000 to $495,000 through June 1, 2022, interest at various rates from 1.50% to 3.00%	2,720,000	3,120,000
$4,250,000, 2012 Series B College Bonds, due in annual installments of $375,000 to $495,000 through June 1, 2022, interest at various rates from 1.50% to 3.00%	2,720,000	3,120,000
$10,200,000, 2012 Refunding Bonds, due in annual installments of $550,000 to $2,895,000 through Aug. 15, 2021, interest at various rates from 1.50% to 4.00%	2,890,000	5,785,000
$530,000, 2012 Bonds, due in annual installments of $120,000 to $205,000 through Aug. 15, 2015, interest rate of 3.00%		$120,000
$17,650,000, 2013 Refunding Bonds, due in annual installments of $1,265,000 to $2,595,000 through Feb. 1, 2026, interest at various rates from 1.25% to 3.00%	17,480,000	17,480,000
$2,875,000, 2014 Series A College Bonds, due in annual installments of $175,000 to $235,000 through June 15, 2028, interest at various rates from 2.00% to 5.00%	2,520,000	2,700,000
$2,875,000 2014 Series B College Bonds, due in annual installments of $175,000 to $235,000 through June 15, 2028, interest at various rates from 2.00% to 5.00%	2,520,000	2,700,000

NOTE 3. COUNTY DEBT, (continued)

	2016	2015
$22,201,000, 2014 Bonds, due in annual installments of $965,000 to $1,921,000 through December 1, 2029, interest at various rates from 2.00% to 4.00%	$20,271,000	$21,236,000
$979,000, 2014 Vocational School Bonds, due in annual installments of $40,000 to $80,000 through December 1, 2029, interest at various rates from 2.00% to 4.00%	899,000	939,000
$2,500,000, 2014 Series A College Bonds, due in annual installments of $325,000 to $650,000 through December 1, 2019, interest at various rates from 2.00% to 3.00%	1,825,000	2,175,000
$3,940,000, 2014 Series B College Bonds, due in annual installments of $275,000 to $515,000 through December 1, 2024, interest at various rates from 2.50% to 3.00%	3,365,000	3,665,000
$36,570,000, 2015 General Obligation Refunding Bonds, due in annual installments of $2,735,000 to $4,050,000 through February 1, 2028, interest at various rates from 3.00% to 5.00%	36,570,000	36,570,000
$815,000, 2015 County Vocational School Refunding Bonds, due in annual installments of $380,000 to $435,000 through February 1, 2019, interest at various rates from 4.00% to 5.00%	815,000	815,000
$2,305,000, 2015 County College Refunding Bonds, due in annual installments of $745,000 to $790,000 through February 1, 2020, interest at various rates from 4.00% to 5.00%	2,305,000	2,305,000
$1,600,000, 2015 County College Bonds, Series 2015A, due in annual installments of $105,000 to $200,000 through July 1, 2025, interest at various rates from 2.00% to 4.00%	1,495,000	1,600,000

NOTE 3. COUNTY DEBT, (continued)

	2016	2015
$1,600,000, 2015 County College Bonds, Series 2015B, due in annual installments of $105,000 to $200,000 through July 1, 2025, interest at various rates from 2.00% to 4.00%	$1,495,000	$1,600,000
$11,600,000, 2015 General Improvement Bonds, due in annual installments of $710,000 to $1,400,000 through December 1, 2028, interest at various rates from 1.50% to 4.00%	10,890,000	11,600,000
$2,000,000, 2015 County Vocational School Bonds, due in annual installments of $100,000 to $200,000 through December 1, 2027, interest at various rates from 1.50% to 4.00%	1,900,000	2,000,000
$1,500,000, 2016 County College Bonds, Series 2016A, due in annual installments of $105,000 to $210,000 through July 1, 2026, interest at various rates from 1.00% to 2.00%	1,500,000	
$1,500,000, 2016 County College Bonds, Series 2016B, due in annual installments of $105,000 to $210,000 through July 1, 2016, interest at various rates from 1.00% to 2.00%	1,500,000	
$24,025,000, 2016 General Obligation Refunding Bonds, due in annual installments of $1,030,000 to $2,100,000 through December 1, 2031, interest at various rates from 2.00% to 5.00%	24,025,000	
$8,150,000, 2016 County Vocational School Bonds, due in annual installments of $350,000 to $700,000 through December 1, 2031, interest at various rates from 2.00% to 5.00%	8,150,000	
$2,500,000, 2016 County College Bonds, due in annual installments of $210,000 to $335,000 through December 1, 2025, interest at various rates from 2.00% to 5.00%	2,500,000	
	$234,825,000	$231,964,000

NOTE 3. COUNTY DEBT, (continued)

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.

	2016	2015
$564,657 Loan, due in semi-annual installments of $19,124 to $24,526 through August 28, 2021, interest at 2.0%	$234,612	$278,798

The County's principal and interest for long-term debt issued and outstanding at December 31, 2016 is as follows:

Calendar Year	Bonds Principal	Bonds Interest	Loans Principal	Loans Interest	Total
2017	$29,746,000	$8,839,313	$45,074	$4,468	$38,634,855
2018	24,503,000	7,524,010	45,980	3,562	32,076,552
2019	25,084,000	6,553,541	46,904	2,638	31,687,083
2020	21,522,000	5,604,061	47,846	1,695	27,175,602
2021	18,993,000	4,716,028	48,808	733	23,758,569
2022-2026	83,443,000	13,587,427			97,030,427
2027-2031	31,534,000	2,374,285			33,908,285
	$234,825,000	$49,198,665	$234,612	$13,096	$284,271,373

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.

NOTE 4. BOND ANTICIPATION NOTES, (continued)

On December 31, 2016 and 2015, the County had $108,950,000 and $80,930,000, respectively, in outstanding General Capital bond anticipation notes.

The following activity related to bond anticipation notes occurred during the calendar years ended December 31, 2016 and 2015:

2016	Beginning Balance	Additions	Reductions	Ending Balance
TD Securities LLC	$66,430,000	$	$66,430,000	$0
Oppenheimer & Co.	14,500,000	25,455,000	14,500,000	25,455,000
J.P. Morgan Securities LLC		83,495,000		14,500,000
	$80,930,000	$108,950,000	$80,930,000	$108,950,000

2015	Beginning Balance	Additions	Reductions	Ending Balance
TD Securities LLC	$57,980,000	$66,430,000	$57,980,000	$66,430,000
Jefferies, LLC	6,500,000		6,500,000	
Oppenheimer & Co.		14,500,000		14,500,000
	$64,480,000	$80,930,000	$64,480,000	$80,930,000

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. In 2012, the County entered into a $57,425,000 refunding capital lease agreement for the Preakness Healthcare Center capital lease to take advantage of debt savings. In 2015, the County entered into a $19,550,000 refunding capital lease agreement for the Preakness Healthcare Center capital lease and a $3,510,000 refunding capital lease agreement for the Prosecutor's Office to take advantage of debt savings. Annual debt service requirements for these capital leases are as follows:

NOTE 5. CAPITAL LEASES PAYABLE, (continued)

The County's principal and interest for long-term debt issued and outstanding at December 31, 2016 is as follows:

Year	Principal	Interest	Total
2017	$2,930,000	$3,645,119	$6,575,119
2018	3,070,000	3,508,794	6,578,794
2019	3,195,000	3,383,294	6,578,294
2020	3,310,000	3,273,788	6,583,788
2021	3,445,000	3,137,757	6,582,757
2022-2026	19,170,000	12,518,113	31,688,113
2027-2031	17,875,000	5,613,566	23,488,566
2032-2036	24,645,000	1,679,906	26,324,906
	$77,640,000	$36,760,337	$114,400,337

NOTE 6. FIXED ASSETS

The following is a summary of the General Fixed Assets Account Group as of December 31, 2016 and 2015.

2016	Balance Dec. 31, 2015	Additions	Retirements	Balance Dec. 31, 2016
Land	$326,979,707	$	$	$326,979,707
Buildings and Building Improvements	280,609,199	3,746,000		284,355,199
Machinery and Equipment	61,800,381	2,956,549	215,306	64,541,624
Construction in Progress	8,121,582			8,121,582
	$677,510,869	$6,702,549	$215,306	$683,998,112

2015	Balance Dec. 31, 2014	Additions	Retirements	Balance Dec. 31, 2015
Land	$327,505,114	$	$525,407	$326,979,707
Buildings and Building Improvements	301,416,385	4,814,346	25,621,532	280,609,199
Machinery and Equipment	60,268,440	1,629,068	97,127	61,800,381
Construction in Progress	8,121,582			8,121,582
	$697,311,521	$6,443,414	$26,244,066	$677,510,869

NOTE 7. INTERFUND BALANCES AND ACTIVITIES

Balances due to/from other funds at December 31, 2016 consist of the following:

$2,367,731	Due to the Self Insurance Fund from the Current Fund for reimbursement of worker's compensation claims.
1,640,993	Due to the Federal and State Grant Fund from the Current Fund for grants receivable.
448	Due to the Other Trust Fund from the Current Fund to cover fund transfers and overpayments.
$4,009,172	

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

NOTE 8. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheets of the County of Passaic:

	Balance Dec. 31, 2016	Amount Raised in 2017 Budget	Balance Succeeding Year budget
Current Fund:			
Special Emergency:			
Accrued Sick & Vacation	$	$	
Hurricane Irene			
Total Deferred Charges	$0	$0	$

	Balance Dec. 31, 2015	Amount Raised in 2016 Budget	Balance Succeeding Year budget
Current Fund:			
Special Emergency:			
Accrued Sick & Vacation	$593,250	$593,250	
Hurricane Irene	536,361	536,361	
Total Deferred Charges	$1,129,611	$1,129,611	$

NOTE 9. 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:

	2017	2016
Current Fund	$18,000,000	$18,000,000

NOTE 10. 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 $15,000. 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 $38,518,484 and $38,008,125 at December 31, 2016 and 2015, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM

Description of Plans:

County employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

Description of Plans:

Public Employees' Retirement System (PERS), (continued)

Benefits Provided

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

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

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60a of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the "Division"). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

Description of Plans:

Police and Firemens' Retirement System (PFRS), (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

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

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

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

Defined Contribution Retirement Program, (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee’s annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The County’s contribution to the various plans, equal to the required contributions for each year, were as follows:

Year	PERS	PFRS	DCRP
2016	$14,201,186	$14,558,198	$60,113
2015	14,236,973	18,653,632	53,946
2014	13,066,410	13,128,150	55,161

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS)

At December 31, 2016, the County had a liability of $311,319,131 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the County's proportion was 1.0511454452 percent, which was an increase/(decrease) of 0.0230951906 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the County recognized pension expense of $28,972,016. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$5,789,592	$
Changes of assumptions	64,488,695	
Net difference between projected and actual earnings on pension plan investments	11,870,882	
Changes in proportion and differences between the County's contributions and proportionate share of contributions	3,763,742	5,844,246
County contributions subsequent to the measurement date	1,352,626	
Total	$87,265,537	$5,844,246

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	$18,463,606
2018	18,463,606
2019	21,427,241
2020	18,002,016
2021	5,729,632

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016	June 30, 2015
Collective deferred outflows of resources	$8,685,338,380	$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
County s Proportion	1.0511454452%	1.0280502546%

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease 2.98%	At Current Discount Rate 3.98%	1% Increase 4.98%
County's proportionate share of the pension liability	$381,485,258	$311,319,131	$253,390,910

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2016, the County had a liability of $293,226,067 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the County's proportion was 1.5350094313 percent, which was an increase/(decrease) of (0.1086707221) percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the County recognized pension expense of $28,831,509. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in actual and expected experience	$	$1,922,140
Changes of assumptions	40,614,219	
Net difference between projected and actual earnings on pension plan investments	20,545,761	
Changes in proportion and differences between County contributions and proportionate share of contributions	2,201,243	14,288,745
County contributions subsequent to the measurement date	12,515,555	
Total	$75,876,778	$16,210,885

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	$14,180,111
2018	14,180,111
2019	19,106,156
2020	11,298,122
2021	473,341

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016	June 30, 2015
Collective deferred outflows of resources	$4,547,316,543	$3,512,729,953
Collective deferred inflows of resources	688,197,590	871,083,367
Collective net pension liability	20,706,699,056	16,656,514,197
County's Proportion	1.5350094313%	1.6436801534%

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.65 Percent

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary’s modified 2014 projection scales, which was further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.55% and 5.79% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease 4.55%	At Current Discount Rate 5.55%	1% Increase 6.55%
County's proportionate share of the pension liability	$409,843,989	$293,226,067	$242,834,041

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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

Police and Firemen's Retirement System (PFRS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

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.

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.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

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 or 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.

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.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

Pension Benefit Obligations

The actuarial present value of accumulated plan benefits, is that amount that results from applying actuarial assumptions, to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions underlying the actuarial present value of accumulated plan benefits at December 31, 2013 are as follows:

Actuarial Assumptions

Interest Rate	5.0% compounded annually for pre and post retirement.
Mortality	RP2000 Gender specific table projected to the valuation year using scale AA (post retirement only)
Salary Scale	It is assumed that salaries will increase at 2.5% per year.
Cost of Living	Pension payments are assumed to increase 2% per year.
Load for Ancillary Benefits	None

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial valuation was performed as of December 31, 2015. Plan assets, as reported by the independent auditor's were $212,186, while the liabilities were $17,721,300, producing a deficit of ($17,509,114) as of that date.

NOTE 11. EMPLOYEE RETIREMENT SYSTEM, (continued)

The valuation results are summarized below:

Number of Plan Members:		
Actives		$ 1
Retired Members & Beneficiaries		66
Total		67
Present Value of Benefits:		
Active Members	$967,642	
Retired Members	16,753,658	
Total		$17,721,300
Plan Assets		212,186
Excess (deficiency) of assets over liabilities		($17,509,114)

Annual pension payments to retirees totaled $2,096,439. The average payment was $31,764. The additional potential payment to the one active member was $96,930. Pension payments are increased annually (after the first three years of retirement). The rate of increase is provided by the State Retirement Bureau. We have assumed an annual increase of 2.00% in our valuation. The aggregate total of future pension payments will decrease as a result of the death of any retirees or beneficiaries currently in pay status. The average age of the pensioners was 84.

Based on current and projected annual payments, it is recommended that the fund maintain at least $2.276 million in liquid assets for the next five years.

The valuation was based on an assumed rate of return of 5.00%. The mortality assumption was changed from the1994 GAR table to the RP2000 Gender specific table to account for mortality improvements. In our opinion, these assumptions are reasonable for valuation purposes.

If the assumed rate of return was 4.00%, the plan liabilities would be $18,913,313, making the deficit ($18,701,126). On the other hand, if the assumed rate of return was 6.00%, the liabilities would be $16,665,132, and the deficit would be ($16,452,946).

NOTE 12. 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, 2016 and 2015. 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-10 summarizes the 2016 transactions of the plan.

NOTE 13. 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, 2016 and 2015. 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-12 summarizes the 2016 transactions of the plan.

NOTE 14. 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, 2016 and 2015. 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

NOTE 14. SELF-INSURANCE HEALTH BENEFITS PLAN, (continued)

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. Benefits are paid directly from current fund budget appropriations.

NOTE 15. 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, 2016 and 2015, 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 16. 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").

- $33,015,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012 (the "2012 Refunding Bonds") outstanding in the amount of $32,500,000 consisting of $14,480,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012A and $18,020,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds, Refunding Series 2012B (Federally Taxable)

NOTE 16. <u>RELATED PARTY TRANSACTIONS</u>, (continued)

On November 1, 2012 the Authority advance refunded the callable portion of the outstanding $31,745,000 amount of its $35,680,000 principal amount of Solid Waste Disposal Revenue Bonds (Tax Exempt Series 2004A) (the “Tax Exempt 2004A Bonds”) to a March 1, 2014 call date with the proceeds of the 2012 Refunding Bonds referenced above, and such callable Tax Exempt 2004A Bonds, with the exception of the 2013 and 2014 maturities which are not callable, $910,000 is outstanding; and

- $9,145,000 Solid Waste Disposal Revenue Bonds (Taxable Series 2004B) (the “Taxable Series 2004B Bonds”) outstanding in the amount $8,060,000.

- $19,270,000 in aggregate principal amount of its Solid Waste Disposal Revenue Bonds, Refunding Series 2008 outstanding in the amount of $17,215,000.

NOTE 17. <u>PRIOR YEAR DEFEASANCE DEBT</u>

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 May 15, 2013, August 15, 2012, February 1, 2012, May 1, 2011, June 17, 2010, September 15, 2009, September 1, 2001, May 1, 2004, September 1, 2003, March 1, 2001, September 1, 1998, September 1, 1995, February 1, 1994, September 1, 1993 and December 1, 1992, $17,075,000, $10,647,000, $11,950,000, $26,540,000, $10,045,000, $13,029,000, $12,220,000, $48,513,000, $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 18. <u>LITIGATION</u>

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

NOTE 18. LITIGATION, (continued)

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.

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 McManimon, Scotland & Baumann, LLC, General Counsel to the Authority.

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

PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2040-05 (Superior Court of New Jersey, Law Division — Passaic County) (Appellate Docket No. A-3861-06T3) (Certification Denied, New Jersey Supreme Court Docket No. 62,832); and,

PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-L-2615-08 (Superior Court of New Jersey, Law Division — Passaic County).

Determination of Underrecovery

From December 12, 1992 to approximately November 11, 1997, PenPac, Inc. (“PenPac”) provided solid waste transfer station services to the Authority pursuant to an interim rate, which was subject to eventual adjustment to account for over recovery by the Authority, or under recovery by PenPac. A Verified Petition in the administrative matter, which is the first case captioned above, was filed by the Authority on or about October 12, 1992 with DEP to establish the rates in question. Essentially, the Authority claimed that it was entitled to an over recovery in excess of $5,000,000 from PenPac. PenPac in turn claimed that it was entitled to an under recovery in excess of $20,000,000 (inclusive of interest) from the Authority. The administrative proceedings sought to establish a final rate for the transfer services in question for the years 1993, 1994, 1995 and 1996.

NOTE 18. LITIGATION, (continued)

Hearings before an administrative law judge commenced in November, 1996 and concluded at the end of May, 1997. On April 12, 1999, the administrative law judge hearing the matter issued her Initial Decision, awarding approximately $8,000,000 to PenPac as an under recovery for services rendered. The Initial Decision was a recommended decision, which was submitted to the Commissioner of the DEP for consideration and the issuance of a Final Decision.

On July 5, 2000, the Commissioner of the DEP issued his Summary Order memorializing the decision of the DEP. The Summary Order reduced the award to PenPac from the recommended award of $8,000,000 to $3,238,792. The Summary Order further provided that there would be no further rate proceedings for years after 1996. The Summary Order did not include a full list of findings of fact and conclusions of law, which were set forth in the Commissioner's Final Decision. The Final Decision was appealed to the Appellate Division of the Superior Court by the Authority.

The Appellate Division entered a decision affirming the DEP Commissioner's Summary Order awarding PenPac $3,238,792, plus interest in the amount of $256,313. The Appellate Division also remanded the matter to the DEP for a determination of rate underrecovery for that portion of calendar year 1997 during which PenPac provided transfer station services, and for a determination of the overall rate of interest on the entire award[1]. Certification of that decision was sought to the New Jersey Supreme Court, and ultimately denied.

Entry of August 2005 Judgment and Post-Collection Efforts (1st of 2 PenPac Judgments)

PenPac thereafter filed a Complaint in Superior Court, captioned PenPac, Inc. v. Passaic County Utilities Authority, Docket No. PAS-l-2040-05 (Superior Court of New Jersey, Law Division - Passaic County, the second case listed above), seeking to have the administrative

---

[1] On remand, the NJDEP determined that PenPac was entitled to an additional $1.3 million of underrecovery for services rendered for portions of 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 efforts are ongoing, primarily and directly, against the County of Passaic at this time, discussed *infra*. Nonetheless, the unsatisfied portion of both judgments remain obligations of the Authority, despite its financial condition and regardless of collection efforts against the County.

[2] As well as since the entry of the Remand Award in 2009 constituting the Second Judgment against the Authority.

NOTE 18. LITIGATION, (continued)

underrecovery decision, as affirmed by the Appellate Division, reduced to a judgment in the Superior Court. On August 15, 2005, the Passaic County Superior Court entered a judgment against the Authority in the amount of the Commissioner's Decision, as affirmed, plus interest (total judgment amount of $3,495,105).

Since the entry of the August 15, 2005 judgment in PenPac's favor[2], PenPac has engaged in various efforts to enforce the judgment and collect upon it from the Authority (and, as of 2012, against the County of Passaic as well - see *infra*). As a result of the Authority's financial condition, including the amount of outstanding debt, its inability to generate operating revenues in the wake of the judicial rulings in Atlantic Coast Demolition & Recycling, Inc. v. Atlantic County Bd. Of Chosen Freeholders, 112 F.3d 652 (3d Cir. 1997), amended, 135 F.3d 891 (3d Cir. 1998) (the "Atlantic Coast" decisions) and its obligations to the Authority's bondholders, the Authority has consistently taken the position that its limited monetary assets are pledged to the bondholders and should be applied to reduce debt service. Therefore, the Authority has maintained that PenPac's judgment for underrecovery may not be satisfied out of the Authority's monetary assets. The Authority has argued consistently in State court that State law clearly provides that the assets of a county or municipal utilities authority are exempt from levy and execution, and are otherwise pledged to its bondholders in either event. They are not available to satisfy unsecured judgment creditors. Stated simply, the Authority has argued that its assets are pledged to the superior priority of the bondholders, and are not subject to seizure by an unsecured judgment creditor such as PenPac.

Nonetheless, PenPac, as part of its collection efforts, in the Fall of 2006 made an application to the Superior Court for mandamus relief to compel the Authority to pay the judgment from its available monetary assets, or to otherwise provide for payment. The Authority resisted that application, and opposed it for the reasons set forth in the previous paragraph, focusing largely on the pledge of monetary assets first and foremost to the Authority's bondholders. The Court granted the relief sought by PenPac as a threshold matter, and thereafter held a plenary hearing on January 3-4, 2007 to establish the extent of the Authority's known assets, and the degree to which they are pledged to bondholders as argued by the Authority, or otherwise were potentially available to pay PenPac's 2005 Judgment. The Authority argued that PenPac was precluded from levying against the assets of the Authority, or otherwise obtaining an order to compel payment of the August, 2005 judgment from those assets. After the January, 2007 hearing, during which evidence and testimony were taken with respect to the Authority's assets and financial condition, the Court reserved decision.

NOTE 18. LITIGATION, (continued)

March 12, 2007 Order Directing Turnover and Assignment of Assets to PenPac

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) turnover $701,230.41 in Bank of New York accounts to PenPac; 2) to turnover $1,702,220.84 in Bank of America accounts to PenPac; and 3) to assign all future income derived 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 known monetary assets to PenPac, excepting only certain Bank of New York accounts associated with the Authority's active and outstanding 1999 and 2004 Series Bonds (as well as any account associated with an active bond issue, such as the 2008 Bonds), which the trial court found were validly pledged to the bondholders and thus not subject to turnover. The rest of the assets were found to be free and available to satisfy PenPac's Judgment.

The Authority authorized appeal of this decision first to the Superior Court Appellate Division (which affirmed), and then to the New Jersey Supreme Court. The New Jersey Supreme Court refused to grant Certification to hear the case, rendering the trial court's March 2007 determination final as of September 5, 2008. At that point, the stay of the trial court's decision was dissolved.

Compliance with the March 12, 2007 Order of the Trial Court: Turnover of Assets and Assignment of Mortgage Receivable Income

As a result of the finality of the March 12, 2007 Mandamus Order by exhaustion of available appellate review, the Authority adopted a resolution at a special meeting held on September 25, 2008 to comply with the terms of that Order, 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 Bank of America accounts to PenPac; and, 3) assigned all future income derived from the Passaic Investors mortgage receivable, held by the Authority, to PenPac[3].

[3] That Mortgage has now been paid and amortized in full.

NOTE 18. LITIGATION, (continued)

Future of PenPac Litigation - Collection Efforts directly against County of Passaic

As noted above, the Remand Award was also reduced to judgment in the amount of approximately $1.3 million 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). PenPac, is still owed payment by the Authority with respect to the balance due on the 2005 judgment, and the entire 2009 Remand Award judgment. What is outstanding does not include post-judgment interest, which accrues pursuant to the New Jersey Rules of Court.

In 2010, PenPac undertook limited, additional post-judgment discovery against the Authority. However, no additional assets were discovered or found (as expected in the light of the 2008 turnover of assets), and no additional post-judgment activity has been taken against the Authority since. None is imminently anticipated.

In 2011, PenPac brought a direct legal action against the County of Passaic to collect on these Judgments. Since the Authority has no available assets, PenPac's collection efforts naturally turned to the County of Passaic - as had been long anticipated. PenPac's lawsuit had asserted various legal theories under which it maintained the County is responsible for the Judgments - contractual debts of the Authority - despite the absence of direct contractual privity with the County. Among them was a theory that the Authority should be dissolved by *de facto* merger with the County of Passaic, and all of its debts assumed by the County - including the PenPac Judgments. That suit was captioned PenPac, Inc. v. County of Passaic, Docket No. PAS-L-2635-11, and was brought in the Superior Court in Passaic County. The County had retained outside, separate counsel to defend against that action.

After discovery, in August of 2012 both the County and PenPac moved for summary judgment. The parties fully briefed the issues in the case - including notably, the inability of the courts to independently dissolve a county utilities authority subject to State oversight, which has outstanding debt. Oral argument was heard in that case on October 23, 2012, on both summary judgment motions. On October 25, 2012, Judge Chiocca in Passaic County dismissed all Counts of PenPac's action against the County for the reasons delivered in an oral opinion.

PenPac then appealed that dismissal to the Appellate Division of the Superior Court. After a full briefing of the issues by both Parties, the Appellate Division, by written decision issued on December 27, 2013, affirmed the trial court's dismissal of the action against the County in its entirety. The Appellate Division found that there was no indication that the County had assumed the PenPac Judgments as a matter of law.

NOTE 18. LITIGATION, (continued)

On or about January 28, 2014, PenPac petitioned the New Jersey Supreme Court for a grant of certification to review the December 27, 2013 decision of the Appellate Division. That application remains pending at this time.

2. Tundo, Racanelli, Gilgorri v. the County of Passaic

This matter involves another convoluted episode of employment issues at the Passaic county Sheriff's Department.

The plaintiffs were laid off pursuant to the New Jersey Civil Service Act under the mass lay-off of 2008. However, they were never re-hired, for a number of reasons.

Thereafter, Civil Service ordered that the plaintiffs be reinstated, and the Department requested that they fill out re-employment applications. The plaintiffs had refused to fill out those applications, and we are not involved in litigation at the Federal Court Level.

This is a very dangerous situation, because it is a winner-take-all scenario. If the jury or a Court determines that these three individuals were not properly re-hired, they will be entitled to back wages for calendar years 2009, 2010, 2011 and 2012, which would include health benefits and pension contributions. In addition, they could possibly be entitled to additional compensatory damages as well as possibly punitive damages.

Plaintiffs rejected a $500,000.00 offer to resolve all claims in this litigation. Furthering settlement negotiations, it was revealed that the plaintiff, Gilgorri would agree to give up his demand of reinstatement as part of settlement of this litigation. Judge Hammer indicated that both plaintiffs, Racanelli and Gilgorri were very anxious in resolving this litigation without demanding reinstatement to their prior positions with the County Sheriff's Department. Plaintiff Tundo continues to seek reinstatement of his position as part of settlement of this lawsuit. Judge Hammer inquired as to whether the County would be willing to resolve the claims on behalf of plaintiffs, Racanelli and Gilgorri. In this regard, plaintiffs made a demand of $550,000.00 which would include all counsel fees incurred to date. As part of the proposal, the claim on behalf of plaintiff Tundo would proceed forward. Based on the fact that plaintiff, Tundo was still seeking reinstatement, the settlement conference with Magistrate Judge Hammer was adjourned pending a meeting with Sheriff Berdnik with regard to the reinstatement issue and pending a meeting with the Board of Chosen Freeholders.

NOTE 18. LITIGATION, (continued)

Accordingly, the within lawsuit remains pending and the parties are waiting for the scheduling of a settlement conference with Magistrate Judge Hammer. Based upon negotiations conducted to date, it appears that this lawsuit presents two separate settlement scenarios. Initially, it does appear that all three plaintiffs would be willing to resolve this litigation with the reinstatement of plaintiff, Tundo. The terms of reinstatement would still need to be discussed. The second scenario would be a global monetary settlement involving all three plaintiffs which would not include the reinstatement of plaintiff, Tundo. Based upon discussions with Magistrate Judge Hammer, the settlement range for the latter scenario would be somewhere in the area of $900,000.00

3. **Cedestino Malave, William Malave and Elvin Sanchez v. Laura B. Freytes as Passaic County Superintendent of Elections and the County of Passaic**
U.S. District Court, District of New Jersey, Docket No. 2:11-CV 3393-FSH-PS.

Plaintiffs, Cedestino Malave, William Malave, and Elvin Sanchez, filed a complaint against the Passaic County Superintendent of Elections, Laura B. Freytes (the "Superintendent"), and the County of Passaic, in federal district court on June 13, 2011 under docket no. 2:11-CV 3393-FSH-PS. On December 26, 2012, Plaintiffs' federal court action was dismissed by the Honorable Faith S. Hochberg, United States District Judge, pursuant to Fed. R. Civ. P. 12(b)(6) for failure to state a claim upon which relief can be granted.

Plaintiffs, thereafter, filed a complaint in state court against Defendants, Laura Freytes and the Passaic County Superintendent of Elections, on January 23, 2013 under docket no. PAS-L-304-13. Defendants/Third-Party Plaintiffs filed an Answer and Third-Party Complaint against the Third-Party Defendants, the County and the State of New Jersey (the "State"), on or about March 11, 2013 which served on the County on March 21, 2013. In their Third-Party Complaint against the County and the State, the Superintendent Defendants asserted a claim for contribution and indemnification.

During the pendency of the federal court action, Defendants, Laura Freytes and the Passaic County Superintendent of Elections, had already made a request for indemnity, contribution, insurance and defense to the State of New Jersey Office of the Attorney General. This request was denied by the Attorney General's Office as a final administrative decision on July 25, 2013. The Superintendent Defendants timely appealed this decision and that appeal is currently pending before the Appellate Division under docket no. A-005807-12T2.

NOTE 18. LITIGATION, (continued)

The County and the Superintendent Defendants filed R. 4:6-2 motions to dismiss the Plaintiff's state court complaint before the Law Division based on, among other things, the collateral estoppel doctrine, the statute of limitations, and failure to state a claim upon which relief can be grated. The trial court granted the County's Motion to Dismiss Plaintiff's complaint on August 29, 2013. The court also dismissed the Third-Party Complaint filed by the Superintendent Defendants by order, dated December 23, 2013, due to the Superintendent Defendants' pending appeal of the Attorney General's July 25, 2013 final administrative decision. Following the dismissal of their state court complaint, Plaintiffs' filed an appeal to the Appellate Division, which is currently pending under docket no. A-000831-13T2.

The County filed a motion to intervene in the Superintendent's appeal of the State's administrative agency decision, bearing docket no. A-005807-12T and a motion to consolidate that appeal with the Plaintiffs' appeal of the trial court's dismissal of their action, under docket no. A-000831-13. Both motions were granted on January 14, 2014. After multiple requests by Plaintiffs and the Superintendent for extensions of the briefing schedule, all parties' briefs were submitted to the Court by October 17, 2014. To date, the Appellate Division has not yet issued a decision on these appeals.

On February 23, 2017, the Appellate Division issued an opinion, which affirmed, in part, and reversed, in part, the trial court's dismissal of Plaintiff's complaint. The opinion affirmed the dismissal of all Plaintiff's constitutional claims as well as the CEPA claims of William Malave and Elvin Sanchez. However, it reversed the dismissal of Cedestino Malave's CEPA's claim, finding that the CEPA claim was not barred by the statute of limitations. That claim has been remanded back to the trial court.

4. Danya Heydorn v. Preakness Healthcare Center, et al.
United States District Court, District of New Jersey
Docket No. 2:16-cv 02331-MCA-MAH

On July 13, 2015, Plaintiff, Danya Heydorn ("Plaintiff") filed a complaint against Preakness Healthcare Center, the County of Passaic, and various John Doe Defendants in the Superior Court of New Jersey, Passaic County. The complaint alleges discrimination and retaliation claims under the New Jersey Law Against Discrimination ("LAD") as well as interference and retaliation claims under the Family and Medical Leave Act ("FMLA"), arising from Plaintiff's termination as a licensed practical nurse at Preakness Healthcare Center.

NOTE 18. LITIGATION, (continued)

Based on a technical deficiency in the summons, Defendants obtained a pre-answer dismissal of the complaint without prejudice for insufficient process and lack of personal jurisdiction on January 8, 2016. Plaintiff was ordered to serve the complaint and a corrected summons on Defendants within 20 days, but failed to timely do so. Plaintiff filed a motion to reinstate the complaint and enlarge the time to serve the complaint and correct summons, which was granted on April 1, 2016. After proper service of the complaint, Defendants removed the case to federal court based on subject matter jurisdiction derived from the FMLA claim.

An initial Rule 16 scheduling conference was held on August 5, 2016 before Magistrate Judge Hammer at which time it was decided and agreed that initial discovery would be limited to settlement-target discovery only. Since then, the parties have exchanged some initial discovery pursuant to a consent scheduling order although Plaintiff has failed to produce any documents bearing upon her attempts to mitigate damages as required under the order. On October 12, 2016, Plaintiff provided an initial settlement demand of $185,000, most of which appears to be comprised of emotional distress damages due to the fact that Plaintiff obtained employment within months of her termination from Preakness. A better assessment of Plaintiff's economic damages can be made once Plaintiff produces her outstanding discovery. A telephone status conference with the court is current scheduled for March 7, 2017.

5. Northeast Remsco Construction, Inc. v, County of Passaic and Dewberry Engineers
Superior Court of New Jersey, Passaic County
Docket No. L-000336-17

Plaintiff, Northeast Remsco Construction, Inc. ("NRC"), filed a complaint against the County of Passaic ("County") and Dewberry Engineers ("Dewberry"), in the Superior Court of New Jersey, Passaic County, on January 30, 2017.

The claims in the Complaint arising from the County's bid for the replacement of West Brook Road Bridge over Wanaque Reservoir. Defendant Dewberry served as engineer for this project. In response to the County's bid documents, which contained the New Jersey Department of Transportation 2007 Standard Specifications for Road and Bridge Construction along with Supplemental Specifications, Plaintiff NRC bid for the project. The County and NRC entered into a contract on July 23, 2013, whereby NRC could serve as general contractor. During the course of the project, Plaintiff NRS claimed that they had to engage in extra work related to additional costs it incurred related to the treatment of

NOTE 18. LITIGATION, (continued)

concrete in the drilled shaft foundations as Mass Concrete, in the amount of $135,023.86, including overhead and profit. The County rejected this claim based upon its contention that NRC had been informed from the bid documents prior to the contract of the requirement of thermal curing treatment for the Mass Concrete.

Plaintiff also claimed it was subjected to differing site conditions in the rock foundation for the project, which it alleged as materially different than what the project plans depicted. According to Plaintiff, the Project Specifications and Plans provided insufficient information for NRC to anticipate the underwater conditions and that no bidder could have anticipated such conditions. Plaintiff claimed it had to incur additional costs associated with redesigns to address the alleged differing site conditions, and sought recovery of such costs from the County.

The contract between the County and NRC required, as a condition precedent to litigation that NRC and the County participate in non-binding arbitration on NRC's claims. The County and NRC participated in non-binding arbitration before the Hon. Peter E. Doyne (J.S.C. Ret.). On August 9, 2016, Judge Doyne rendered a decision in favor of the County and denied NRC's claim for additional monies relating to the handling of mass concrete in the construction of bridge support columns, finding that all work concerning mass concrete and thermal curing was set forth in the bid documents, construction plans and specifications. On November 30, 2016, Judge Doyne rendered a decision in favor of the County on NRC's claim of differing site conditions, finding that under the bid documents and contract, NRC had the responsibility to investigate subsurface conditions, not the County (Type I claim). As to NRC's claim that the rock formation was an unusual condition that materially differed from those ordinarily encountered or which could not have been reasonably anticipated pre-bid (Type II claim), Judge Doyne determined that based on competing expert reports and the record, he could not determine whether NRC had shown such a claim.

Based upon the aforementioned factual background, Plaintiff thereafter filed its Complaint against the County and Dewberry alleging breach of contract (County only, Count I), unjust enrichment (County only, Count II), *Quantum Meruit* (County only, Court III), and misrepresentation (Dewberry only, Count IV). Plaintiff claims that as a result of the County's and Dewberry's alleged actions, it has sustained damages in excess of three (3) million dollars.

NOTE 18. LITIGATION, (continued)

The County of Passaic was served with the Complaint on February 8, 2017, and has obtained the consent of Plaintiff's counsel to file a Stipulation Extending Time to Answer for thirty (30) days, to April 14, 2017. The litigation of this matter will involve substantial discovery, including numerous depositions of fact witnesses and experts, document review and production, and motion practice. Given the early stage of this matter, we cannot estimate what exposure, if any, the County may have to NRC.

6. Garcia v. Speziale, et al

This is the second installment of lawsuits advanced by Felix Garcia, a former Warden at the Passaic County Jail and former Republican candidate for Sheriff.

He now claims that the Sheriff refused to sign his gun permit application, as an act of political retaliation. This statement is ridiculous and has no merit.

However, the new nuisance value for federal employment litigation is $100,000.00. The Federal Magistrate who is currently handling this matter is also Judge Mark Falk who has again placed a settlement value on this matter of $100,000.00.

However, the plaintiffs are demanding $1,000,000.00. As such, we should please a reserve on this file of $500,000.00.

7. Guiseppi Iudici v. Passaic County Sheriff's Department

In this matter, the plaintiff was arrested by the Passaic County Sheriff's Department warrant squad for an outstanding child support debts.

During the arrest, the plaintiff became combative and additional criminal charges were filed against him. Plaintiff contested those criminal charges, which were dismissed in a Municipal Court. At this time, the plaintiff has instituted this litigation, and has made a demand of $250,000.00 for settlement which was recently increased to $500,000.00

For purposes of our reserve, we would state that we should place $250,000.00 of value on this matter, keeping in line with the Federal Court's current nuisance evaluation on cases of this type.

NOTE 18. LITIGATION, (continued)

8. Richard Vieira v. County of Passaic

This is a matter which is currently venued in the Federal District Court of New Jersey, and is an employment litigation matter. In this instance, the plaintiff states that he has been retaliated against, because of political animus by his supervisors, which is a common theme in many of the current pending matters. In addition, the plaintiff's current attorney represents many plaintiffs that have other federal matters pending.

Since this matter was just filed, it is too early to place any value on this case.

However, in keeping with the Court's assessment of matter on the federal district level, we should state that it has a value of $250,000.00. For extra protection, we should place a reserve on this matter of $500,000.00.

9. Terrance Robinson v. Oscar Ivles

This is a very bizarre case, which involves the plaintiff's lawsuit against five different police departments and three different correctional institutions, involving a plethora of issues that the plaintiff has had with various agencies.

The County of Passaic was recently implead into this matter, after 4 prior complaints were filed. Based upon all of the foregoing, it is almost impossible to place a value on this case at this time, because there are over seven thousand pages of discovery that were previously exchanged. We have not yet reviewed those materials, and are in the process of compiling an index of those documents.

However, this matter involves the plaintiff's allegations of sexual abuse and assault, while he was allegedly a prisoner at the Passaic County Jail, as well as beatings that he claims he incurred at the hands of inmates and officers.

This matter has the potential to be expensive due to the fee shifting nature of the matter, and the manner in which the plaintiff's attorneys are litigating this matter. For reserve value, we should place a value of $450,000.00 on this matter.

10. James Weston v. Passaic County and Office of Passaic County Sheriff and Richard Berdnik

For purposes of a reserve, the value should be $250,000.00

NOTE 18. LITIGATION, (continued)

11. McDuffie v. County of Passaic

This case is in the midst of very detailed and combative litigation. The plaintiffs have reduced their demand from $10,000,000.00 to $2,000,000.00. The case is headed to mediation. The County's liability should be diminimus. For purpose of a reserve – we suggest a value of $150,000.00.

12. Harmon vs. County of Passaic
Docket No. PAS-L-3269-13

The Plaintiff, Sandra Harmon, alleges to have fallen on an uneven surface on the landing in front of 401 Grand Street on December 12, 2012. The injuries alleged include fracture of the left foot and soft tissue injuries to her side, back and knees. The original Notice of Claim claimed the damages to be in the amount of $2,000,000.00.

Presently discovery is underway. To date, paper discovery has been exchanged and the deposition of the Plaintiff has been concluded as well as that of the Passaic County Engineer. There is another deposition which Plaintiff intends to take which should take place during the next few weeks.

Obviously, the damages claimed in the Notice of Claim are ludicrous. We are presently awaiting documentation on any lost wage claim being asserted as well as any out of pocket expenses. Once this information is received, we will be in a better position to evaluate the claim. One of the defenses in this case is the fact that an incident report prepared on the date of the incident had the fall occurring in a different location. The Plaintiff has explained this away as saying the reporting officer was mistaken when he filled out the report. Plaintiff does present herself as a good witness however, the injuries I believe will be limited.

13. Papendick vs. County of Passaic

The claims asserted by the plaintiffs in this case are essentially that employees of Passaic County and Sheriff's Department, inclusive of Warden Michael Tolerico and Sheriff Richard Berdnik did not property diagnose and treat the underlying psychiatric/medical condition of the deceased Thomas Carl Papendick and as a result, Mr. Papendick hung himself on December 1, 2012 while he was incarcerated at the jail. The plaintiffs also allege that the deceased was negligently left unsupervised; there was a denial of his civil rights under 42 U.S.C. §1983 and 1985; there was a failure to train various agents, servants or employees of the County.

NOTE 18. LITIGATION, (continued)

Plaintiff claim of 1.5 million dollars is probably the "upper limit" on a possible loss. There is no wage loss claim made by the Administrator Ad Prosequendum. Although Plaintiff's counsel has not articulated a "bottom line figure", it would seem that a verdict range in this case is between $400,000.00 - $800,000.00.

14. Crump/Nichols/Johnson and Goodwin vs. County of Passaic

This matter involves complex litigation and a potential class action lawsuit. Plaintiff Jeremy Crump commenced this action, individually and on behalf of a class of others similarly situated, on April 11, 2014, alleging upon information and belief, that it is defendants' written policy to strip search "all individuals who enter into the custody of Passaic County Jail and are placed into jail clothing, regardless of the nature of their charged crime and without the presence of reasonable suspicion to believe that the individual was concealing a weapon or contraband." Crump claimed a deprivation of his rights under the United States Constitution in violation of 42 U.S.C. Sections 1981 and 1983, under the New Jersey Constitution, the New Jersey Civil Rights Act, and the New Jersey Strip Search statute. The complaint sought both compensatory and punitive damages.

A case management conference with the Court is now scheduled for March 13, 2017, during which several issues will be raised including, but not limited to, the Court's *in camera* review of privileged documents that had already been produced by predecessor counsel and current defense counsel's attorney-client privilege analysis of said privileged documents; as well as current defense counsel's analysis of the newly exchanged additional documents forwarded by defendants to plaintiffs which incorporate two attorney/client privilege logs and several markings as to confidential documents – for various confidential identifiers such as address, phone number, date of birth, driver license number, social security number, information about family members, medical information and discipline information.

Plaintiffs have filed a motion for attorney's fees for the time period of predecessor defense counsel's representation of the defendants. Plaintiffs are seeking attorney's fees in the amount of approximately $97,000.00, for what plaintiffs claim was obstructionist discovery practices prior to the time period that Weiner Law Group LLP began to represent defendants. That motion is now returnable on May 1, 2017, with opposition required from the defense by April 17, 2017.

NOTE 18. LITIGATION, (continued)

Significant tasks must still be undertaken once written discovery is deemed complete, i.e., preparation for the various depositions that must be taken including, but not limited to, the depositions of the plaintiffs and the preparation of some of the witnesses that will be subpoenaed and/or noticed for depositions by plaintiffs.

As of this time, we are evaluating all of these issues, so it is difficult to assess a real outcome of this case at this time or an estimate as to the amount of the range for damages. As indicated in our previous submission to you, the plaintiffs have made a combined settlement demand of $3.5 million in December 2015. That demand has not changed as of now.

The County is a defendant in various other legal proceedings. These cases, if decided against the County, would be raised by future taxation. The County's legal counsel estimate such amounts to be immaterial.

NOTE 19. 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 20. 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 2016 calendar year, the County did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTE 21. 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.

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 December 31, 2016, the effective date of the biannual Other Post-Employment Benefit, herein referred to as "OPEB", valuation is 1,281. Of these, 753 retirees retain dependent or spousal coverage. There have been no significant changes in the number of covered retirees or type of coverage since the valuation date.

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

Actuarial Valuation Results

The Actuarial Accrued Liability for retirees is $744,450,000, and for current active employees is $509,991,000 for a total accrued liability of $1,247,441,000.

NOTE 21. POST RETIREMENT BENEFITS, (continued)

Funding Policy

Summary of Principal Results for GASB 45 Accounting Purposes

1.	Annual Required Contribution	$112,673,298
2.	Interest on Net OPEB Obligation	1037109
3.	Adjustment to Annual Required Contribution	(1,414,882)
4.	Annual OPEB Cost (Expense)	112,295,525
5.	Contributions Made or Accrued	(36,991,368)
6.	Increase in Net Obligation	$75,304,157
7.	Net OPEB Obligation (BOY)	23,046,857
8.	Net OPEB Obligation (EOY)	98,351,014

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Discount Rate
12/31/2016	$112,295,525	32.9%	$98,351,014	4.50%

Method and Assumptions

Cost Method: Projected Unit Credit

NOTE 21. POST RETIREMENT BENEFITS, (continued)

Summary of Principal Results for GASB 45 Accounting Purposes, (continued)

Assumptions

The actuarial assumptions used to value the postretirement medical liabilities can be categorized into three groups:

- Economic Assumptions – the discount rate and health care cost trend rates.
- Benefit assumptions – the initial per capita cost rates for medical and prescription drug coverage.
- Demographic assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.

Discount Rate:	4.50%
Mortality:	MP-2016 gender specific
Salary Scale:	3.00%
Marital Assumption:	50% are assumed married
Utilization:	Participants: Service based range from 509%-90%
	Spouses: 55% elect coverage
Retirement Age:	As specified in the following table:

Age	Retirement Rate
55-59	11.59% per year
60-64	13.63% per year
65-69	15.60 per year%
70-74	13.89% per year
75-80	6.32% per year

Valuation of Assets: Assets are valued at market value (Plan currently not funded)

NOTE 21. POST RETIREMENT BENEFITS, (continued)

Summary of Plan Provisions

Death Benefits:	The County provides for no post-retirement death benefits.
Health Benefits:	
Benefits:	At the age at which employee may begin to receive retirement benefits under the County's pension plan, the employee may retire and retain their health insurance coverage. Depending on age and years of service at retirement, the retirees may have to pay for some or all of the coverage. The County will contribute 100% for those individuals retired with 25 or more years of services.

NOTE 22. SUBSEQUENT EVENTS

The County has evaluated subsequent events through February 16, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

APPENDIX A

SELECTED FINANCIAL INFORMATION
FOR YEARS ENDED DECEMBER 31, 2016-2012

The selected data presented on pages A-95 to A-98 under the section "Selected Financial Information" as of and for each of the years in the five year period ended December 31, 2016 are derived from the financial statements of the County of Passaic. The excerpts from the financial statements as of December 31, 2016 and the Independent Auditor's Report thereon are included in the previous section.

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - CURRENT FUND

	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014	Balance December 31, 2013	Balance December 31, 2012
ASSETS					
Cash	80,514,757	63,465,143	44,725,219	45,193,711	46,240,754
Deposits - Health Benefits	3,245,302	570,000	570,000	570,000	570,000
	83,760,059	64,035,143	45,295,219	45,763,711	46,810,754
Change Fund	675	675	675	675	675
Federal and State Grants Receivable	59,619,754	43,359,116	51,005,205	52,161,778	42,813,361
	143,380,488	107,394,934	96,301,099	97,926,164	89,624,790
Receivables With Full Reserves					
Revenue Accounts Receivable	740,414	921,785	640,920	660,376	753,779
Due from General Capital Fund			88,010		
Due Confiscated Trust Fund			2,317	226	3,229
Due From Net Payroll Account		250	4,941	4,941	4,810
Due From HUD Trust		503		10,399	10,399
Due From Payroll Agency Account			112		
Due from Trust Funds		79	21,271		
	740,414	922,617	757,571	675,942	772,217
Deferred Charges					
Special Emergency Authorizations		1,129,611	2,259,222	3,388,833	4,518,444
Emergency Authorization			4,000,000	7,500,000	
Overexpenditure of Trust Fund Reserves			36,360	36,360	
Overexpenditure of Appropriations				80,422	80,422
		1,129,611	6,295,582	11,005,615	4,598,866
Total Assets	144,120,902	109,447,162	103,354,252	109,607,721	94,995,873
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	23,854,963	19,496,070	12,335,992	11,516,412	11,855,033
Accounts Payable	2,482,010	1,393,980	980,180	516,364	558,904
Encumbrances Payable	7,236,001	6,212,192	6,420,890	25,836,768	16,848,237
Reserve for Salary and Wage Adjustment				145,112	150,000
Emergency Note Payable			4,000,000	7,500,000	
Due to Other Trust Fund		1,099	585,442	443,991	215,486
Due to Self Insurance Trust fund	2,367,731				41
Due to General Capital Fund		63,509		2,186	2,003,630
Due to Motor Vehicle Dedicated Trust	448				
Sheriff's Overtime DWI-DDEF	33,056	19,825	18,535	18,535	11,979
Miscellaneous Reserves	1,129,280	1,210,747	1,198,290	2,737,408	3,377,430
Reserve for State and Federal Grants					
Appropriated	61,205,747	45,381,033	47,552,416	33,792,028	31,783,034
Unappropriated	55,000	381,900	158,325	71,668	7,833
Total Liabilities	98,364,236	74,160,355	73,250,070	82,580,472	66,811,607
Reserve for Receivables	740,414	922,617	4,052,035	675,942	772,217
Fund Balance	45,016,252	34,364,190	26,052,147	26,351,307	27,412,049
Total Liabilities, Reserves and Fund Balance	144,120,902	109,447,162	103,354,252	109,607,721	94,995,873

COUNTY OF PASSAIC

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014	Balance December 31, 2013	Balance December 31, 2012
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	18,000,000	17,000,000	17,000,000	18,000,000	20,000,000
Miscellaneous Revenue Anticipated	154,293,557	134,282,757	134,800,582	136,377,459	116,340,412
Receipts from Current Taxes	341,186,223	335,617,867	319,796,781	310,795,236	304,999,886
Nonbudget Revenues	4,361,145	4,626,966	3,765,586	2,955,300	2,762,573
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	8,832,278	7,711,777	3,907,400	2,201,872	6,669,189
Prior Year Interfund Returned	833	3,411,004	10,399	3,003	4,810
Cancellation of Liabilities	13,665,955	2,919,087	4,159,633	4,019,602	2,453,386
Total Revenues	540,339,991	505,569,458	483,440,381	474,352,472	453,230,256
Expenditures					
Budget Appropriations	502,094,965	474,593,378	464,826,464	462,267,906	433,001,316
Cancellation of Federal and State Grants Receivable	9,301,613	2,551,987	2,261,202	1,918,585	393,702
Adjustments/Refunds	229,599	3,111,410	3,320,081	653,872	97,889
Interfunds Advanced	61,752	640	331,794	72,851	18,438
Total Expenditures	511,687,929	480,257,415	470,739,541	464,913,214	433,511,345
Excess (Deficit) in Revenue	28,652,062	25,312,043	12,700,840	9,439,258	19,718,911
Adjustment to Income Before Fund Balance Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding			4,000,000	7,500,000	80,422
Statutory Excess to Fund Balance	28,652,062	25,312,043	16,700,840	16,939,258	19,799,333
Fund Balance, January 1	34,364,190	26,052,147	26,351,307	27,412,049	27,612,716
	63,016,252	51,364,190	43,052,147	44,351,307	47,412,049
Decreased by:					
Utilization as Anticipated Revenue	18,000,000	17,000,000	17,000,000	18,000,000	20,000,000
Fund Balance, December 31	45,016,252	34,364,190	26,052,147	26,351,307	27,412,049

COUNTY OF PASSAIC

COMPARATIVE BALANCE SHEETS - GENERAL CAPITAL FUND

	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014	Balance December 31, 2013	Balance December 31, 2012
ASSETS					
Cash	76,971,629	36,542,805	42,414,633	41,910,990	39,614,455
Grants Receivable				1,975,000	1,975,000
State Aid	91,646,516	103,539,223	74,347,561	71,814,412	72,544,266
Due From Current Fund		63,509		2,186	2,003,630
Deferred Charges to Future Taxation					
Funded	312,699,612	312,657,798	337,463,114	340,087,728	376,441,832
Unfunded	158,396,104	151,588,274	153,607,707	148,022,789	146,562,379
Total Assets	639,713,861	604,391,609	607,833,015	603,813,105	639,141,562
LIABILITIES, RESERVES AND FUND BALANCE					
Serial Bonds	234,825,000	231,964,000	254,396,000	254,095,000	287,481,000
Loan Payable	234,612	278,798	322,113	702,728	1,240,832
Bond Anticipation Notes	108,950,000	80,930,000	64,488,000	68,110,000	43,222,000
Improvement Authorizations					
Funded	44,156,308	64,934,499	47,063,961	23,907,701	47,783,208
Unfunded	85,532,816	66,929,947	72,134,103	66,388,077	80,645,831
Capital leases Payable	77,640,000	80,415,000	82,745,000	85,290,000	87,720,000
Accounts Payable					264,927
Encumbrances Payable	45,651,462	36,796,788	42,507,297	55,243,147	43,831,516
Due to Current Fund			88,010		
Capital Improvement Fund	2,306	15,346	16,596	367,954	202,954
Other Reserves	36,520,726	37,384,050	39,883,950	44,664,139	40,745,303
Reserve for Final Payments and Litigation	160,258	160,258	160,258	160,258	160,258
Due to Township of Wayne				1,100	1,100
Reserve for EFA Funding				500,000	500,000
Fund Balance	6,040,373	4,582,923	4,027,727	4,383,001	5,342,633
Total Liabilities, Reserves and Fund Balance	639,713,861	604,391,609	607,833,015	603,813,105	639,141,562

There were Bonds and Notes Authorized But Not Issued on December 31,2016, 2015, 2014, 2013, and 2012 of $49,480,363,$71,428,760, $89,119,708,$ 80,261,164 and $ 103,602,115 respectively.

COUNTY OF PASSAIC

COMPARATIVE STATEMENTS OF FUND BALANCE

	Balance December 31, 2016	Balance December 31, 2015	Balance December 31, 2014	Balance December 31, 2013	Balance December 31, 2012
Balance, January 1,	4,582,923	4,027,727	4,383,001	5,342,633	5,657,333
Increased by:					
Premiums on Bond/Note Sales	1,410,958	1,361,675	1,622,106		765,403
Cancellation of Improvement Authorizations	3,063,593	1,225,521	239,697	1,338,660	
Cancellation of Outstanding Checks				118	
	9,057,474	6,614,923	6,244,804	6,681,411	6,422,736
Decreased by:					
Cancellation of Old Receivables	2,028,015				
Reclassification of Improvement Authorization Balances				798,410	
Premium/State Share	14,086	32,000	217,077		80,103
Realized as Current Fund Miscellaneous Revenue	975,000	2,000,000	2,000,000	1,500,000	1,000,000
Balance, December 31,	6,040,373	4,582,923	4,027,727	4,383,001	5,342,633

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

FORMS OF CONTINUING DISCLOSURE DOCUMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of December 1, 2017 by the County of Passaic, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

W I T N E S S E T H:

WHEREAS, the Issuer is issuing its General Obligation Bonds, Series 2017, consisting of $7,385,000 General Improvement Bonds, Series 2017A, $36,000,000 County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c. 72), and $1,015,000 County Vocational School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c. 72), dated December 7, 2017 in the aggregate principal amount of $44,400,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to various bond ordinances adopted by the Issuer and a bond resolution adopted by the Issuer on October 24, 2017; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board; and

WHEREAS, the Issuer represented in its Notice of Sale dated November 20, 2017 (the "Notice of Sale") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and event notices required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on November 28, 2017, the Issuer accepted the bid of Roosevelt & Cross, Inc. and Associates, on behalf of itself and each of the original underwriters for the Bonds (each, a "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Issuer	Rule 15c2-12
Notice of Sale	SEC
	Securities and Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

"Annual Report" means Financial Statements and Operating Data provided at least annually.

"Bondholder" or "holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Newark, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

"Disclosure Event" means any event described in subsection 2.1(d) of this Certificate.

"Disclosure Event Notice" means the notice to the MSRB as provided in subsection 2.4(a).

"Disclosure Representative" means the Director of Finance of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

"Dissemination Agent" means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

"Final Official Statement" means the final Official Statement of the Issuer dated November 28, 2017 pertaining to the Bonds.

"Financial Statements" means the audited financial statements of the Issuer for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

"Fiscal Year" means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

"GAAS" means generally accepted auditing standards as in effect from time to time, consistently applied.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Operating Data" means certain financial and statistical information of the Issuer, which for purposes of this Certificate shall include the financial and statistical information consisting of (i) County indebtedness including a schedule of outstanding debt issued by the County, (ii) property valuation information, and (iii) tax rate, levy and collection data.

"State" means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term "or" shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than October 1 of each Fiscal Year, commencing after the Fiscal Year ending December 31, 2017, an Annual Report to the MSRB; Notwithstanding the foregoing, if the Fiscal Year is not a calendar year then the Issuer shall provide the Annual Report by not later than the first day of the tenth month of each Fiscal Year;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If audited Financial Statements are not submitted as part of the filing as set forth in subsection 2.1(a), the Issuer will submit unaudited financial statements with such filing, and will subsequently submit audited Financial Statements when and if available, to the MSRB;

(d) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a "Disclosure Event");

(i) principal and interest delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders; if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to principles prescribed by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey pursuant to chapter 5 of Title 40A of the New Jersey Statutes as in effect from time to time.

(b) Financial Statements prepared annually shall be audited in accordance with GAAS.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements of the Issuer or related public entities which have been submitted to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The audited Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided to the MSRB.

Section 2.5 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carry out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

ARTICLE III

DISCLOSURE DEFAULT AND REMEDIES

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, County Administration Building, 401 Grand Street, Paterson, New Jersey 07505, Attention: Richard Cahill.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

(i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10)) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE COUNTY OF PASSAIC, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

[SEAL] **THE COUNTY OF PASSAIC, NEW JERSEY**

By:_________________________________
Richard Cahill, Director of Finance

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") dated as of December 1, 2017 by the County of Passaic, New Jersey, a public body corporate and politic of the State of New Jersey (the "Issuer") is executed and delivered in connection with the issuance of the Issuer's $54,045,000 principal amount of Bond Anticipation Notes, Series 2017A (Tax-Exempt) (the "Notes"). Capitalized terms used in this Undertaking shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

THE UNDERTAKING

Section 1.1. Purpose. This Undertaking shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered solely to assist the successful bidder in complying with subsection (b)(5) of the Rule.

Section 1.2. Disclosure Event Notices. If a Disclosure Event occurs, the Issuer shall provide, in a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events, a Disclosure Event Notice to the MSRB.

Section 1.3. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.4. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Disclosure Event Notice, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Disclosure Event Notice in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Disclosure Event Notice.

ARTICLE II

OPERATING RULES

Section 2.1. Disclosure Event Notices. Each Disclosure Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

Section 2.2. Transmission of Notices. Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's notices.

ARTICLE III

TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Termination. (a) The Issuer's obligations under this Undertaking shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Undertaking, or any of the provisions hereof, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Undertaking may be amended, in writing, without the consent of the holders of the Notes (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Undertaking and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) In addition to subsection (a) above, this Undertaking may be amended and any provision of this Undertaking may be waived, in writing, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Undertaking which is applicable to this Undertaking, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Undertaking shall inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Undertaking.

(b) Except as provided in this subsection (b), the provisions of this Undertaking shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide notices, by any holder of outstanding Notes, or (ii) in the case of challenges to the adequacy of the notices so provided, by the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. The holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Undertaking shall not constitute a default with respect to the Notes.

(d) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

DEFINITIONS

Section 4.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Counsel" means Gibbons P.C. or other nationally recognized bond counsel or counsel expert in federal securities laws.

(2) "Disclosure Event" means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

(i) principal and interest delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(vii) modifications to rights of Noteholders; if material;

(viii) Note calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Note, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(3) "Disclosure Event Notice" means notice of a Disclosure Event.

(4) "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

(5) "Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule.

(6) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(7) "SEC" means the United States Securities and Exchange Commission.

(8) "State" means the State of New Jersey.

IN WITNESS WHEREOF, THE COUNTY OF PASSAIC, NEW JERSEY has caused this Undertaking to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

[SEAL] **THE COUNTY OF PASSAIC, NEW JERSEY**

By:___________________________________
Richard Cahill, Director of Finance

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") dated as of December 1, 2017 by the County of Passaic, New Jersey, a public body corporate and politic of the State of New Jersey (the "Issuer") is executed and delivered in connection with the issuance of the Issuer's $24,730,000 principal amount of Bond Anticipation Notes, Series 2017B (Federally Taxable) (the "Notes"). Capitalized terms used in this Undertaking shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

THE UNDERTAKING

Section 1.1. Purpose. This Undertaking shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered solely to assist the successful bidder in complying with subsection (b)(5) of the Rule.

Section 1.2. Disclosure Event Notices. If a Disclosure Event occurs, the Issuer shall provide, in a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events, a Disclosure Event Notice to the MSRB.

Section 1.3. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.4. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Disclosure Event Notice, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Disclosure Event Notice in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Disclosure Event Notice.

ARTICLE II

OPERATING RULES

Section 2.1. Disclosure Event Notices. Each Disclosure Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

Section 2.2. Transmission of Notices. Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's notices.

ARTICLE III

TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Termination. (a) The Issuer's obligations under this Undertaking shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Undertaking, or any of the provisions hereof, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Undertaking may be amended, in writing, without the consent of the holders of the Notes (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Undertaking and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) In addition to subsection (a) above, this Undertaking may be amended and any provision of this Undertaking may be waived, in writing, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Undertaking which is applicable to this Undertaking, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Undertaking shall inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Undertaking.

(b) Except as provided in this subsection (b), the provisions of this Undertaking shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide notices, by any holder of outstanding Notes, or (ii) in the case of challenges to the adequacy of the notices so provided, by the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. The holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Undertaking shall not constitute a default with respect to the Notes.

(d) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

DEFINITIONS

Section 4.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Counsel" means Gibbons P.C. or other nationally recognized bond counsel or counsel expert in federal securities laws.

(2) "Disclosure Event" means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

(i) principal and interest delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(vii) modifications to rights of Noteholders; if material;

(viii) Note calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Note, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(3) "Disclosure Event Notice" means notice of a Disclosure Event.

(4) "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

(5) "Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule.

(6) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(7) "SEC" means the United States Securities and Exchange Commission.

(8) "State" means the State of New Jersey.

IN WITNESS WHEREOF, THE COUNTY OF PASSAIC, NEW JERSEY has caused this Undertaking to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

[SEAL] **THE COUNTY OF PASSAIC, NEW JERSEY**

By:___________________________________
Richard Cahill, Director of Finance

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF GIBBONS P.C. FOR THE BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

December __, 2017

Board of Chosen Freeholders of
County of Passaic, New Jersey
Paterson, New Jersey 07505

Dear Board Members:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Passaic, State of New Jersey (the "County"), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale by the County of its $44,400,000 aggregate principal amount of General Obligation Bonds, Series 2017, consisting of $7,385,000 General Improvement Bonds, Series 2017A (the "Series 2017A Bonds"), $36,000,000 County Vocational School Bonds, Series 2017B (New Jersey School Bond Reserve Act, P.L. 1980, c. 72) (the "Series 2017B Bonds"), and $1,015,000 County Vocation School Bonds, Series 2017C (New Jersey School Bond Reserve Act, P.L. 1980, c.72) (the "Series 2017C Bonds," and together with the Series 2017A Bonds and the Series 2017B Bonds, the "Bonds"), dated the date of delivery.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law), and where appropriate, Title 18A, Education of the New Jersey Statutes, as amended (the "Education Law"), a resolution of the Board of Chosen Freeholders adopted on October 24, 2017 (the "Resolution") and by virtue of various bond ordinances of the County (the "Bond Ordinances").

Each of the Bonds is dated the date of the delivery, bears interest at the interest rate set forth on the inside front cover of the Official Statement relating to the Bonds and matures on December 1 in the years and in the principal amounts as set forth below.

Year	Series 2017A Bonds	Series 2017B Bonds	Series 2017C Bonds
2018	$405,000	$1,245,000	$65,000
2019	425,000	1,295,000	70,000
2020	440,000	1,345,000	75,000
2021	450,000	1,395,000	80,000
2022	470,000	1,445,000	85,000
2023	490,000	1,495,000	90,000
2024	515,000	1,555,000	95,000
2025	545,000	1,600,000	100,000
2026	555,000	1,695,000	115,000
2027	575,000	1,755,000	120,000
2028	595,000	1,820,000	120,000
2029	615,000	1,895,000	-
2030	645,000	1,945,000	-
2031	660,000	1,995,000	-
2032	-	2,090,000	-

2033	-	2,095,000	-
2034	-	2,195,000	-
2035	-	2,385,000	-
2036	-	2,370,000	-
2037	-	2,385,000	-

The Bonds are subject to redemption prior to maturity.

We have examined the Local Bond Law, the Education Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, the Education Law and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are valid and legally binding obligations of the County.

2. The County has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Bonds.

4. Under existing law, interest on the Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The County has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Bonds, as to various tax requirements. In addition, the County has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the County with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Bonds.

Our opinion concerning the enforceability of the Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States 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 laws or judicial decisions hereafter enacted or rendered. Our engagement by the County with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

GIBBONS P.C.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORMS OF APPROVING LEGAL OPINIONS OF GIBBONS P.C. FOR THE NOTES

[THIS PAGE INTENTIONALLY LEFT BLANK]

December __, 2017

Board of Chosen Freeholders of
County of Passaic, New Jersey
Paterson, New Jersey 07505

Dear Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Passaic, in the State of New Jersey (the "County"), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale of $54,045,000 aggregate principal amount of the County's Bond Anticipation Notes, Series 2017A (Tax-Exempt) (the "Notes"). The Notes are issued in registered form without coupons, are dated the date of delivery, bear interest at the rate of Two and Fifty Hundredths Percent (2.50%) per annum and are payable at maturity on December 6, 2018. The Notes are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), and where appropriate, Title 18A, Education, of the New Jersey Statutes (the "Education Law"), the various bond ordinances referred to therein each in all respects duly approved and published as required by law, and an award certificate of the Director of Finance executed November 28, 2017.

The Notes are temporary obligations issued in anticipation of the issuance of bonds.

We have examined the Local Bond Law, the Education Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, the Education Law and other applicable provisions of law, and that the Notes have been duly authorized, executed and delivered and are valid and legally binding obligations of the County.

2. The County has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of and interest on the Notes, without limitation as to rate or amount.

3. Under existing law, interest on the Notes is excluded from the gross income of the owners of the Notes for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Notes.

4. Under existing law, interest on the Notes and any net gains on the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Notes in order for interest on the Notes to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The County has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Notes, as to various tax requirements. In addition, the County has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Notes to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the County with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Notes from gross income for Federal income tax purposes and with respect to interest on the Notes not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Notes.

Our opinion concerning the enforceability of the Notes is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States 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 laws or judicial decisions hereafter enacted or rendered. Our engagement by the County with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

Gibbons P.C.

December __, 2017

Board of Chosen Freeholders of
County of Passaic, New Jersey
Paterson, New Jersey 07505

Dear Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Chosen Freeholders of the County of Passaic, in the State of New Jersey (the "County"), including ordinances, affidavits and certificates delivered by officials of the County, and other proofs submitted to us relative to the issuance and sale of $24,730,000 aggregate principal amount of the County's Bond Anticipation Notes, Series 2017B (Federally Taxable) (the "Notes"). The Notes are issued in registered form without coupons, are dated the date of delivery, bear interest at the rate of Two and Zero Hundredths Percent (2.00%) per annum and are payable at maturity on December 6, 2018. The Notes are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), the bond ordinance referred to therein in all respects duly approved and published as required by law and an award certificate of the Director of Finance executed November 28, 2017.

The Notes are temporary obligations issued in anticipation of the issuance of bonds.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law and other applicable provisions of law, and that the Notes have been duly authorized, executed and delivered and are valid and legally binding obligations of the County.

2. The County has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the County for the payment of the principal of and interest on the Notes, without limitation as to rate or amount.

3. Under existing law, interest on the Notes is included in gross income of the owners of the Notes for Federal income tax purposes.

4. Under existing law, interest on the Notes and any net gains on the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the County other than the certified copies of the proceedings and proofs hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Notes.

Our opinion concerning the enforceability of the Notes is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States 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 laws or judicial decisions hereafter enacted or rendered. Our engagement by the County with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

Gibbons P.C.

[THIS PAGE INTENTIONALLY LEFT BLANK]