

**BOROUGH OF NORTH ARLINGTON  
BERGEN COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS -  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2013**

# BOROUGH OF NORTH ARLINGTON

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Council Members  
of the Borough of North Arlington, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the individual funds and account group of the Borough of North Arlington (the “Borough”), State of New Jersey as of December 31, 2013 and 2012 and the related notes to the financial statements which collectively comprise the Borough’s 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 financial reporting provisions and accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 misstatement, whether due to error or fraud.

### Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, audit requirements prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in Note 1, the Borough has prepared these financial statements in accordance with accounting practices prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division.

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.

In addition, the financial statements of the Length of Service Awards Program (LOSAP) Fund have not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represents 50% and 44% percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2013 and 2012.

### **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" paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of North Arlington as of December 31, 2013 and 2012, or changes in financial position or cash flows for the years then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position of each fund type of the Borough of North Arlington, State of New Jersey, as of December 31, 2013 and 2012, and the results of its operations and changes in fund balances of such funds – regulatory basis for the years then ended.

### **Other Matters**

#### *Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough's financial statements as a whole. The Supplementary Schedules, Supporting Data, Schedule of Expenditures of Federal and State Financial Assistance as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014 on our consideration of the Borough of North Arlington, State of New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.



Judith L. Tutela, CPA, RMA No. 522



Livingston, New Jersey  
October 16, 2014

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

**Exhibit A**

	Reference	<u>2013</u>	<u>2012</u>
<b>Current Fund</b>			
Cash and Cash Equivalents	A-4	\$ 2,189,915	\$ 1,007,563
Cash - Change Funds	A-5	200	200
Due From State of New Jersey			
Senior Citizen and Veterans Deductions	A-6	21,337	22,095
Grants Receivable	A-7	335,517	404,991
		<u>2,546,969</u>	<u>1,434,849</u>
<b>Receivables and Other Assets with Full Reserves</b>			
Taxes Receivables	A-8	692,948	466,622
Tax Title Liens Receivable	A-9	15,943	2,993
Due From:			
Animal Control Fund	A-25	9,618	4,961
Payroll Trust	A-25	273,978	264,486
General Capital Fund	A-25	-	5,853
Assessment Trust	A-25	850	1,027
Unemployment Trust	A-25	7,843	43
Other Trust Fund	A-25	-	312
		<u>1,001,180</u>	<u>746,297</u>
<b>Deferred Charges</b>			
Special Emergency Authorization (40A:4-55) Five Year	A-11	750,000	990,000
Overexpenditure of Appropriation	A-12	64,984	-
Overexpenditure of Appropriation Reserve	A-12	10,182	-
Overexpenditure of a Grant Appropriation	A-12	1,775	-
Deficit in Operations	A-12	264,747	225,905
		<u>1,091,688</u>	<u>1,215,905</u>
 Total Assets		 <u>\$ 4,639,837</u>	 <u>\$ 3,397,051</u>

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

		<b>Exhibit A</b>	
		<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Liabilities</b>			
Appropriation Reserves	A-3, A-13	\$ 206,028	\$ 189,869
Encumbrances Payable	A-14	359,282	526,757
Accounts Payable	A-15	12,944	11,769
Appropriated Grants	A-16	381,822	357,256
Unappropriated Grants	A-17	56,051	47,318
Prepaid Taxes	A-18	545,161	200,655
Tax Overpayments	A-19	242,462	143,628
County Added and Omitted	A-22	873	873
Miscellaneous Reserves	A-23	237,274	129,914
Special Emergency Note Payable	A-24	750,000	540,000
Due to General Capital Fund	A-25	290,681	-
Due to Other Trust Fund	A-25	53,364	-
Total Liabilities		<u>3,135,942</u>	<u>2,148,039</u>
Reserve for Receivables		1,001,180	746,297
Fund Balance	A-1	<u>502,715</u>	<u>502,715</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,639,837</u>	<u>\$ 3,397,051</u>

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis  
For the Years Ended December 31, 2013 and 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>Exhibit A-1</b>			
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized			
Miscellaneous Revenue Anticipated	A-2	\$ 4,397,106	\$ 4,973,068
Receipts from Delinquent Taxes	A-2	247,570	536,188
Receipts from Current Taxes	A-2a	40,708,241	39,193,071
Non-Budget Revenues	A-2	90,871	41,811
Other Credits to Income:			
Interfunds Returned	A	6,342	-
Unexpended Balance of Appropriation Reserves	A-13	129,275	308,681
Statutory Excess in Animal Control Fund	A-25	-	789
Cancellation of Tax Overpayments	A-19	23	-
Total Income		<u>45,579,428</u>	<u>45,053,608</u>
<b>Expenditures</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,497,137	6,627,235
Other Expenses	A-3	8,301,569	8,232,114
Capital Improvements	A-3	113,000	113,000
Municipal Debt Service	A-3	2,643,198	2,701,108
Deferred Charges and Statutory Expenditures	A-3	1,938,343	2,147,577
School Taxes	A-20	22,980,691	21,796,370
County Taxes	A-21, A-22	3,395,522	3,499,514
Cancel Receivable Balances Unreserved	A-8	-	333,319
Overexpenditure of Appropriation Reserves	A-12	10,182	-
Overexpenditure of Grant Appropriation	A-2	1,775	-
Refund of Prior Year Revenue	A-4	-	23,340
Senior and Veterans Audit adjustment	A-6	17,471	-
Interfunds Advances	A	21,928	255,936
Total Expenditures		<u>45,920,816</u>	<u>45,729,513</u>
Deficit in Revenue		(341,388)	(675,905)
Adjustment to Income before Surplus:			
Expenditures included above which are by Statute Deferred			
Charges to Budgets of Succeeding Years	A-12	<u>341,388</u>	<u>675,905</u>
Statutory Excess to Surplus		-	-
Fund Balance, January 1		<u>502,715</u>	<u>502,715</u>
		502,715	502,715
Decreased by:			
Utilization as Anticipated Revenue		<u>-</u>	<u>-</u>
Fund Balance, December 31		<u>\$ 502,715</u>	<u>\$ 502,715</u>

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Statements of Revenues - Regulatory Basis  
For the Year Ended December 31, 2013**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<b>Exhibit A-2</b> <u>Excess or</u> <u>(Deficit)</u>
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-2a	\$ 53,000	\$ 59,314	\$ 6,314
Other	A-2a	17,000	16,157	(843)
Fees and Permits	A-2a	34,000	40,027	6,027
Fines and Costs				
Municipal Court	A-10	305,000	322,855	17,855
Interest and Costs on Taxes	A-10	98,000	91,501	(6,499)
Parking Meters	A-10	52,000	41,847	(10,153)
Interest on Investments and Deposits	A-10	9,000	9,540	540
Cable TV Franchise Fees - Comcast	A-10	88,297	88,298	1
Verizon Franchise Fees	A-10	107,148	107,149	1
New Jersey Meadowlands Commission				
Tax Sharing N.J.S.A. 13:17-74	A-10	1,009,037	1,009,027	(10)
Consolidated Municipal Property Tax Relief Aid	A-10	25,563	25,563	-
Energy Receipts Tax (P.L. 1997, Chapter 162 & 167)	A-10	1,044,298	1,044,298	-
Uniform Construction Code Fees	A-10	200,000	218,838	18,838
Municipal Alliance on Alcoholism and Drug Abuse	A-7	11,677	11,677	-
Clean Communities	A-17	20,600	20,600	-
Drunk Driving Enforcement Fund	A-17	540	540	-
Recycling Tonnage Grant	A-17	26,179	26,179	-
Trust Assessment Surplus	A-25	32,000	32,000	-
Payment in Lieu of Taxes - HMDC	A-10	200,000	169,726	(30,274)
Uniform Fire Safety Act	A-10	15,000	17,490	2,490
N.J.M.C. Host Community Fees	A-10	313,000	313,396	396
Third Party Billing - Emergency Medical Services	A-10	270,000	320,773	50,773
Library Pension/Insurance Reimbursement	A-10	38,097	38,097	-
FEMA Reimbursement	A-10	150,000	122,214	(27,786)
Reserve to pay debt service	A-10	250,000	250,000	-
Reserve for the payment of notes	A-10	38,049	-	(38,049)
Total Miscellaneous Revenues		<u>4,407,485</u>	<u>4,397,106</u>	<u>(10,379)</u>
Receipts from Delinquent Taxes		<u>625,000</u>	<u>247,570</u>	<u>(377,430)</u>
Amount to be Raised by Taxes For Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve For Uncollected Taxes		14,657,457	14,347,487	(309,970)
Minimum Library Tax		<u>497,541</u>	<u>497,541</u>	-
	A-2a	15,154,998	14,845,028	(309,970)
Budget Totals		<u>\$ 20,187,483</u>	<u>\$ 19,489,704</u>	<u>\$ (697,779)</u>
Non-Budget Revenues	A-4		90,871	
			<u>\$ 19,721,556</u>	

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Statement of Revenues - Regulatory Basis  
For the Year Ended December 31, 2013**

**Exhibit A-2a**  
Page 1 of 2

	<u>Reference</u>		
<b>Analysis of Realized Revenues</b>			
Allocation of Current Tax Collections			
Revenue from Collections	A-1,A-8	\$	40,708,241
Less: Allocated to School and County Taxes	A-20,A-21,A-22		<u>26,376,213</u>
			14,332,028
Add: Reserve for Uncollected Taxes	A-3		<u>513,000</u>
Amount for Support of Municipal Budget Appropriations		\$	<u><u>14,845,028</u></u>
			Fees and
			Permits -
Licenses - Other:		Licenses -	Other:
		Other:	Other:
Borough Clerk	A-10	\$	5,359
Tax Collector	A-10	-	2,026
Police	A-10	-	1,570
Board of Health	A-10	10,798	6,436
Recreation	A-10	-	17,875
		<u>16,157</u>	<u>12,120</u>
		\$	\$
		<u><u>16,157</u></u>	<u><u>40,027</u></u>
		A-2	A-2
Interest on Investments and Deposits			
Current Fund		\$	8,909
Due from General Capital Fund	A-25		59
Due from Other Trust Fund	A-25		391
Due from Assessment Trust Fund	A-25		23
Due from Animal Control Trust Fund	A-25		3
Due from Other Trust Fund -Payroll	A-25		89
Due from Unemployment Insurance Trust Fund	A-25		66
			<u>9,540</u>
			<u><u>9,540</u></u>
			A-10
Interest and Costs on Taxes			
Cash Receipts	A-10	\$	90,346
Due from Assessment Trust Fund	B-11		<u>1,155</u>
		\$	<u><u>91,501</u></u>

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Statement of Revenues - Regulatory Basis  
For the Year Ended December 31, 2013**

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**Exhibit A-2a**

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**Analysis of Non-Budget Revenues**

Tax Sale Premium	\$	12,700
Insurance Dividend		32,591
Police Evidence		702
Payment in Lieu of Taxes		1,832
Other Miscellaneous		8,070
FEMA Reimbursement		32,286
Administration Fee - Seniors and Veterans		<u>2,690</u>
	A-2	\$ <u><u>90,871</u></u>

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
<b>Operations - Within "CAPS"</b>						
Administrative and Executive						
Salaries and Wages	\$ 210,000	\$ 179,150	\$ 179,140	\$ 10	\$ -	\$ -
Other Expenses	157,000	174,275	174,226	49	-	-
Borough Council						
Salaries and Wages	51,600	51,600	51,328	272	-	-
Elections						
Salaries and Wages	3,800	1,300	-	1,300	-	-
Other Expenses	1,000	1,000	939	61	-	-
Financial Administration						
Salaries and Wages	25,700	17,050	17,021	29	-	-
Other Expenses	200,500	268,040	264,097	3,943	-	-
Collection of Taxes						
Salaries and Wages	12,900	12,900	12,860	40	-	-
Other Expenses	86,700	86,700	86,277	423	-	-
Assessment of Taxes						
Salaries and Wages	24,200	24,200	24,165	35	-	-
Other Expenses	1,500	1,780	1,777	3	-	-
Legal Services and Costs						
Salaries and Wages	65,000	70,010	70,001	9	-	-
Other Expenses	200,000	228,775	235,197	-	-	6,422
Engineering Services and Costs						
Other Expenses	60,000	60,170	70,606	-	-	10,436
Planning Board						
Salaries and Wages	4,700	-	-	-	-	-
Other Expenses	2,150	3,650	3,184	466	-	-
Zoning Commission						
Salaries and Wages	9,000	9,100	8,318	782	-	-
Other Expenses	1,000	1,820	1,820	-	-	-

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Rent Leveling Board						
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Expenses	2,600	2,600	2,500	100	-	-
<b>Public Safety</b>						
Police Department						
Salaries and Wages	3,810,000	3,578,000	3,563,853	14,147	-	-
Other Expenses	210,000	199,700	172,896	26,804	-	-
Emergency Medical Transportation						
Salaries and Wages	372,000	379,000	378,951	49	-	-
Police Dispatch / 911						
Salaries and Wages	300,000	279,000	273,001	5,999	-	-
Crossing Guards						
Salaries and Wages	232,000	232,000	228,764	3,236	-	-
Office of Emergency Management						
Other Expenses	4,000	4,000	2,899	1,101	-	-
Fire Department						
Other Expenses	169,600	169,600	166,775	2,825	-	-
Volunteer Emergency Squad						
Other Expenses	71,000	86,600	86,540	60	-	-
Uniform Fire Safety Act P.L. Ch. 1983-383-						
Fire Official						
Salaries and Wages	6,000	6,000	6,000	-	-	-
Other Expenses	6,500	6,500	6,466	34	-	-
Municipal Prosecutor						
Salaries and Wages	15,000	15,001	15,001	-	-	-
<b>Street and Roads</b>						
Road Repair and Maintenance						
Salaries and Wages	818,000	934,000	933,918	82	-	-
Other Expenses	216,000	231,500	246,361	-	-	14,861

**Continuing Page 2 of 8**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Snow Removal						
Salaries and Wages	\$ 44,125	\$ 53,565	\$ 53,564	\$ 1	\$ -	\$ -
Other Expenses	56,115	56,115	31,146	24,969	-	-
Shade Tree						
Other Expenses	85,000	72,000	71,907	93	-	-
Sanitation						
Garbage & Trash Removal Contract	420,000	420,000	416,002	3,998	-	-
Public Building and Grounds						
Other Expenses	253,500	263,780	269,830	-	-	6,050
Recycling Program						
Other Expenses - Contractual	162,000	162,000	158,001	3,999	-	-
<b>Health and Human Services</b>						
Board of Health						
Salaries and Wages	158,000	145,000	144,177	823	-	-
Other Expenses	61,000	61,000	57,929	3,071	-	-
Juvenile Conference Committee						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Dog Warden						
Other Expenses	14,000	14,000	14,000	-	-	-
<b>Park and Recreation</b>						
Recreation						
Salaries and Wages	11,000	7,500	7,500	-	-	-
Other Expenses	60,000	62,050	65,792	-	-	3,742
Celebration of Public Events						
Other Expenses	4,700	4,700	4,700	-	-	-
Youth Center						
Salaries and Wages	75,000	80,760	80,752	8	-	-
Other Expenses	8,000	4,000	3,690	310	-	-

**Continuing Page 3 of 8**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Senior Citizen Services						
Salaries and Wages	\$ 28,500	\$ 28,500	\$ 27,865	\$ 635	\$ -	\$ -
Other Expenses	3,700	3,700	2,839	861	-	-
Municipal Court						
Salaries and Wages	166,000	158,000	157,935	65	-	-
Other Expenses	12,500	12,500	11,851	649	-	-
Public Defenders (P.L. 1997, C.256)						
Salaries and Wages	10,000	10,001	10,001	-	-	-
Accumulated Leave	50,000	50,000	50,000	-	-	-
<b>Code Enforcement and Administration</b>						
Uniform Construction Code Enforcement Functions						
Construction Code Officials						
Salaries and Wages	195,000	225,500	225,199	301	-	-
Other Expenses	7,000	7,000	7,080	-	-	80
<b>UNCLASSIFIED-</b>						
Insurance						
Unemployment	20,000	20,000	-	20,000	-	-
General Liability Insurance	370,000	370,000	369,002	998	-	-
Worker's Compensation Insurance	372,500	372,500	371,589	911	-	-
Employee Group Insurance	2,036,256	2,024,954	2,047,105	-	-	22,151
Utility Expenses						
Gasoline	120,000	126,000	125,970	30	-	-
Electricity	190,000	192,200	192,187	13	-	-
Telephone	98,000	110,000	109,479	521	-	-
Street Lighting	250,000	250,000	246,520	3,480	-	-
Water	11,000	12,400	13,130	-	-	730

**Continuing Page 4 of 8**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Prior Year Bills						
Streets and Sewer	\$ 28,771	\$ 28,771	\$ 28,771	\$ -	\$ -	\$ -
Shade Tree	28,625	28,625	28,625	-	-	-
Buildings and Grounds	6,457	6,457	6,457	-	-	-
<b>Total Operations - Within "CAPS"</b>	<u>12,766,199</u>	<u>12,758,599</u>	<u>12,695,476</u>	<u>127,595</u>	<u>-</u>	<u>64,472</u>
<b>Detail:</b>						
<b>Salaries and Wages</b>	6,647,525	6,497,137	6,469,314	27,823	-	-
<b>Other Expenses (Including Contingent)</b>	6,118,674	6,261,462	6,226,162	99,772	-	64,472
<b>Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"</b>						
Deferred Charges						
Operating Deficit	225,605	225,605	225,605	-	-	-
Statutory Charges						
Social Security System (O.A.S.I.)	297,999	305,599	279,759	25,840	-	-
Police and Firemen's Retirement System	843,312	843,312	843,312	-	-	-
Public Employees Retirement System	302,315	302,315	271,240	31,075	-	-
Defined Contribution Retirement Plan (DCRP)	1,000	1,000	1,512	-	-	512
<b>Total Deferred Charges &amp; Statutory Expenditures - Municipal - Within "CAPS"</b>	<u>1,670,231</u>	<u>1,677,831</u>	<u>1,621,428</u>	<u>56,915</u>	<u>-</u>	<u>512</u>
<b>Total General Appropriations for Municipal Purposes within "CAPS"</b>	<u>14,436,430</u>	<u>14,436,430</u>	<u>14,316,904</u>	<u>184,510</u>	<u>-</u>	<u>64,984</u>
<b>Operations - Excluded from "CAPS"</b>						
Lyndhurst - North Arlington Joint Meeting						
Share of Operating Costs	176,000	176,000	175,986	14	-	-
Maintenance of Free Public Library	497,541	497,541	476,040	21,501	-	-

**Continuing Page 5 of 8**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Passaic Valley Sewerage Commission						
Share of Operating Costs	\$ 1,080,500	\$ 1,080,500	\$ 1,080,497	\$ 3	\$ -	\$ -
Length of Service Award Program- (N.J.S.A. 40A-45.3)						
Contribution	92,000	92,000	92,000	-	-	-
Employee Group Insurance	67,598	67,598	67,598	-	-	-
<b>Total Other Operations - Excluded from "CAPS"</b>	<u>1,913,639</u>	<u>1,913,639</u>	<u>1,892,121</u>	<u>21,518</u>	<u>-</u>	<u>-</u>
<b>Public and Private Programs Offset by Revenues</b>						
Municipal Alliance Against Alcohol and Drug Abuse						
Other Expenses	11,677	11,677	11,677	-	-	-
Other Expenses - Local Match	3,000	3,000	3,000	-	-	-
Drunk Driving Enforcement Fund	540	540	540	-	-	-
Clean Communities	20,600	20,600	20,600	-	-	-
Recycling Tonnage	26,179	26,179	26,179	-	-	-
<b>Total Public and Private Programs Offset         by Revenues</b>	<u>61,996</u>	<u>61,996</u>	<u>61,996</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Operations - Excluded from "CAPS"</b>	<u>1,975,635</u>	<u>1,975,635</u>	<u>1,954,117</u>	<u>21,518</u>	<u>-</u>	<u>-</u>
<b>Detail:</b>						
<b>Salaries and Wages</b>	-	-	-	-	-	-
<b>Other Expenses (Including Contingent)</b>	1,975,635	1,975,635	1,954,117	21,518	-	-
<b>Capital Improvements - Excluded from "CAPS"</b>						
Capital Improvement Fund	113,000	113,000	113,000	-	-	-
<b>Total Capital Improvements - Excluded from "CAPS"</b>	<u>\$ 113,000</u>	<u>\$ 113,000</u>	<u>\$ 113,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continuing Page 6 of 8

**BOROUGH OF NORTH ARLINGTON**

**Current Fund**

**Statement of Expenditures - Regulatory Basis**

**For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
<b>Municipal Debt Service - Excluded from "CAPS"</b>						
Payment of Bond Principal	\$ 1,886,272	\$ 1,886,272	\$ 1,735,000	\$ -	\$ 151,272	\$ -
Payment of Bond Anticipation Notes and Capital Notes	237,500	237,500	200,000	-	37,500	-
Interest on Bonds	634,765	634,765	586,893	-	47,872	-
Interest on Notes	90,165	90,165	84,105	-	6,060	-
Interest on Special Emergency Note	8,100	8,100	8,100	-	-	-
N.J. Wastewater Treatment Trust Loan	32,616	32,616	29,100	-	3,516	-
<b>Total Municipal Debt Service - Excluded from "CAPS"</b>	<u>2,889,418</u>	<u>2,889,418</u>	<u>2,643,198</u>	<u>-</u>	<u>246,220</u>	<u>-</u>
<b>Deferred Charges - Municipal - Excluded from "CAPS"</b>						
Deferred Charges						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	240,000	240,000	240,000	-	-	-
Deferred Charges to Future Taxation - Unfunded Ordinances	20,000	20,000	20,000	-	-	-
<b>Total Deferred Charges - Municipal - Excluded from "CAPS"</b>	<u>260,000</u>	<u>260,000</u>	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total General Appropriations for Municipal Purposes Excluded from "CAPS"</b>	<u>3,262,418</u>	<u>3,262,418</u>	<u>3,016,198</u>	<u>-</u>	<u>246,220</u>	<u>-</u>
<b>Total General Appropriations - Excluded from "CAPS"</b>	<u>5,238,053</u>	<u>5,238,053</u>	<u>4,970,315</u>	<u>21,518</u>	<u>246,220</u>	<u>-</u>
<b>Subtotal General Appropriations</b>	<u>19,674,483</u>	<u>19,674,483</u>	<u>19,287,219</u>	<u>206,028</u>	<u>246,220</u>	<u>64,984</u>
Reserve for Uncollected Taxes	513,000	513,000	513,000	-	-	-
<b>Total General Appropriations</b>	<u>\$ 20,187,483</u>	<u>\$ 20,187,483</u>	<u>\$ 19,800,219</u>	<u>\$ 206,028</u>	<u>\$ 246,220</u>	<u>\$ 64,984</u>
				A		A-12

**Continuing Page 7 of 8**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Statement of Expenditures - Regulatory Basis  
For the Year Ended December 31, 2013**

**Exhibit A-3**

	APPROPRIATED		EXPENDED		Unexpended Balance Cancelled	Over- expended Balance
	Budget	Budget After Modification	Paid or Charged	Reserved		
Cash Disbursements		A-4	\$ 18,268,708			
Encumbrances		A-14	355,932			
Due To General Capital Fund		A-25	133,000			
From Trust Assessment		A-25	(48,728)			
Accumulated Leave		A-23	50,000			
Reserve for Uncollected Taxes		A-2	513,000			
Deferred Charges		A-12	240,000			
Deferred Charges - Operating Deficit		A-12	225,605			
Grants		A-16	61,996			
Adjustment - Grant Fund			706			
			<u>\$ 19,800,219</u>			
			Above			

See accompanying notes.

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

**Exhibit B**  
Page 1 of 2

		<u>2013</u>	<u>2012</u>
<b>Assets</b>			
	<u>Reference</u>		
<b>Animal Control Fund</b>			
Cash	B-4	\$ 16,608	\$ 14,896
<b>Assessment Trust Fund</b>			
Cash	B-4, B-5	498,969	548,425
Assessments Receivable	B-6	23	31,441
		<u>498,992</u>	<u>579,866</u>
<b>Other Trust Fund</b>			
Cash	B-4	752,841	696,947
Due to Current Fund	B-13	53,364	-
		<u>806,205</u>	<u>696,947</u>
<b>Unemployment Insurance Trust Fund</b>			
Cash	B-4	19,028	30,747
		<u>19,028</u>	<u>30,747</u>
<b>Length of Service Awards Program (Unaudited)</b>			
Investments	B	1,242,350	960,850
Contributions Receivable	B	93,150	92,000
		<u>1,335,500</u>	<u>1,052,850</u>
<b>Total Assets</b>		<u>\$ 2,676,333</u>	<u>\$ 2,375,306</u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

**Exhibit B**  
Page 2 of 2

		<u>2013</u>	<u>2012</u>
<b>Liabilities, Reserves And Fund Balance</b>			
	<u>Reference</u>		
<b>Animal Control Fund</b>			
Due to Current Fund	B-10	\$ 9,618	\$ 4,961
Due to State of New Jersey	B-9	4	-
Reserve for Animal Control Expenditures	B-8	6,986	9,935
		<u>16,608</u>	<u>14,896</u>
<b>Assessment Trust Fund</b>			
Assessment Bonds Payable	B-19	465,973	514,701
Reserve for Assessment Receivables	B-7	23	31,441
Due to Current Fund	B-11	850	1,026
Assessment Overpayment	B-12	30	-
Fund Balance	B-1	32,116	32,698
		<u>498,992</u>	<u>579,866</u>
<b>Other Trust Fund</b>			
Due to Current Fund- Other Trust Fund	B-13	-	338
Due to Current Fund- Other Trust Fund - Payroll	B-17	273,978	264,486
Payroll and Payroll Deductions Payable	B-16	3,435	4,109
Reserve for Library	B-18	51,979	72,091
Miscellaneous Reserves	B-20	476,813	355,923
		<u>806,205</u>	<u>696,947</u>
<b>Unemployment Insurance Trust Fund</b>			
Due to Current Fund	B-15	7,843	43
Reserve for Unemployment Insurance Benefits	B-14	11,185	30,704
		<u>19,028</u>	<u>30,747</u>
<b>Length of Service Awards Program (Unaudited)</b>			
Net Assets Available for Benefits	B	1,335,500	1,052,850
		<u>1,335,500</u>	<u>1,052,850</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 2,676,333</u>	<u>\$ 2,375,306</u>

**BOROUGH OF NORTH ARLINGTON**

**Assessment Trust Fund  
Comparative Statements of Changes in Fund Balances - Regulatory Basis  
For the Year Ended December 31, 2013**

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	<u>Reference</u>	<b>Exhibit B-1</b>
Balance December 31, 2012	B	\$ 32,698
Increased by:		
Collection of Unpledged Assessments	B-2, B-4	<u>31,418</u> 64,116
Decreased by:		
Anticipated as Revenue in the Current Fund Budget	B-11	<u>32,000</u>
Balance December 31, 2013	B	\$ <u><u>32,116</u></u>

**Statement of Revenues - Regulatory Basis**

**Exhibit B-2**

		<u>Budget Revenues</u>	<u>Realized</u>
Assessment Cash		\$ <u>32,000</u>	\$ <u>31,418</u>
	<u>Ref</u>	B-3	B-1

**Statement of Expenditures - Regulatory Basis**

**Exhibit B-3**

		<u>Budget Appropriations</u>	<u>Expenditures</u>
Assessment Cash		\$ <u>32,000</u>	\$ <u>32,000</u>
	<u>Ref</u>	B-2	B-11

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

**Exhibit C**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash	C-2, C-3	\$ 2,036,795	\$ 642,595
Grants Receivable	C-4	581,013	786,042
Due from Current Fund	C-6	290,681	-
Deferred Charges to Future Taxation			
Funded	C-5	19,440,077	13,722,733
Unfunded	C-9	<u>375,243</u>	<u>6,939,206</u>
<b>Total Assets</b>		<u>\$ 22,723,809</u>	<u>\$ 22,090,576</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 19,403,028	\$ 13,655,300
Bond Anticipation Notes	C-11	-	5,607,000
Loans Payable	C-12	37,049	67,433
Contracts Payable	C-7	460,865	583,891
Capital Improvement Fund	C-8	70,712	23,194
Due to Current Fund	C-6	-	5,853
Reserves:			
Grants Receivable	C-4	123,097	342,578
Improvement Authorizations:			
Funded	C-13	32,924	52,168
Unfunded	C-13	2,376,135	1,714,947
Fund Balance	C-1	<u>219,999</u>	<u>38,212</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 22,723,809</u>	<u>\$ 22,090,576</u>

There were bonds and notes authorized but not issued of \$375,243 and \$2,177,021 at December 31, 2013 and 2012, respectively (Exhibit C-14).

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund**

**Comparative Statements of Changes in Fund Balances - Regulatory Basis**

**For the Year Ended December 31, 2013**

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**Exhibit C-1**

	<u>Reference</u>		
Balance December 31, 2012	C	\$	38,212
Increased by:			
Premium on Sale of Notes and Bonds	C-6		<u>181,787</u>
Balance December 31, 2013	C	\$	<u><u>219,999</u></u>

**BOROUGH OF NORTH ARLINGTON**

**General Fixed Assets Account Group  
Comparative Balance Sheets - Regulatory Basis  
December 31, 2013 and 2012**

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**Exhibit D**

	<u>2013</u>	<u>2012</u>
<b>GENERAL FIXED ASSETS</b>		
Land	\$ 7,418,400	\$ 7,418,400
Buildings and Improvements	5,492,089	5,201,823
Vehicles and Equipment	<u>7,285,580</u>	<u>6,395,728</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<u>\$ 20,196,069</u>	<u>\$ 19,015,951</u>
 <b>LIABILITIES AND RESERVES</b>		
Investments in General Fixed Assets	<u>\$ 20,196,069</u>	<u>\$ 19,015,951</u>
<b>TOTAL LIABILITIES AND RESERVES</b>	<u>\$ 20,196,069</u>	<u>\$ 19,015,951</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**

## **BOROUGH OF NORTH ARLINGTON**

### **Notes to Financial Statements For the Years Ended December 31, 2013 and 2012**

---

#### **Note 1 – Summary of Significant Accounting Policies**

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

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

#### **A. Reporting Entity**

The Borough of North Arlington (the “Borough”) was incorporated in 1840 and operates under an elected Mayor/Council form of government. The Borough’s major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include all those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component unit can be obtained by contacting the Treasurer of the respective entity.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Borough uses fund accounting 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 Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those funds.

## BOROUGH OF NORTH ARLINGTON

### Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

---

#### Note 1 – Summary of Significant Accounting Policies (Cont.)

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

The Borough has the following funds and account group:

*Current Fund* – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

*Trust Funds* – These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the trust funds.

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

*Assessment Trust Fund* – This fund is used to account for special benefit assessments levied against properties for specific purposes.

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

*Unemployment Insurance Fund* – This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

*Length of Service Awards Program (LOSAP)* – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

*General Capital Fund* – This fund is used to account for the receipt and disbursement of funds used and financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

*General Fixed Assets Accounting Group* – This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in this account group.

The Borough of North Arlington follows a modified accrual basis of accounting. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

#### **Property Tax Revenues**

Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1.

# BOROUGH OF NORTH ARLINGTON

## Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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### Note 1 – Summary of Significant Accounting Policies (Cont.)

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

##### **Property Tax Revenues (Cont.)**

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installments due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% if the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15, and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

##### **Miscellaneous Revenues**

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 Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measureable and available).

##### **Grant and Similar Award Revenue**

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

##### **Budgets and Budgetary Accounting**

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

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

- Trust Funds (with the exception of the Assessment Trust)
- General Capital Fund

# BOROUGH OF NORTH ARLINGTON

## Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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### Note 1 – Summary of Significant Accounting Policies (Cont.)

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

##### **Budgets and Budgetary Accounting (Cont.)**

The governing body is required to introduce and approve the annual budget no later than February 10 of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

##### **Expenditures**

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

##### **Encumbrances**

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

##### **Appropriate Reserves**

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

##### **Operating Deficits**

Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operative fund at year end and are required to be funded in the succeeding year’s budget. GAAP does not permit the deferral of operating deficits at year end.

##### **Compensated Absences**

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

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 1 – Summary of Significant Accounting Policies (Cont.)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

**Interfunds**

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

**Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**Prepaid Items**

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

**Tax Appeals and Other Contingent Losses**

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

**General Fixed Assets**

In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of North Arlington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

Fixed Assets purchased after December 31, 1986 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1986 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

## **BOROUGH OF NORTH ARLINGTON**

### **Notes to Financial Statements For the Years Ended December 31, 2013 and 2012**

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#### **Note 1 – Summary of Significant Accounting Policies (Cont.)**

##### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

###### **General Fixed Assets (Cont.)**

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

###### **Use of Estimates**

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

###### **Reclassification**

Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

###### **Comparative Data**

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

##### **C. Basic Financial Statements**

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

#### **Note 2 – Deposits and Investments**

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

###### **Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 2 – Deposits and Investments (Cont.)**

**Deposits (Cont.)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough’s deposits were \$5,513,894 and \$2,949,731 and bank and brokerage firm balances of the Borough’s deposits amounting to \$5,914,472 and \$3,157,078, respectively. The Borough’s deposits which are displayed on the various fund balance sheets as “cash” or “cash equivalents” are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 432,274	\$ 340,799
Uninsured	<u>5,482,198</u>	<u>2,816,279</u>
	<u>\$ 5,914,472</u>	<u>\$ 3,157,078</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does have a formal policy for custodial credit risk. As of December 31, 2013 and 2012, the Borough’s bank balances were exposed to custodial credit risk as follows:

**Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15:1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough of school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest in LOSAP Funds with the types of eligible investments authorized in N.J.A.C. 5:30-14.10. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2013 and 2012, the Borough had the following investments:

	<u>Fair Value</u>
<b><u>2013</u></b>	
Lincoln Financial Group (LOSAP) Investment Fund (Unaudited)	<u>\$1,242,350</u>
<b><u>2012</u></b>	
Lincoln Financial Group (LOSAP) Investment Fund (Unaudited)	<u>\$ 960,850</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 2 – Deposits and Investments (Cont.)**

**Investments (Cont.)**

Custodial Credit Risk – Investments – For an investment this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2013 and 2012, \$1,219,396 and \$960,850 of the Borough’s investments were exposed to custodial credit risk as follows:

	<u>Fair Value</u>
<b><u>2013</u></b>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution’s trust Department but not in the Borough’s name (unaudited)	<u>\$1,242,350</u>
<b><u>2012</u></b>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution’s trust Department but not in the Borough’s name (unaudited)	<u>\$ 960,850</u>

Interest Rate Risk – The Borough 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.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2013 and 2012, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial Group. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

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

**Note 3 – Taxes Receivable**

Receivables at December 31, 2013 and 2012 consisted of the following:

<u>Current Fund</u>	<u>2013</u>	<u>2012</u>
Property Taxes	\$ 692,948	\$ 466,622
Tax Title Liens	15,943	2,993
	<u>\$ 708,891</u>	<u>\$ 469,615</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 3 – Taxes Receivable (Cont.)**

In 2013 and 2012, the Borough collected \$247,570 and \$536,188 from delinquent taxes, which represented 97.8% and 99% of the prior year delinquent taxes receivable balance net of cancelled taxes

**Note 4 – Municipal Debt**

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

The Borough’s debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General	\$ 23,072,076	\$ 22,028,733
Bonds, Notes and Loans		
Assessment		
Bonds	<u>465,973</u>	<u>514,701</u>
	23,538,049	22,543,434
Less Funds Temporarily Held to Pay Bonds and Notes	<u>1,097,973</u>	<u>3,213,701</u>
Net Debt Issued	22,440,076	19,329,733
Authorized But Not Issued		
General		
Bonds and Notes	<u>374,821</u>	<u>2,186,180</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 22,814,897</u>	<u>\$ 21,515,913</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 4 – Municipal Debt (Cont.)**

**Statutory Net Debt**

The statement of debt condition that follows indicates a statutory net debt of 1.312% and 1.37% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2013</u></b>			
General Debt	\$ 20,280,870	\$ 465,973	\$ 19,814,897
School Debt	<u>3,632,000</u>	<u>3,632,000</u>	<u>-</u>
Total	<u>\$ 23,912,870</u>	<u>\$ 4,097,973</u>	<u>\$ 19,814,897</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2012</u></b>			
General Debt	\$ 22,030,614	\$ 514,701	\$ 21,515,913
School Debt	<u>2,699,000</u>	<u>2,699,000</u>	<u>-</u>
Total	<u>\$ 24,729,614</u>	<u>\$ 3,213,701</u>	<u>\$ 21,515,913</u>

**Statutory Borrowing Power**

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

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 52,847,719	\$ 54,803,874
Net Debt	<u>19,814,897</u>	<u>21,515,913</u>
Remaining Borrowing Power	<u>\$ 33,032,822</u>	<u>\$ 33,287,961</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 4 – Municipal Debt (Cont.)**

**Statutory Borrowing Power (Cont.)**

Long-Term Debt

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

General Obligation Bonds

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

	<u>2013</u>	<u>2012</u>
\$11,765,000, 2005 B.C.I.A. Refunding Bond, due in annual installments of \$475,000 to \$1,170,000 through September 20, 2018, interest at 2.75% to 5.00%.	\$ 2,535,000	\$ 3,510,000
\$8,720,000, 2005 B.C.I.A. Refunding Bond, due in annual installments of \$315,000 to \$1,535,000 through September 20, 2018, interest at 3.125% to 5.00%	6,735,000	7,415,000
\$390,889, 2005 B.C.I.A. Assessment Bonds, due in annual installments of \$13,682 to \$68,397 through September 20, 2013, interest at 3.125% to 5%.	299,027	330,299
\$2,800,000, 2010 Encap Bond, due in annual installments of \$200,000 through December 15, 2024, interest at 3.00% to 4.25%.	2,200,000	2,400,000
\$7,634,000, 2013 General Obligation Bonds, due in annual installments of \$350,000 to \$609,000 through August 15, 2027, interest at 3.00% to 3.375%.	<u>7,634,000</u>	<u>-</u>
	<u>\$ 19,403,027</u>	<u>\$ 13,655,299</u>

**Assessment Bonds**

The Borough pledges revenue from special benefit assessments to pay debt service on assessment bonds issued. The assessment bonds outstanding at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
\$609,111, 2005 B.C.I.A. Assessment Bonds, due in annual installments of \$21,318 to \$106,605 through September 20, 2018, interest at 3.125% to 5.00%.	\$ <u>465,973</u>	\$ <u>514,701</u>

**General Intergovernmental Loans Payable**

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing related to the Wastewater Treatment Program for the Borough’s Sanitary Sewer System. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued.

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**Note 4 – Municipal Debt (Cont.)**

General intergovernmental loans outstanding at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
\$227,322, 1994 Loan Payable, due in annual installments of \$10,979 to \$12,049 through March 2013, interest free.	\$ 12,049	\$ 22,433
\$228,952, 1994 Loan Payable (Refunded in 1998), due in annual installments of \$20,000 to \$25,000 through March 2014, interest at 5.75% 0 6.37%.	<u>25,000</u>	<u>45,000</u>
	<u>\$ 37,049</u>	<u>\$ 67,433</u>

The Borough’s principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Year	General Bonds		Assessment	General Loans		Total
	Principal	Interest	Principal	Principal	Interest	
2014	\$ 2,287,772	\$ 737,442	\$ 82,228	\$ 37,049	\$ 797	\$ 3,145,288
2015	2,396,681	651,067	88,319	-	-	3,136,067
2016	2,463,635	551,192	91,365	-	-	3,106,192
2017	2,542,544	446,587	97,456	-	-	3,086,587
2018	2,628,395	339,301	106,605	-	-	3,074,301
2019	900,000	229,126	-	-	-	1,129,126
2020	900,000	200,126	-	-	-	1,100,126
2021	875,000	171,126	-	-	-	1,046,126
2022	850,000	142,876	-	-	-	992,876
2023	850,000	115,376	-	-	-	965,376
2024	850,000	87,616	-	-	-	937,616
2025	625,000	59,616	-	-	-	684,616
2026	625,000	40,866	-	-	-	665,866
2027	609,000	20,554	-	-	-	629,554
	<u>\$ 19,403,027</u>	<u>\$ 3,792,871</u>	<u>\$ 465,973</u>	<u>\$ 37,049</u>	<u>\$ 797</u>	<u>\$ 23,699,717</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**Note 4 – Municipal Debt (Cont.)**

**Changes in Long-Term Municipal Debt**

	<b>Balance December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>	<b>Due Within One Year</b>
General Capital Fund					
Bonds Payable	\$ 13,655,300	\$ 7,634,000	\$ 1,886,272	\$ 19,403,028	\$ 2,287,772
Intergovernmental Loans Payable	67,433	-	30,384	37,049	37,049
General Capital Fund Liabilities	<u>\$ 13,722,733</u>	<u>\$ 7,634,000</u>	<u>\$ 1,916,656</u>	<u>\$ 19,440,077</u>	<u>\$ 2,324,821</u>
	<b>Balance December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>	<b>Due Within One Year</b>
Trust Assessment Fund					
Bonds Payable	\$ 514,701	-	48,728	465,973	82,228

**Short Term Debt**

The Borough's short-term capital debt activity for the years 2013 and 2012 was as follows:

	<b>Balance December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>
<b>2013</b>				
Bond Anticipation Notes				
General Capital Fund	\$ 5,607,000	\$ 5,607,000	\$ 11,214,000	\$ -
	<b>Balance December 31, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2012</b>
<b>2012</b>				
Bond Anticipation Notes				
General Capital Fund	\$ 9,829,918	\$ 5,607,000	\$ 9,829,918	\$ 5,607,000

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**Note 4 – Municipal Debt (Cont.)**

**Short Term Debt (Cont.)**

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough’s statutory debt limit calculation is reported in the Current Fund for the years 2013 and 2012 and follows:

	<b>Balance December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>
<b>2013</b>				
Special Emergency Notes	\$ 990,000	\$ -	\$ 240,000	\$ 750,000
	<u>\$ 990,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 750,000</u>
	<b>Balance December 31, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2012</b>
<b>2012</b>				
Tax Anticipation Notes	\$ 4,500,000	\$ -	\$ 4,500,000	\$ -
Special Emergency Notes	770,000	450,000	230,000	990,000
	<u>\$ 5,270,000</u>	<u>\$ 450,000</u>	<u>\$ 4,730,000</u>	<u>\$ 990,000</u>

**Note 5 – Fixed Assets**

**General Fixed Assets**

	<b>Balance December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2013</b>
<b>2013</b>				
Land	\$ 7,418,400	\$ -	\$ -	\$ 7,418,400
Buildings and Building Improvements	5,201,823	290,266	-	5,492,089
Machinery and Equipment	6,395,728	957,502	67,650	7,420,880
	<u>\$ 19,015,951</u>	<u>\$ 1,247,768</u>	<u>\$ 67,650</u>	<u>\$ 20,331,369</u>
	<b>Balance December 31, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2012</b>
<b>2012</b>				
Land	\$ 7,418,400	\$ -	\$ -	\$ 7,418,400
Buildings and Building Improvements	5,058,017	143,806	-	5,201,823
Machinery and Equipment	5,992,798	402,930	-	6,395,728
	<u>\$ 18,469,215</u>	<u>\$ 546,736</u>	<u>\$ -</u>	<u>\$ 19,015,951</u>

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

**Note 6 – Due To/From Other Funds**

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

	<u>2013</u>		<u>2012</u>	
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 292,289	\$ 344,045	\$ 276,708	\$ -
Trust Fund				
Animal Control	-	9,618	-	4,961
Other Trust	53,364	-	-	338
Assessment	-	850	-	1,027
Unemployment	-	7,843	-	43
General Capital Fund	290,681	-	-	5,853
Payroll Trust Fund	-	273,978	-	264,486
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total	\$ <u>636,334</u>	\$ <u>636,334</u>	\$ <u>276,708</u>	\$ <u>276,708</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

**Note 7 – Fund Balances Appropriated**

Under the regulatory basis of accounting, fund balance in the Current Fund and Utility Operating Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year’s budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year’s budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund’s budget for the succeeding year were as follows:

	<u>Fund Balance December 31, 2013</u>	<u>Utilized in Subsequent Year's Budget *</u>	<u>Fund Balance December 31, 2012</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Non-Cash Surplus	\$ <u>502,715</u>	\$ <u>-</u>	\$ <u>502,715</u>	\$ <u>-</u>

\*The 2013 budget has not been adopted as of the date of this audit.

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 8 – Deferred Charges To Be Raised In Succeeding Budgets**

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

	<b>Balance</b>	<b>Subsequent Year</b>	<b>Remaining</b>
	<b>December 31,</b>	<b>Budget</b>	<b>Balance</b>
	<b><u>December 31,</u></b>	<b><u>Appropriation</u></b>	<b><u>Balance</u></b>
<b><u>2013</u></b>			
Current Fund			
Special Emergency Authorization	\$ 750,000	\$ 240,000	\$ 510,000
Operating Deficit	264,747	264,747	-
Overexpenditure of an appropriation	64,984	64,984	-
Overexpenditure of an appropriation reserve	10,182	10,182	-
Overexpenditure of a grant appropriation	1,775	1,775	-
	<u>\$ 1,091,688</u>	<u>\$ 581,688</u>	<u>\$ 510,000</u>
	<b>Balance</b>	<b>Subsequent Year</b>	<b>Remaining</b>
	<b>December 31,</b>	<b>Budget</b>	<b>Balance</b>
	<b><u>December 31,</u></b>	<b><u>Appropriation</u></b>	<b><u>Balance</u></b>
<b><u>2012</u></b>			
Current Fund			
Special Emergency Authorization	\$ 990,000	\$ 240,000	\$ 750,000
Operating Deficit	225,905	225,605	300
	<u>\$ 1,215,905</u>	<u>\$ 465,605</u>	<u>\$ 750,300</u>

**Note 9 – Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,249,583 and \$1,303,224 at December 31, 2013 and 2012, respectively. These amounts which are considered material to the financial statements are not reported either as an expenditure or liability.

As of December 31, 2013 and 2012, the Borough has in reserve \$75,012 and \$50,012, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**Note 10 – Employee Retirement Systems**

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

## BOROUGH OF NORTH ARLINGTON

### Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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#### Note 10 – Employee Retirement Systems (Cont.)

**Police and Firemen’s Retirement Systems (PFRS)** – established in July 1994, under the provisions of NJSA 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

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

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

#### **Other Pension Funds**

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

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems , but are currently suspended as a result of reform legislation.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

#### **Basis of Accounting**

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

## **BOROUGH OF NORTH ARLINGTON**

### **Notes to Financial Statements For the Years Ended December 31, 2013 and 2012**

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#### **Note 10 – Employee Retirement Systems (Cont.)**

##### **Investment Valuation**

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

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

##### **Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of Creditable Service and to attain age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

##### **Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including CPFS, PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded system is 56.7 percent and \$34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

## BOROUGH OF NORTH ARLINGTON

### Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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#### Note 10 – Employee Retirement Systems (Cont.)

##### Funded Status and Funding Progress (Cont.)

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

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

##### Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) from 7.90 percent investment rate of return for all the retirement systems except CPFPP (2 percent); and (2) changes to projected salary increases, which vary by fund.

##### Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by the State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning July 2012 for PERS, 10% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

##### Annual Pension Cost (APC)

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2013, 2012, and 2011, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums for the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2013	\$ 786,590	\$ 287,645	\$ 1,512
2012	917,278	311,846	1,338
2011	970,962	289,555	

During the year ended December 31, 2009, the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, C.19. The deferred amount totaled \$474,676 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to pay off the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2013 and 2012 is \$512,819 and \$534,500, respectively. Repayment of the deferral in 2013 and 2012 amounted to \$13,894 and \$13,716 for PERS and \$54,294 and \$53,901 for PFRS, respectively.

## BOROUGH OF NORTH ARLINGTON

### Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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#### Note 11 – Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund – Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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

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

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

#### **Basis of Accounting**

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

#### **Investment Valuation**

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

#### **Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

## BOROUGH OF NORTH ARLINGTON

### Notes to Financial Statements For the Years Ended December 31, 2013 and 2012

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#### Note 11 – Post-Retirement Medical Benefits (Cont.)

##### **Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other post-employment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

##### **Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

##### **Post-Retirement Medical Benefits Contribution**

P.L. 1987, c.384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on disability retirement. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c.136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement).

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45.

## **BOROUGH OF NORTH ARLINGTON**

### **Notes to Financial Statements For the Years Ended December 31, 2013 and 2012**

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#### **Note 11 – Post-Retirement Medical Benefits (Cont.)**

##### **Post-Retirement Medical Benefits Contribution (Cont.)**

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2013, 2012, and 2011 were \$930,345, \$834,053, and \$721,415, respectively, which equaled the required contributions for each year. In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the year ended December 31, 2013 were \$42,977.

#### **Note 12 – Risk Management**

The Borough of North Arlington is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The SBJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk managements procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

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

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 12 – Risk Management (Cont.)**

The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<b>Year Ended December 31,</b>	<b>Borough Contributions</b>	<b>Employee Contributions</b>	<b>Amount Reimbursed</b>	<b>Ending Balance</b>
2013	\$ -	\$ 8,801	\$ 28,320	\$ 11,185
2012	28,544	16,600	28,554	30,704
2011	20,000	9,063	26,043	14,104

**Note 13 – Contingent Liabilities**

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

**Pending Tax Appeals**

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**Federal and State Awards**

The Borough 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 Borough may be required to reimburse the grantor government. As of December 31, 2013 and 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**Note 14 – Federal Arbitrage Regulations**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated arbitrage earnings, if any, due to the IRS.

## **BOROUGH OF NORTH ARLINGTON**

### **Notes to Financial Statements For the Years Ended December 31, 2013 and 2012**

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#### **Note 15 – Length Of Service Award Program (LOSAP) – Unaudited**

The Borough of North Arlington Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 10, 2000 pursuant to 457e(11)(13) in the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into Federal law in 1997. The voters of the Borough of North Arlington approved the adoption of the Plan at the general election held on November 17, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of North Arlington has contributed \$93,150 and \$92,000 for 2013 and 2012 respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitted the funds to the plan administrator.

#### **Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the plan.

If a volunteer member does not vest and terminates their association with the emergency services organization, the funds are returned to the sponsoring agency's surplus.

#### **Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

#### **Note 16 – Deferred Compensation Plan**

The Borough of North Arlington offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by ING, is available to all Borough employees and permits participants to defer a portion of their salary. The deferred compensation plan is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

**BOROUGH OF NORTH ARLINGTON**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 17 – Subsequent Events**

The Borough has evaluated events subsequent to the balance sheet date for potential recognition or disclosure through October 16, 2014, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**CURRENT FUND**

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Cash - Collector/Treasurer**

	<u>Reference</u>		<b>Exhibit A-4</b>
Balance December 31, 2012	A		\$ 1,007,563
Increased by Receipts:			
Revenue Accounts Receivable	A-10	\$ 4,306,110	
Miscellaneous Revenues Not Anticipated	A-2a	90,871	
State of New Jersey - Vets & Senior Citizens Deductions	A-6	117,030	
Grants Receivable	A-7	74,351	
Taxes Receivable	A-8	39,795,301	
Homestead Rebate	A-8	806,074	
Tax Title Liens	A-9	1,125	
Fees Collected for State Licenses	A-15	13,425	
Unappropriated Grants Receivable	A-17	56,052	
Prepaid Taxes	A-18	545,161	
Tax Overpayments	A-19	206,490	
Miscellaneous Receipts - Library	A-23	132,372	
Special Emergency Notes	A-24	750,000	
Due To Animal Control Fund	A-25	4,966	
Due To General Capital Fund	A-25	8,525,672	
Due To Other Trust Fund	A-25	28,283	
Due To Assessment Trust	A-25	398,894	
Due To Unemployment Trust Fund	A-25	20,586	
Due To Other Trust Fund- Payorll	A-25	1,984	
		<u>55,874,747</u>	
			<u>56,882,310</u>
Decreased by Disbursements:			
Appropriations	A-3	18,268,708	
Appropriation Reserves	A-13	571,373	
Grant Encumbrances Paid	A-14	26,116	
State Fees Paid	A-15	12,250	
Grant Appropriation Reserves	A-16	27,987	
Tax Overpayments	A-19	91,173	
School Taxes Payable	A-20	22,980,691	
County Taxes Payable	A-21	3,371,745	
County Added and Omitted Taxes Payable	A-22	23,777	
Special Emergency Notes	A-24	540,000	
Due To Animal Control Fund	A-25	9,620	
Due To General Capital	A-25	8,362,079	
Due To Assessment Trust	A-25	317,967	
Due To Other Trust Fund	A-25	49,202	
Due To Unemployment Trust Fund	A-25	28,320	
Due To Other Trust Fund- Payroll	A-25	11,387	
		<u>54,692,395</u>	
Balance December 31, 2013	A		<u><u>\$ 2,189,915</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
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**Schedule of Change Funds**

**A-5**

<u>Office</u>	<u>Balance December 31, 2013</u>	<u>Balance December 31, 2012</u>
Tax Collector	\$ 200	\$ 200
	<u>\$ 200</u>	<u>\$ 200</u>

**Schedule of Amount Due from State of New Jersey -  
Senior Citizens' and Veterans' Deductions**

**A-6**

Balance December 31, 2012	A		\$ 22,095
Increased by:			
Senior Citizen Deductions per Tax Billing		\$ 24,750	
Veterans Deductions per Tax Billing		108,500	
Senior Citizen Deductions Allowed by Tax Collector		3,500	
Senior Citizen Deductions Disallowed by Tax Collector		<u>(3,007)</u>	
	A-8		<u>133,743</u>
			155,838
Decreased by:			
State audit adjustment for prior years	A-1	17,471	
Received in Cash from State	A-4	<u>117,030</u>	
			<u>134,501</u>
Balance December 31, 2013	A		<u>\$ 21,337</u>

**BOROUGH OF NORTH ARLINGTON**

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**Schedule of Grants Receivable**

**A-7**

	Balance December 31, 2012	Budgeted	Cash Receipts	Adjustments	Balance December 31, 2013
NJ Meadowlands Municipal Assistance Grant	\$ 8,300	\$ -	\$ -	\$ -	\$ 8,300
NJ Handicapped Recreational Opportunities	28,724	-	9,997	-	18,727
NJ Department of Transportation- Canterbury PH II Hackensack Meadowland Development Commission	4	-	-	-	4
Discretionary Grant	46,425	-	-	-	46,425
Municipal Alliance	27,347	11,677	-	-	39,024
County of Bergen- Road Repair River Road	113,886	-	-	-	113,886
Bergen County Open Space					
T-Ball Field- High School	1,308	-	-	-	1,308
Bullet Proof Vest Partnership	1,952	-	1,952	-	-
Fire Department Saver Grant	95,237	-	14,000	6,800	74,437
County of Bergen- ADA Ramps	11,488	-	-	-	11,488
Smart Growth	60,000	-	48,402	-	11,598
NJ Dept. of Transportation- Mobility Grant	10,320	-	-	-	10,320
	<u>\$ 404,991</u>	<u>\$ 11,677</u>	<u>\$ 74,351</u>	<u>\$ 6,800</u>	<u>\$ 335,517</u>
	A	A-2	A-4		A

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Taxes Receivable and Analysis of Property Tax Levy**

**A-8**

<u>Year</u>	<u>Balance December 31, 2012</u>	<u>2013 Levy</u>	<u>Collections 2013</u>	<u>Transfer to Tax Title Liens</u>	<u>Added/ (Cancelled)</u>	<u>Balance December 31, 2013</u>
2011	\$ 62	\$ -	\$ 62	\$ -	\$ -	\$ -
2012	466,560		247,508	7,287	(211,515)	250
2013	-	41,783,927	40,708,241	6,788	(376,200)	692,698
	<u>\$ 466,622</u>	<u>\$ 41,783,927</u>	<u>\$ 40,955,811</u>	<u>\$ 14,075</u>	<u>\$ (587,715)</u>	<u>\$ 692,948</u>
	A	Below	Below	A-9		A Below

Reference

Cash Receipts	A-4	\$ 39,795,301
State of NJ - Realized Senior Citizens and Veterans Deductions	A-6	133,743
Tax Overpayments Applied	A-19	20,038
Prepaid Taxes	A-18	200,655
Homestead Benefit Program	A-4	806,074
		<u>\$ 40,955,811</u>
		Above

Analysis of 2012 Property Tax Levy

<u>Tax Yield:</u>		
General Purpose Tax		\$ <u>41,783,927</u>
		Below
<u>Tax Levy:</u>		
Local District School Tax	A-20	\$ 22,980,691
<u>County Taxes:</u>		
County Tax (Abstract)	A-21	3,371,745
County Tax Added and Omitted	A-22	23,777
Local Tax for Municipal Purposes		15,407,714
		<u>\$ 41,783,927</u>
		Above

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

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**Schedule of Tax Title Liens**

	<u>Ref</u>	<b>A-9</b>
Balance December 31, 2012		\$ 2,993
Increased by:		
Transfers from Taxes Receivable - 2013	A-8	<u>14,075</u>
		17,068
Decreased by:		
Cash Receipts	A-4	<u>1,125</u>
Balance December 31, 2013		<u><u>\$ 15,943</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Revenue Accounts Receivable**

**A-10**

	Balance December 31, 2012	Accrued in 2013	Collected	Balance December 31, 2013
Borough Clerk				
Alcoholic Beverage Licenses	\$ -	\$ 59,314	\$ 59,314	\$ -
Licenses - Other	-	5,359	5,359	-
Fees and Permits	-	2,026	2,026	-
Board of Health				
Licenses - Other	-	10,798	10,798	-
Fees and Permits	-	17,875	17,875	-
Police				
Fees and Permits	-	6,436	6,436	-
Tax				
Fees and Permits	-	1,570	1,570	-
Recreation				
Fees and Permits	-	12,120	12,120	-
Parking Meters	-	41,847	41,847	-
Construction Code Official				
Fees and Permits	-	218,838	218,838	-
Interest on Investments and Deposits	-	9,540	9,540	-
Interest on Costs and Taxes	-	91,501	91,501	-
Municipal Court				
Fines and Costs	-	322,855	322,855	-
Cable TV Franchise Fees	-	88,298	88,298	-
Verizon Franchise Fees	-	107,149	107,149	-
New Jersey Meadowlands Commission				
Tax Sharing N.J.S.A. 13:17-74	-	1,009,027	1,009,027	-
Energy Receipts Tax	-	1,044,298	1,044,298	-
Consolidated Municipal Property Tax Relief Aid	-	25,563	25,563	-
N.J.M.C. Payment in Lieu of Taxes	-	169,726	169,726	-
N.J.M.C. Host Community Fees	-	313,396	313,396	-
Uniform Fire Safety Act	-	17,490	17,490	-
FEMA Reimbursement	-	122,214	122,214	-
Library - Pension/Insurance Reimbursement	-	38,097	38,097	-
Third Party Billing- Emergency Medical Services	-	320,773	320,773	-
Reserve to pay debt service	-	250,000	250,000	-
	<u>\$ -</u>	<u>\$ 4,306,110</u>	<u>\$ 4,306,110</u>	<u>\$ -</u>
	A	A-2	A-4	A

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Deferred Charges N.J.S.A. 40A:4-53 - Special Emergency**

**Exhibit A-11**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2012</u>	<u>Amount in 2013 Budget</u>	<u>Balance December 31, 2013</u>
2010	Terminal Leave	\$ 300,000	\$ 60,000	\$ 180,000	\$ 60,000	\$ 120,000
2011	Terminal Leave	450,000	90,000	360,000	90,000	270,000
2012	Superstorm Sandy	450,000	90,000	450,000	90,000	360,000
				<u>\$ 990,000</u>	<u>\$ 240,000</u>	<u>\$ 750,000</u>
				A	A-3	A

**Schedule of Deferred Charges**

**Exhibit A-12**

	<u>Balance December 31, 2012</u>	<u>Amount in 2013 Budget</u>	<u>Amount Resulting from 2013</u>	<u>Balance December 31, 2013</u>
Deficit in Operations	\$ 225,905	\$ 225,605	\$ 264,447	\$ 264,747
Overexpedition of a grant appropriation	-	-	1,775	1,775
Overexpedition of an appropriation	-	-	64,984	64,984
Overexpedition of an appropriation reserve	-	-	10,182	10,182
	<u>\$ 225,905</u>	<u>\$ 225,605</u>	<u>\$ 341,388</u>	<u>\$ 341,688</u>
	A	A-3	A-1	A

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Appropriation Reserves**

**Exhibit A-13**

Page 1 of 6

<b>General Government Functions</b>	Balance December 31, 2012 <u>After Transfers</u>	Encumbrances <u>Payable</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	<u>Overexpended</u>
<b>Operations - Within "CAPS"</b>					
<b>General Government Functions</b>					
Administrative and Executive					
Salaries and Wages	\$ 753	\$ -	\$ -	\$ 753	\$ -
Other Expenses	583	206	545	244	-
Outside Services	157	5,709	5,838	28	-
Borough Council					
Salaries and Wages	451	-	-	451	-
Elections					
Salaries and Wages	43	-	-	-	-
Other Expenses	84	-	-	84	-
Financial Administration					
Salaries and Wages	956	516	-	1,472	-
Other Expenses	663	-	3,902	-	3,239
Collection of Taxes					
Salaries and Wages	574	-	-	574	-
Other Expenses	344	1,791	1,932	203	-
Assessment of Taxes					
Salaries and Wages	25	-	-	25	-
Other Expenses	390	-	285	105	-
Legal Services and Costs					
Other Expenses	868	8,551	9,354	65	-
Engineering Services and Costs					
Other Expenses	1,643	-	1,640	3	-

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Appropriation Reserves**

**A-13**  
Page 2 of 6

	Balance December 31, 2012 <u>After Transfers</u>	Encumbrances <u>Payable</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	<u>Overexpended</u>
<b>General Government Functions</b>					
Planning Board					
Salaries and Wages	\$ 585	\$ -	\$ -	\$ 585	\$ -
Other Expenses	740	-	166	574	-
Zoning Commission					
Salaries and Wages	4,180	-	-	4,180	-
Other Expenses	735	-	-	735	-
Rent Leveling Board					
Salaries and Wages	96	-	-	96	-
<b>Public Safety</b>					
Police Department					
Salaries and Wages	499	-	-	499	-
Other Expenses	1,922	29,627	30,381	1,168	-
Emergency Medical Transportation					
Salaries and Wages	156	-	-	156	-
Police Dispatch / 911					
Salaries and Wages	78	-	-	78	-
Crossing Guards					
Salaries and Wages	156	-	-	156	-
Office of Emergency Management					
Other Expenses	544	-	-	544	-
Fire Department					
Other Expenses	1,036	24,457	25,095	398	-

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Appropriation Reserves**

**A-13**  
Page 3 of 6

	Balance December 31, 2012 <u>After Transfers</u>	Encumbrances <u>Payable</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	<u>Overexpended</u>
<b>Public Safety</b>					
Volunteer Emergency Squad					
Other Expenses	\$ 1,259	\$ 7,248	\$ 8,307	\$ 200	\$ -
Uniform Fire Safety Act P.L. Ch. 1983-383					
Fire Official					
Salaries and Wages	418	-	-	418	-
Other Expenses	677	268	257	688	-
Municipal Prosecutor					
Salaries and Wages	289	-	-	289	-
<b>Street and Roads</b>					
Road Repair and Maintenance					
Salaries and Wages	195	-	-	195	-
Other Expenses	2,476	12,148	12,712	1,912	-
Snow Removal					
Salaries and Wages	41,017	-	-	41,017	-
Other Expenses	19,377	23,010	10,174	32,213	-
Shade Tree					
Other Expenses	1,432	342	700	1,074	-
Sanitation					
Garbage & Trash Removal Contract	1,702	-	-	1,702	-
Public Building and Grounds					
Other Expenses	2,080	24,537	22,909	3,708	-
Recycling Program					
Other Expenses - Contractual	241	-	-	241	-

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Schedule of Appropriation Reserves**

**A-13**  
Page 4 of 6

	Balance December 31, 2012 <u>After Transfers</u>	Encumbrances <u>Payable</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	<u>Overexpended</u>
<b>Health and Human Services</b>					
Board of Health					
Salaries and Wages	\$ 313	\$ -	\$ -	\$ 313	\$ -
Other Expenses	173	547	547	173	-
<b>Park and Recreation</b>					
Recreation					
Salaries and Wages	769	-	-	769	-
Other Expenses	3,622	753	4,375	-	-
Celebration of Public Events					
Other Expenses	437	-	190	247	-
Youth Center					
Salaries and Wages	394	-	-	394	-
Other Expenses	478	-	-	478	-
Senior Citizen Services					
Salaries and Wages	558	-	-	558	-
Other Expenses	502	-	-	502	-
Municipal Court					
Salaries and Wages	334	-	-	334	-
Other Expenses	1,135	480	766	849	-

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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**Schedule of Appropriation Reserves**

**A-13**  
Page 5 of 6

	Balance December 31, 2012 After Transfers	Encumbrances Payable	Paid or Charged	Cancelled	Overexpended
<b>Code Enforcement and Administration</b>					
Uniform Construction Code Enforcement Functions					
Construction Code Officials					
Salaries and Wages	\$ 50	\$ -	\$ -	\$ 50	\$ -
Other Expenses	891	529	900	520	-
<b>Unclassified</b>					
<b>Insurance</b>					
General Liability Insurance	405	-	-	405	-
Worker's Compensation Insurance	30	-	-	30	-
Employee Group Insurance	7,197	-	6,732	465	-
Unemployment Insurance	1,500	-	1,382	118	-
<b>Utilities</b>					
Gasoline	10	-	-	10	-
Electricity	12,581	-	12,455	126	-
Telephone	6,566	-	6,566	-	-
Street Lighting	18,165	-	17,998	167	-
Water	368	-	355	13	-
<b>Total Operations - Within "CAPS"</b>	<u>145,902</u>	<u>140,719</u>	<u>186,463</u>	<u>103,354</u>	<u>3,239</u>
<b>Detail:</b>					
<b>Salaries and Wages</b>	52,889	516	-	53,362	-
<b>Other Expenses (Including Contingent)</b>	93,013	140,203	186,463	49,992	3,239
<b>Deferred Charges and Statutory</b>					
<b>Expenditures - Municipal - Within "CAPS"</b>					
Statutory Charges					
Defined Contribution Retirement Plan	85	560	-	645	-
<b>Total Deferred Charges &amp; Statutory</b>					
<b>Expenditures - Municipal - Within "CAPS"</b>	<u>\$ 85</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 645</u>	<u>\$ -</u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Appropriation Reserves**

**A-13**  
Page 6 of 6

	Balance December 31, 2012 After Transfers	Encumbrances Payable	Paid or Charged	Cancelled	Overexpended
<b>Total General Appropriations for Municipal Purposes within "CAPS"</b>	\$ 145,987	\$ 141,279	\$ 186,463	\$ 103,999	\$ 3,239
<b>Operations - Excluded from "CAPS"</b>					
Maintenance of Free Public Library					
Other Expenses	20,556	5,277	32,776	-	6,943
Passaic Valley Sewerage Commission					
Share of Operating Costs	121	-	-	121	-
Length of Service Award Program- (N.J.S.A. 40A-45.3)					
Contribution	300	-	-	300	-
Emergency Appropriation - Superstorm Sandy	19,531	354,084	352,134	21,481	-
<b>Total Other Operations - Excluded from "CAPS"</b>	<u>40,508</u>	<u>359,361</u>	<u>384,910</u>	<u>21,902</u>	<u>6,943</u>
<b>Detail:</b>					
<b>Salaries and Wages</b>	-	-	-	-	-
<b>Other Expenses (Including Contingent)</b>	40,508	359,361	384,910	21,902	6,943
<b>Payment of Bond Anticipation Note</b>	3,374	-	-	3,374	-
<b>Total General Appropriations - Excluded from "CAPS"</b>	<u>43,882</u>	<u>359,361</u>	<u>384,910</u>	<u>25,276</u>	<u>6,943</u>
<b>Total General Appropriations</b>	\$ <u>189,869</u>	\$ <u>500,640</u>	\$ <u>571,373</u>	\$ <u>129,275</u>	\$ <u>10,182</u>
	A	A-14	A-4	A-1	A-12

**BOROUGH OF NORTH ARLINGTON**

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For the Year Ended December 31, 2013**

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**Schedule of Encumbrances Payable**

	<u>Ref.</u>		<b>Exhibit A-14</b>
Balance December 31, 2012	A		\$ 526,757
Increased by:			
Charges to 2012 Budget Appropriations	A-3	355,932	
Grant Encumbrances	A-16	<u>3,349</u>	
			<u>359,281</u>
			886,038
Decreased by:			
Grant Encumbrances Paid	A-4	26,116	
Transfer to Appropriation Reserves	A-13	<u>500,640</u>	
			<u>526,756</u>
Balance December 31, 2013			\$ <u><u>359,282</u></u>

**Schedule of Accounts Payable**

	<u>Ref.</u>		<b>Exhibit A-15</b>
Balance December 31, 2012	A		\$ 11,769
Increased by:			
Fee Collected for State	A-4		<u>13,425</u>
			25,194
Decreased by:			
Paid to State of New Jersey - State Transfer Fees	A-4		<u>12,250</u>
Balance December 31, 2013			\$ <u><u>12,944</u></u>

**BOROUGH OF NORTH ARLINGTON**

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**Schedule of Appropriated Grant Reserves**

**Exhibit A-16**

	Balance December 31, 2012	Transferred from Current Year Appropriations	Paid or Charged	Balance December 31, 2013
Body Armor Fund	\$ 4,944	\$ -	\$ 12	\$ 4,932
Drunk Driving Enforcement Fund	1,176	540	1,716	-
Alcohol Education and Rehabilitation Fund	3,197	-	-	3,197
Clean Communities	43,953	20,600	-	64,553
Recycling Tonnage Grant	35,759	26,179	7,468	54,470
NJ DEP Stormwater	34	-	-	34
Community Development Block Grant- Generator	2	-	-	2
Highway Safety Seat Belts	4,000	-	-	4,000
Strengthening Families	3,516	-	-	3,516
NJ Environmental Protection- Road Mileage	45,082	-	-	45,082
NJ Meadowlands Municipal Assistance Grant	67,567	-	-	67,567
Municipal Alliance				
State Share	20,867	11,677	3,976	28,568
Local Match	8,427	3,000	994	10,433
Fire Department Saver Grant	96,895	-	23,264	73,631
Bill Gates Library Grant	1,300	-	-	1,300
County of Bergen ADA Ramps Project	11,488	-	-	11,488
BCUA Recycling Assistance	9,049	-	-	9,049
	<u>\$ 357,256</u>	<u>\$ 61,996</u>	<u>\$ 37,430</u>	<u>\$ 381,822</u>
	A	A-3		A
		Ref.		
Cash Disbursed		A-4	\$ 27,987	
Accounts Payable		A-14	3,349	
Adjustment			<u>6,094</u>	
			<u>\$ 37,430</u>	

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

**Schedule of Unappropriated Reserves - Public and Private Programs**

**Exhibit A-17**

	Balance December 31, 2012	Cash Receipts	Anticipated as 2012 Budget Revenue	Balance December 31, 2013
Reserve for:				
Body Armor	\$ -	\$ 1,858	\$ -	\$ 1,858
Drunk Driving Enforcement Fund	540	5,407	540	5,407
NJ Alcohol Rehab Education	-	158	-	158
Clean Communities	20,599	48,629	20,600	48,628
Recycling Tonnage Grant	26,179	-	26,179	-
	<u>47,318</u>	<u>56,052</u>	<u>47,319</u>	<u>56,051</u>
	A	A-4	A-2	A

**Schedule of Prepaid Taxes**

**Exhibit A-18**

Balance December 31, 2012	<u>Ref.</u> A	\$ 200,655
Increased by:		
Payment of 2014 Taxes	A-4	<u>545,161</u>
		745,816
Decreased by:		
Applied to 2013 Taxes	A-8	<u>200,655</u>
Balance Decemeber 31, 2013		<u><u>\$ 545,161</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
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For the Year Ended December 31, 2013**

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**Schedule of Tax Overpayments**

	<u>Ref.</u>		<b>Exhibit A-19</b>
Balance December 31, 2012	A		\$ 143,628
Increased by:			
Tax Collector Receipts	A-4	206,490	
Adjustment		<u>3,578</u>	
			<u>210,068</u>
			353,696
Decreased by:			
Cash Disbursements	A-4	91,173	
Applied to Taxes Receivable	A-8	20,038	
Cancelled Balances	A-1	<u>23</u>	
			<u>111,234</u>
Balance December 31, 2013	A		<u>\$ 242,462</u>

**Schedule of Local School District Taxes Payable**

			<b>Exhibit A-20</b>
Balance December 31, 2012			\$ -
Increased by:			
Levy - Calendar Year 2013	A-8	<u>22,980,691</u>	
			22,980,691
Decreased by:			
Cash Disbursements	A-4	<u>22,980,691</u>	
Balance December 31, 2013			<u>\$ -</u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Schedule of County Taxes Payable**

	<u>Ref.</u>	<b>Exhibit A-21</b>
Balance December 31, 2012	A	\$ -
Increased by:		
General County Levy		\$ 3,334,877
County Open Space Preservation Levy		<u>36,868</u>
	A-8	<u>3,371,745</u>
		3,371,745
Decreased by:		
Payments	A-4	<u>3,371,745</u>
Balance December 31, 2013	A	<u><u>\$ -</u></u>

**Schedule of Due to County for Added and Omitted Taxes**

	<u>Ref.</u>	<b>Exhibit A-22</b>
Balance December 31, 2012	A	\$ 873
Increased by:		
County Share of Added and Omitted Taxes	A-8	<u>23,777</u>
		24,650
Decreased by:		
Cash Disbursements	A-4	<u>23,777</u>
Balance December 31, 2013	A	<u><u>\$ 873</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Schedule of Miscellaneous Reserves**

**Exhibit A-23**

	Balance December 31, 2012	Cash Receipts	Budget Appropriations	Transfer to Trust Fund	Balance December 31, 2013
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Reserve for:					
Revaluation	\$ 97,809	\$ -	\$ -	\$ -	\$ 97,809
Accumulated Leave	25,012	-	50,000	75,012	-
FEMA	-	125,560	-	-	125,560
State Library Aid	7,093	6,812	-	-	13,905
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 129,914	\$ 132,372	\$ 50,000	\$ 75,012	\$ 237,274
	<u>          </u> A	<u>          </u> A-4	<u>          </u> A-3	<u>          </u> A-25	<u>          </u> A

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Special Emergency Note Payable**

**Exhibit A-24**

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31, 2013</u>
5/16/2012	\$ 540,000	5/24/2013	1.50%	\$ 540,000	\$ -	\$ 540,000	\$ -
5/24/2013	320,000	5/23/2014	1.50%	-	750,000	-	750,000
				<u>\$ 540,000</u>	<u>\$ 750,000</u>	<u>\$ 540,000</u>	<u>\$ 750,000</u>
				A	A-4	A-4	A

**BOROUGH OF NORTH ARLINGTON**

**Current Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Interfunds**

**Exhibit A-25**

		Animal Control Fund	General Capital Fund	Assessment Trust Fund	Unemployment Trust Fund	Other Trust Fund	Other Trust Fund- Payroll
<b><u>Balance December 31, 2012</u></b>							
Due From (To)	Reference A	\$ 4,961	\$ 5,853	\$ 1,026	\$ 43	\$ 338	\$ 264,486
Increased By:							
Interest Earned	A-2a	3	59	23	66	391	89
Anticipated as Revenue	A-2	-	-	32,000	-	-	-
Budget Appropriation	A-3	-	-	48,728	-	-	-
Interfund Transfer	A-4	9,620	8,362,079	317,967	28,320	49,202	11,387
		<u>9,623</u>	<u>8,362,138</u>	<u>398,718</u>	<u>28,386</u>	<u>49,593</u>	<u>11,476</u>
Decreased By:							
Budget Appropriations	A-3	-	133,000	-	-	-	-
Transfer from Current Fund	A-23					75,012	
Interfund Transfer	A-4	4,966	8,525,672	398,894	20,586	28,283	1,984
		<u>4,966</u>	<u>8,658,672</u>	<u>398,894</u>	<u>20,586</u>	<u>103,295</u>	<u>1,984</u>
<b><u>Balance December 31, 2013</u></b>							
Due From (To)	A	\$ <u>9,618</u>	\$ <u>(290,681)</u>	\$ <u>850</u>	\$ <u>7,843</u>	\$ <u>(53,364)</u>	\$ <u>273,978</u>

**SUPPLEMENTAL INFORMATION**

**TRUST FUND**

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Cash and Cash Equivalents**

**Exhibit B-4**

	Reference	Animal Control Fund	Assessment Trust	Other Trust	Unemployment Insurance
Balance December 31, 2012	B	\$ 14,896	\$ 548,425	\$ 696,947	\$ 30,747
Increased by:					
Animal License Fees	B-8	7,113	-	-	-
State Dog License Fees	B-9	1,137	-	-	-
Interest and Costs on Assessments	B-11	-	1,155	-	-
Assessment Receivable	B-1	-	31,418	-	-
Receipts from Current Fund	B-11	-	563,852	-	-
Interest on Deposits	B-10,B-11,B-13,B-15	38	342	654	66
Payroll - Deductions, Salaries & Wages Payable	B-17	-	-	7,289,684	-
Library Deposits	B-18	-	-	12,968	-
Other Trust Deposits	B-20	-	-	955,633	-
Cash Received from Dedicated Penalty Account	B-20	-	-	8,404	-
Unemployment Receipts Deposited in Payroll Agency	B-14	-	-	-	8,801
Receipts from Current Fund	B-13,15	-	-	23,916	6,516
Receipts from Receivable - Overpaid	B-	-	30	-	-
		<u>8,288</u>	<u>596,797</u>	<u>8,291,260</u>	<u>15,383</u>
		<u>23,184</u>	<u>1,145,222</u>	<u>8,988,207</u>	<u>46,130</u>
Decreased by:					
State Dog License Fees	B-9	1,133	-	-	-
Library Disbursements	B-18	-	-	33,080	-
Payroll - Deductions, Salaries & Wages Payable	B-17	-	-	7,278,804	-
Payments to Current Fund - Payroll	B-17	-	-	2,062	-
Payments to Current Fund - Trust Other	B-13	-	-	42,585	-
Payments to Current Fund - Animal Control	B-10	5,001	-	-	-
Payments to Current Fund - Assessment Trust	B-11	-	646,253	-	-
Animal Control Disbursements	B-8	442	-	-	-
Other Deposits	B-20	-	-	878,835	-
Payments to Unemployment Trust Fund	B-15	-	-	-	27,101
		<u>6,576</u>	<u>646,253</u>	<u>8,235,366</u>	<u>27,101</u>
Balance December 31, 2013	B	\$ <u>16,608</u>	\$ <u>498,969</u>	\$ <u>752,841</u>	\$ <u>19,028</u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Assessment Trust Fund  
Analysis of Assessment Cash**

		<b>Exhibit B-5</b>	
	<u>Reference</u>		<u>2013</u>
Fund Balance	B	\$	32,116
Due to Current Fund	B-11		850
Assessment Overpayments	B-12		30
Assessment Serial Bonds			
Ord. #1681 Porete Avenue	B-19		<u>465,973</u>
	B	\$	<u><u>498,969</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Assessment Trust Fund  
Schedule of Assessments Receivable**

**Exhibit B-6**

Ordinance Number	Improvement Description	Date of Confirmation	Annual Installments	Due Dates	Balance December 31, 2012	Collected	Balance December 31, 2013	Analysis of Balance	
								Assessment Bonds	Reserve
1681	Porete Avenue	4/1/2003	1/10/1900	11/1	\$ <u>31,441</u> B	\$ <u>31,418</u> B-7	\$ <u>23</u> B	\$ <u>-</u>	\$ <u>23</u>

**Assessment Trust Fund  
Schedule of Reserve for Assessment Receivables**

**Exhibit B-7**

Ordinance Number	Improvement Description	Balance December 31, 2012	Decreased by Cash Receipts	Balance December 31, 2013
<b>Assessments Receivable</b>				
1681	Porete Avenue	\$ <u>31,441</u>	\$ <u>31,418</u>	\$ <u>23</u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Animal Control Fund  
Schedule of Reserve for Animal Control Expenditures**

	<u>Reference</u>		<b>Exhibit B-8</b>
Balance December 31, 2012	B	\$	9,935
Increased by:			
Dog License Fees Collected	B-4		<u>7,113</u>
			17,048
Decreased by:			
Paid by Current Fund	B-10	\$	9,620
Expenditures paid	B-4		<u>442</u>
			<u>10,062</u>
Balance December 31, 2013	B	\$	<u><u>6,986</u></u>

**Animal Control Fund  
Schedule of Amount Due to State of New Jersey**

	<u>Reference</u>		<b>Exhibit B-9</b>
Balance December 31, 2012	B	\$	-
Increased by:			
State Fees Collected	B-4		<u>1,137</u>
			1,137
Decreased by:			
Payments to State of New Jersey	B-4		<u>1,133</u>
Balance December 31, 2013	B	\$	<u><u>4</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Animal Control Fund  
Schedule of Due to Current Fund**

	<u>Reference</u>		<b>Exhibit B-10</b>
Balance December 31, 2012	B	\$	4,961
Increased by:			
Interest Earnings	B-4	\$	38
Expenditures paid by Current Fund	B-8		<u>9,620</u>
			<u>9,658</u>
			14,619
Decreased by:			
Cash Payments to Current Fund	B-4		<u>5,001</u>
Balance December 31, 2013	B	\$	<u><u>9,618</u></u>

**Assessment Trust Fund  
Schedule of Due to Current Fund**

	<u>Reference</u>		<b>Exhibit B-11</b>
Balance December 31, 2012	B	\$	1,026
Increased by:			
Anticipated as Current Fund Revenue	B-1	\$	32,000
Interest on Deposits	B-4		342
Interest on Assessments	B-4		1,155
Bonds paid by Current Fund	B-19		48,728
Receipts from Current Fund	B-4		<u>563,852</u>
			<u>646,077</u>
			647,103
Decreased by:			
Payments to Current Fund	B-4		<u>646,253</u>
Balance December 31, 2013	B	\$	<u><u>850</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Assessment Trust Fund  
Schedule of Assessment Overpayments**

	<u>Reference</u>	<b>Exhibit B-12</b>
Balance December 31, 2012	B	\$ -
Increased by:		
Cash receipts	B-4	<u>30</u>
Balance December 31, 2013	B	<u><u>\$ 30</u></u>

**Other Trust Fund  
Schedule of Due to Current Fund**

	<u>Reference</u>	<b>Exhibit B-13</b>
Balance December 31, 2012	B	\$ 338
Increased by:		
Interest Earnings	B-4	\$ 654
Transfers from Current Fund	B-4	23,916
Other Trust Fund Expenditures Paid by:		
Current Fund	B-20	<u>49,203</u>
		<u>73,773</u>
		74,111
Decreased by:		
Transfers to Current fund	B-4	42,585
Received on behalf by Current fund	B-20	84,864
Adjustment		<u>26</u>
		<u>127,475</u>
Balance December 31, 2013	B	<u><u>\$ (53,364)</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Unemployment Insurance Trust Fund  
Schedule of Reserve for Unemployment Insurance Benefits**

	<u>Reference</u>		<b>Exhibit B-14</b>
Balance December 31, 2012	B	\$	30,704
Increased by:			
Employee Contributions	B-4		8,801
			<u>39,505</u>
Decreased by:			
Unemployment Claims Paid by Current Fund	B-15		28,320
			<u>28,320</u>
Balance December 31, 2013	B	\$	<u><u>11,185</u></u>

**Unemployment Insurance Trust Fund  
Schedule of Due to Current Fund**

	<u>Reference</u>		<b>Exhibit B-15</b>
Balance December 31, 2012	B	\$	43
Increased by:			
Cash Receipts	B-4	\$	6,516
Unemployment Claims paid	B-14	28,320	
Interest on Deposits	B-4	<u>66</u>	
			<u>34,902</u>
			34,945
Decreased by:			
Payments to Current Fund	B-4		27,101
			<u>27,101</u>
Balance December 31, 2013	B	\$	<u><u>7,843</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Other Trust Fund  
Schedule of Payroll and Payroll Deductions Payable**

**Exhibit B-16**

	<u>Reference</u>		
Balance December 31, 2012	B	\$	4,109
Increased by:			
Cash Receipts	contra		<u>3,754,755</u>
			3,758,864
Decreased by:			
Cash Disbursements	contra	\$	3,754,755
Excess Transfer to:			
Payroll Service Provider	B-17		<u>674</u>
			<u>3,755,429</u>
Balance December 31, 2013	B	\$	<u><u>3,435</u></u>

**Other Trust Fund - Payroll  
Schedule of Due to Current Fund**

**Exhibit B-17**

	<u>Reference</u>		
Balance December 31, 2012	B	\$	264,486
Increased by:			
Excess Transfer to Payroll Service Provider			
Due Current Fund	B-16	\$	674
Receipts from Current Fund	B-4		<u>7,289,684</u>
			<u>7,290,358</u>
			7,554,844
Decreased by:			
Payments to Current Fund	B-4		2,062
Payroll Transfers to:			
Payroll Service Provider	B-4		<u>7,278,804</u>
			<u>7,280,866</u>
Balance December 31, 2013	B	\$	<u><u>273,978</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Other Trust Fund  
Schedule of Reserve For Library**

	<u>Reference</u>	<b>Exhibit B-18</b>
Balance December 31, 2012	B	\$ 72,091
Increased by:		
Cash Receipts	B-4	<u>12,968</u>
		85,059
Decreased by:		
Cash Disbursements	B-4	<u>33,080</u>
Balance December 31, 2013	B	<u><u>\$ 51,979</u></u>

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Assessment Trust Fund  
Schedule of Assessment Serial Bonds**

**Exhibit B-19**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance December 31, 2012	Decreased	Balance December 31, 2013
			Date	Amount				
Porete Avenue	9/20/2005	\$ 609,111	2014	\$ 82,228	5.00%	\$ 514,701	\$ 48,728	\$ 465,973
			2015	88,319	3.50%			
			2016	91,365	3.75%			
			2017	97,456	3.75%			
			2018	106,605	3.75%			
						<u>B</u>	<u>B-11</u>	<u>B</u>
Paid from Assessment Budget Appropriation							<u>\$ 48,728</u>	

**BOROUGH OF NORTH ARLINGTON**

**Trust Funds  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Other Trust Fund  
Schedule of Trust Fund Deposits and Reserves**

**Exhibit B-20**

	Balance December 31, 2012	Adjustments	Increase	Decrease	Balance December 31, 2013
Escrow Deposits	\$ 94,132	\$ -	\$ 32,359	\$ 49,203	\$ 77,288
Premium on Tax Sale	193,000	-	214,800	165,707	242,093
William Swellick Memorial Fund	6,089	-	10	-	6,099
Domestic Partners	25	-	-	-	25
Lien Redemptions	13,884	-	707,063	712,035	8,912
P.O.A.A.	19,288	-	6,277	-	25,565
Municipal Alliance Donations	29,531	-	3,575	-	33,106
Fire Prevention - Fines and Penalties	-	7,779	1,401	1,093	8,087
Recreation	-	625	-	-	625
Accumulated Leave	-	-	75,012	-	75,012
Community Development	1	-	-	-	1
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
	\$ <u>355,950</u>	\$ <u>8,404</u>	\$ <u>1,040,497</u>	\$ <u>928,038</u>	\$ <u>476,813</u>
<u>Ref</u>	<u>B</u>	<u>B-4</u>	<u>Below</u>	<u>Below</u>	<u>B</u>
	<u>Ref</u>				
Cash Receipts	B-4		\$ 955,633		
Due from Current Fund	B-13		84,864		
			<u>\$ 1,040,497</u>		
			<u>Above</u>		
			<u>Ref</u>		
Cash Disbursements			B-4	\$ 878,835	
Due to Current Fund			B-13	49,203	
				<u>\$ 928,038</u>	
				<u>Above</u>	

**SUPPLEMENTAL INFORMATION**

**GENERAL CAPITAL FUND**

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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**Exhibit C-2**

**Schedule of Cash**

	<u>Reference</u>		
Balance December 31, 2012	C		\$ 642,595
Increased by:			
Interest Earnings	C-6	\$ 607	
Receipts from Current Fund	C-6	1,593,943	
Proceeds from Bonds Issued	C-10	7,634,000	
Bond Anticipation Notes	C-11	<u>5,607,000</u>	
			<u>14,835,550</u>
			15,478,145
Decreased by:			
Payments to Current Fund	C-6	2,227,350	
Bond Anticipation Notes	C-11	<u>11,214,000</u>	
			<u>13,441,350</u>
Balance December 31, 2013	C		<u><u>\$ 2,036,795</u></u>

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Analysis of Cash**

**Exhibit C-3**

Page 1 of 2

	Balance <u>December 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	Transfers <u>Net</u>	Balance <u>December 31, 2013</u>
Fund Balance	\$ 38,212	\$ 181,787	\$ -	\$ -	\$ 219,999
Capital Improvement Fund	23,194	-	-	47,518	70,712
Grant Receivable	(443,464)	64,861	-	(79,313)	(457,916)
Due to (from) Current Fund	5,853	1,128,551	1,849,745	424,660	(290,681)
Contracts Payable	583,891	-	377,604	254,578	460,865
Reserve for Payment of Notes	844,945	10,369,055	11,214,000	-	-
Improvement Authorizations:					
<u>Ord. No.</u>					
1524 Curbs and Sidewalks	(28,000)	-	-	20,000	(8,000)
1725 Plans and Specifications- Construction of Intersection	(21,190)	-	-	-	(21,190)
1751/1753 Various Improvements	(38,087)	-	-	130	(37,957)
1889 Paving- Various Roads	1,100	-	-	-	1,100
1928 Construction of Bikeway	35,628	-	-	(1)	35,627
1960 Resurface Hedden Terrace	97,266	-	-	-	97,266
1961/1927 Reconstruction of Rutherford Place	131,595	-	-	-	131,595
1963 Ridge Road Streetscape	(60,732)	-	-	1	(60,731)
1977 Various Capital Improvements- Library	(189,360)	-	-	14,099	(175,261)
1979/1982 Improvements to Stover and Ridge Park	22,866	-	-	1	22,867
2013 Acquisition of Fire Rescue Truck	103	-	-	-	103
2018 Various Park Improvements	989	-	-	(1)	988
2019 Various General Improvements	444	-	-	-	444
2020 Wilson Place Phase I Improvements	20,779	-	-	-	20,779
2021 Resurfacing of Sunset Avenue	24,079	-	-	1	24,080
2024 Providing for the Payment of Obligations (Cherokee)	(39,180)	-	-	-	(39,180)
2057 Various General Improvements	157,505	-	-	(2,212)	155,293
2058 Ridge Road Streetscape Phase III	78,481	-	-	(4,135)	74,346
2067 Sanitary Sewer Improvements	1,025	-	-	-	1,025
2068 Acquisition of Senior Bus	4	-	-	-	4
2074 Various Capital Improvements	6,062	-	-	(3,045)	3,017
2080 Various Capital Improvements	191,312	-	-	(10,343)	180,969
2083 Various Road Improvements	13,233	-	-	(600)	12,633
2101 Various Capital Improvements	(440,546)	601,350	-	(43,005)	117,799

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-3**

Page 2 of 2

**Schedule of Analysis of Cash**

	<u>Balance</u> <u>December 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u> <u>Net</u>	<u>Balance</u> <u>December 31, 2013</u>
2102 Various Capital Improvements	(311,302)	337,250	-	(18,560)	7,388
2110 Various Capital Improvements	25,000	475,000	-	(26,599)	473,401
2111 Various Capital Improvements	(89,111)	368,600	-	(211,921)	67,568
2114 Various Capital Improvements	-	1,219,043	-	(300,692)	918,351
2116 Fire Equipment	-	90,053	-	(60,561)	29,492
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	\$ 642,594	\$ 14,835,550	\$ 13,441,349	\$ -	\$ 2,036,795
Reference	C, C-2	C-2	C-2		C, C-2

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-4**

**Schedule of Grants/Other Receivable**

	<u>Reference</u>	
Balance December 31, 2012	C	\$ 786,042
Increased by:		
Grant Awarded	C-13	305,000
		<u>1,091,042</u>
Decreased by:		
Cash Receipts in Current Fund		
NJ DOT Ordinance #2057		\$ 50,000
A.R.R.A.- Streetscape Ordinance #2058		169,481
	C-9	<u>219,481</u>
Fire Department Equipment Ordinance #2116		290,548
	C-6	<u>510,029</u>
Balance December 31, 2013	C	\$ <u>581,013</u>
		Below

	<u>Offset by Reserve</u>	<u>Pledge to Ordinance</u>	<u>Grant Receivable</u>
<b><u>Analysis of Balance:</u></b>			
NJ DOT Ordinance #1928	\$ -	\$ 25,820	\$ 25,820
NJ DOT Ordinance #1988	-	53,520	53,520
NJ DOT Ordinance #2021	-	63,029	63,029
Rothman Senior Bus Ordinance #2068	-	84,985	84,985
CDBG Ordinance #1979/1982/1998	-	77,775	77,775
CDBG Ordinance #2020	-	12,005	12,005
CDBG Ordinance #2083	72,000	-	72,000
A.R.R.A.- Streetscape Ordinance #2058	51,097	-	51,097
Fire Department Equipment Ordinance #2116	-	14,452.00	14,452
Bergen County Open Space Ordinance #2018	-	26,330	26,330
North Arlington Associates	-	100,000	100,000
	<u>\$ 123,097</u>	<u>\$ 457,916</u>	<u>\$ 581,013</u>
			Above

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-5**

**Schedule of Deferred Charges to Future Taxation - Funded**

	<u>Reference</u>		
Balance December 31, 2012	C		\$ 13,722,733
Increased by:			
Bonds Issured	C-9		<u>7,634,000</u>
			21,356,733
Decreased by:			
Budget Appropriation:			
Serial Bonds	C-10	\$ 1,886,272	
Wastewater Treatment Loans	C-12	<u>30,384</u>	
			<u>1,916,656</u>
Balance December 31, 2013	C		<u>\$ 19,440,077</u>

**Schedule of Due to (from) Current Fund**

**Exhibit C-6**

	<u>Reference</u>		
Balance Due to December 31, 2012	C		\$ 5,853
Increased by:			
Interest Earnings	C-2	\$ 607	
Receipts from Current Fund	C-2	1,593,943	
Contracts Paid by Current Fund	C-7	486,531	
Improvements Paid by Current Fund	C-13	<u>674,551</u>	
			<u>2,755,632</u>
			2,761,485
Decreased by:			
Paid to Current fund	C-2	2,227,350	
Cash receipts deposited in Current Fund			
Grant Receipts	C-4	510,029	
Premium on notes and bonds	C-1	181,787	
Budget Appropriation -			
Capital Improvement Fund	C-8	113,000	
Budget Appropriation - Deferred Charges -			
Overexpenditure	C-9, C-14	<u>20,000</u>	
			<u>3,052,166</u>
Balance Due (from) December 31, 2013	C		<u>\$ (290,681)</u>

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

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		<b>Exhibit C-7</b>
<b>Schedule of Contracts Payable</b>		
	<u>Reference</u>	
Balance December 31, 2012	C	\$ 583,891
Increased by:		
Encumbrances Payable	C-13	<u>377,604</u>
		961,495
Decreased by:		
Cash Disbursements by Current Fund	C-6	\$ 486,531
Contracts Cancelled	C-13	<u>14,099</u>
		<u>500,630</u>
Balance December 31, 2013	C	<u><u>\$ 460,865</u></u>

**Schedule of Capital Improvement Fund**

		<b>Exhibit C-8</b>
	<u>Reference</u>	
Balance December 31, 2012	C	\$ 23,194
Increased by:		
Budget Appropriation	C-6	<u>113,000</u>
		136,194
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-13	<u>65,482</u>
Balance December 31, 2013	C	<u><u>\$ 70,712</u></u>

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Deferred Charges to Future Taxation - Unfunded**

**Exhibit C-9**

Ord. No.	Improvement Description	Balance December 31, 2012	2013 Authorizations	Paid by Budget Appropriation	Grant Proceeds	Bonds Issued	Balance December 31, 2013	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorization
GENERAL IMPROVEMENTS:									
1524	Curbs and Sidewalks	\$ 28,000	\$ -	\$ 20,000	\$ -	\$ -	\$ 8,000	\$ 8,000	\$ -
1725	Plans and Specifications- Construction of Intersection	21,190	-	130	-	-	21,060	21,060	-
1751/1753	Acquisition of Equipment and Various Improvements	38,087	-	-	-	-	38,087	38,087	-
1927	Reconstruction of Rutherford Place	35,590	-	-	-	35,590	-	-	-
1928	Construction of Bikeway	29,470	-	-	-	29,470	-	-	-
1931	Various Equipment	171,850	-	-	-	171,850	-	-	-
1960	Resurface Hedden Terrace	170,356	-	-	-	170,356	-	-	-
1961	Reconstruction of Rutherford Place	229,050	-	-	-	229,050	-	-	-
1963	Ridge Road Streetscape	67,674	-	-	-	-	67,674	60,731	6,943
1973	DPW Underground Tank	203,424	-	-	-	203,424	-	-	-
1977	Various Capital Improvements- Library	190,000	-	-	-	-	190,000	189,360	640
1987	Improvement to Various Municipal Structures	199,240	-	-	-	199,240	-	-	-
1979/1982	Improvements to Stover and Ridge Park	61,288	-	-	-	61,288	-	-	-
2013	Acquisition of Fire Rescue Truck	467,500	-	-	-	467,500	-	-	-
2018	Various Park Improvements	193,809	-	-	-	193,809	-	-	-
2019	Various General Improvements	190,000	-	-	-	190,000	-	-	-
2020	Wilson Place Phase I Improvements	17,400	-	-	-	17,400	-	-	-
2021	Resurfacing of Sunset Avenue	25,000	-	-	-	25,000	-	-	-
2024	Providing for the Payment of Obligations- Cherokee	50,000	-	-	-	-	50,000	39,180	10,820
2038	Borough Portion of the Cost of Sewer Improvements by the North Arlington/Lyndhurst Joint Meeting	237,500	-	-	-	237,500	-	-	-
2057	Various General Improvements	783,000	-	-	139,422	643,578	-	-	-
2058	Ridge Road Streetscape Phase III	398,578	-	-	80,059	318,519	-	-	-
2074	Various Capital Improvements	380,000	-	(130)	-	380,130	-	-	-
2080	Various Capital Improvements	807,500	-	-	-	807,500	-	-	-
2083	Various Road Improvements	161,500	-	-	-	161,500	-	-	-
2101	Various Capital Improvements	601,350	-	-	-	601,350	-	-	-
2102	Various Capital Improvements	337,250	-	-	-	337,250	-	-	-
2110	Supplemental Capital Improvements	475,000	-	-	-	475,000	-	-	-
2111	Various Capital Improvements	368,600	-	-	-	368,600	-	-	-
2114	Various Capital Improvements	-	1,219,043	-	-	1,219,043	-	-	-
2116	Fire Equipment	-	90,475	-	-	90,053	422	-	422
		<u>\$ 6,939,206</u>	<u>\$ 1,309,518</u>	<u>\$ 20,000</u>	<u>\$ 219,481</u>	<u>\$ 7,634,000</u>	<u>\$ 375,243</u>	<u>\$ 356,418</u>	<u>\$ 18,825</u>
Reference		C	C-13	C-6	C-4	Below	C		Below
					Ref				
					C-11	\$ 5,607,000			
					C-14	3,091,296			
					Grant Proceeds applied	(1,064,269)			
					C-5	<u>\$ 7,634,027</u>			
						Above			

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-10**

**Schedule of General Serial Bonds**

Purpose	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2013		Interest Rate	Balance			Balance 12/31/2013							
			Date	Amount		12/31/2012	Increased	Decreased								
BCIA Refunding Issue	9/20/2005	\$ 11,765,000	9/20/2014	\$ 520,000	5.00%	\$ 3,510,000	\$ -	\$ 975,000	\$ 2,535,000							
			9/20/2015	520,000	3.50%											
			9/20/2016	515,000	3.70%											
			9/20/2017	505,000	3.85%											
			9/20/2018	475,000	4.00%											
General Improvements - BCIA	9/20/2005	8,720,000	9/20/2014	1,165,000	5.00%	7,415,000	-	680,000	6,735,000							
			9/20/2015	1,270,000	3.50%											
			9/20/2016	1,340,000	3.75%											
			9/20/2017	1,425,000	3.75%											
			9/20/2018	1,535,000	3.75%											
General Improvements - BCIA	9/20/2005	390,889	9/20/2014	52,772	5.00%	330,300	-	31,272	299,028							
			9/20/2015	56,681	3.50%											
			9/20/2016	58,635	3.75%											
			9/20/2017	62,544	3.75%											
			9/20/2018	68,396	3.75%											
2010 G.I. Encap Bonds	12/15/2010	2,800,000	12/15/2014	200,000	3.00%	2,400,000	-	200,000	2,200,000							
			12/15/2015	200,000	3.75%											
			12/15/2016	200,000	4.00%											
			12/15/2017	200,000	4.00%											
			12/15/2018	200,000	4.00%											
			12/15/2019	200,000	4.00%											
			12/15/2020	200,000	4.00%											
			12/15/2021	200,000	4.00%											
			12/15/2022	200,000	4.00%											
			12/15/2023	200,000	4.13%											
			12/15/2024	200,000	4.25%											
			General Obligation Bonds 2013	8/15/2013	7,634,000					8/15/2014	350,000	3.00%	-	7,634,000	-	7,634,000
										8/15/2015	350,000	3.00%				
8/15/2016	350,000	3.00%														
8/15/2017	350,000	3.00%														
8/15/2018	350,000	3.00%														
8/15/2019	700,000	3.00%														
8/15/2020	700,000	3.00%														
8/15/2021	675,000	3.00%														
8/15/2022	650,000	3.00%														
8/15/2023	650,000	3.00%														
8/15/2024	650,000	3.00%														
8/15/2025	625,000	3.00%														
8/15/2026	625,000	3.25%														
8/15/2027	609,000	3.38%														
						-	7,634,000	-	7,634,000							
						\$ 13,655,300	\$ 7,634,000	\$ 1,886,272	\$ 19,403,028							
						C	C-2	C-5	C							

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Schedule of Bond Anticipation Notes**

**Exhibit C-11**

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance		Notes		Balance	
						December 31, 2012	December 31, 2013	Redeemed	Issued	December 31, 2012	December 31, 2013
1927	Reconstruction of Rutherford Place	12/22/05	05/24/12	05/24/13	1.50%	\$ 35,590	\$ -	\$ 35,590	\$ -	\$ -	\$ -
			05/24/13	08/23/13	1.00%	-	-	35,590	35,590	-	-
1928	Construction of Bikeway	12/22/05	05/24/12	05/24/13	1.50%	29,470	-	29,470	-	-	-
			05/24/13	08/23/13	1.00%	-	-	29,470	29,470	-	-
1931	Various Equipment	12/22/05	05/24/12	05/24/13	1.50%	171,850	-	171,850	-	-	-
			05/24/13	08/23/13	1.00%	-	-	171,850	171,850	-	-
1961	Reconstruction of Rutherford Place	11/07/08	05/24/12	05/24/13	1.50%	229,050	-	229,050	-	-	-
			05/24/13	08/23/13	1.00%	-	-	229,050	229,050	-	-
1973	DPW Storage Tanks	11/07/08	05/24/12	05/24/13	1.50%	203,424	-	203,424	-	-	-
			05/24/13	08/23/13	1.00%	-	-	203,424	203,424	-	-
1960	Resurfacing Hedden Terrace	11/07/08	05/24/12	05/24/13	1.50%	170,356	-	170,356	-	-	-
			05/24/13	08/23/13	1.00%	-	-	170,356	170,356	-	-
1987	Improvements to Various Public Buildings	11/07/08	05/24/12	05/24/13	1.50%	199,240	-	199,240	-	-	-
			05/24/13	08/23/13	1.00%	-	-	199,240	199,240	-	-
1982	Stover Street & Ridge Park Drive Improvements	11/07/08	05/24/12	05/24/13	1.50%	61,288	-	61,288	-	-	-
			05/24/13	08/23/13	1.00%	-	-	61,288	61,288	-	-
2057	Various General Improvements	10/29/10	05/24/12	05/24/13	1.50%	933,000	-	933,000	-	-	-
			05/24/13	08/23/13	1.00%	-	-	933,000	933,000	-	-
2058	Ridge Road Streetscape III	10/29/10	05/24/12	05/24/13	1.50%	638,000	-	638,000	-	-	-
			05/24/13	08/23/13	1.00%	-	-	638,000	638,000	-	-
2013	Acquisition of Fire Rescue Truck	04/12/11	05/24/12	05/24/13	1.50%	467,500	-	467,500	-	-	-
			05/24/13	08/23/13	1.00%	-	-	467,500	467,500	-	-
2018	Various Park Improvements	04/12/11	05/24/12	05/24/13	1.50%	193,809	-	193,809	-	-	-
			05/24/13	08/23/13	1.00%	-	-	193,809	193,809	-	-
2019	Various General Improvements	04/12/11	05/24/12	05/24/13	1.50%	190,000	-	190,000	-	-	-
			05/24/13	08/23/13	1.00%	-	-	190,000	190,000	-	-
2020	Wilson Place Improvements	04/12/11	05/24/12	05/24/13	1.50%	17,400	-	17,400	-	-	-
			05/24/13	08/23/13	1.00%	-	-	17,400	17,400	-	-
2021	Resurfacing of Sunset Avenue	04/12/11	05/24/12	05/24/13	1.50%	25,000	-	25,000	-	-	-
			05/24/13	08/23/13	1.00%	-	-	25,000	25,000	-	-
2038	Various Sewer Improvements	04/12/11	05/24/12	05/24/13	1.50%	237,500	-	237,500	-	-	-
			05/24/13	08/23/13	1.00%	-	-	237,500	237,500	-	-
2074	Various Improvements	10/28/11	05/24/12	05/24/13	1.50%	664,393	-	664,393	-	-	-
			05/24/13	08/23/13	1.00%	-	-	664,393	664,393	-	-
2080	Various Improvements	12/30/11	05/24/12	05/24/13	1.50%	807,500	-	807,500	-	-	-
			05/24/13	08/23/13	1.00%	-	-	807,500	807,500	-	-
1122	Acquisition of Equipment	05/24/12	05/24/12	05/24/13	1.50%	130	-	130	-	-	-
			05/24/13	08/23/13	1.00%	-	-	130	130	-	-
2083	Various Capital Improvements	05/24/12	05/24/12	05/24/13	1.50%	332,500	-	332,500	-	-	-
			05/24/13	08/23/13	1.00%	-	-	332,500	332,500	-	-
						<u>\$ 5,607,000</u>	<u>\$ 11,214,000</u>	<u>\$ 5,607,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
					Reference	C				C	
					Renewed		\$ 5,607,000	\$ 5,607,000			
					Bonds Issued	Contra	5,607,000	-			
							<u>\$ 11,214,000</u>	<u>\$ 5,607,000</u>			
							C-2			C-2, C-9	

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-12**

**Schedule of Wastewater Treatment Loans**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding December 31, 2013</u>		<u>Balance 12/31/2012</u>	<u>Decreased</u>	<u>Balance 12/31/2013</u>
			<u>Date</u>	<u>Amount</u>			
Sanitary Sewer System	11/1/1994	\$ 227,322	2014	12,049	\$ 22,433	\$ 10,384	\$ 12,049
Refunding Bonds Series 1998G Wastewater Treatment (Original Issue 1994)	3/10/1998	228,952	2014	25,000	<u>45,000</u>	<u>20,000</u>	<u>25,000</u>
					<u>\$ 67,433</u>	<u>\$ 30,384</u>	<u>\$ 37,049</u>
					C	C-5	C

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-13**

**Schedule of Improvement Authorizations**

Ord. No.	Improvement Description	Balance December 31, 2012		2013			Balance December 31, 2013	
		Funded	Unfunded	Authorizations	Expended	Adjustment	Funded	Unfunded
1889	Paving- Various Roads	\$ -	\$ 1,100	\$ -	\$ -	\$ -	\$ 1,100	\$ -
1928	Construction of Bikeway	6,157	29,470	-	-	-	35,627	-
1960	Resurface Hedden Terrace	10,022	87,244	-	-	-	97,266	-
1961	Reconstruction of Rutherford Place	2,975	128,620	-	-	-	131,595	-
1963	Ridge Road Streetscape	-	6,943	-	-	-	-	6,943
1977	Various Capital Improvements- Library	-	640	-	-	14,099	-	14,739
1979/1982	Improvements to Stover and Ridge Park	3,606	19,261	-	-	-	22,867	-
2013	Acquisition of Fire Rescue Truck	-	103	-	-	-	103	-
2018	Various Park Improvements	-	988	-	-	-	988	-
2019	Various General Improvements	-	444	-	-	-	444	-
2020	Wilson Place Phase I Improvements	3,379	17,400	-	-	-	20,779	-
2021	Resurfacing of Sunset Avenue	-	24,080	-	-	-	24,080	-
2024	Providing for the Payment of Obligations- Cherokee	-	10,820	-	-	-	-	10,820
2057	Various General Improvements	-	157,506	-	2,213	-	155,293	-
2058	Ridge Road Streetscape Phase III	-	78,480	-	4,134	-	74,346	-
2067	Sanitary Sewer Improvements	1,025	-	-	-	-	1,025	-
2068	Acquisition of a Senior Bus	4	-	-	-	-	4	-
2074	Various Capital Improvements	-	6,062	-	3,045	-	3,017	-
2080	Various Capital Improvements	-	191,312	-	10,343	-	180,969	-
2083	Various Road Improvements	-	13,233	-	600	-	12,633	-
2101	Various Capital Improvements	-	160,804	-	43,005	-	117,799	-
2102	Various Capital Improvements	-	25,948	-	18,560	-	7,388	-
2110	Various Capital Improvements	25,000	475,000	-	26,599	-	473,401	-
2111	Various Capital Improvements	-	279,489	-	211,921	-	67,568	-
2114	Various Capital Improvements	-	-	1,280,000	361,649	-	918,351	-
2116	Fire Department Equipment	-	-	400,000	370,086	-	29,492	422
		<u>\$ 52,168</u>	<u>\$ 1,714,947</u>	<u>\$ 1,680,000</u>	<u>\$ 1,052,155</u>	<u>\$ 14,099</u>	<u>\$ 2,376,135</u>	<u>\$ 32,924</u>
	Reference	C	C	Below	Below	C-7	C	C, C-7

Reference

Financed by:

Grants Receivable	C-4	\$ 305,000
Capital Improvement Fund	C-8	65,482
Obligations Authorized	C-9, C-14	<u>1,309,518</u>
		<u>\$ 1,680,000</u>
		Above

Disbursements:

Paid by Current Fund	C-6	\$ 674,551
Encumbrance and Contracts Payable	C-7	<u>377,604</u>
		<u>\$ 1,052,155</u>
		Above

**BOROUGH OF NORTH ARLINGTON**

**General Capital Fund  
Supplemental Schedule  
For the Year Ended December 31, 2013**

**Exhibit C-14**

**Schedule of Bonds and Notes Authorized but Not Issued**

Ord. Date	Improvement Description	Balance December 31, 2012	2013 Authorizations	2013 Budget Appropriations	Bonds Issued	Balance December 31, 2013
GENERAL IMPROVEMENTS:						
1524	Curbs and Sidewalks	\$ 28,000	\$ -	\$ 20,000	\$ -	\$ 8,000
1725	Plans and Specifications Construction of Intersection	21,190	-	-	-	21,190
1751/1753	Various Improvements	37,957	-	-	-	37,957
1963	Ridge Road Streetscape	67,674	-	-	-	67,674
1977	Various Capital Improvements to Library	190,000	-	-	-	190,000
2024	Providing for the Payment of Obligations- Cherokee	50,000	-	-	-	50,000
2101	Various Capital Improvements	601,350	-	-	601,350	-
2102	Various Capital Improvements	337,250	-	-	337,250	-
2110	Various Capital Improvements	475,000	-	-	475,000	-
2111	Various Capital Improvements	368,600	-	-	368,600	-
2114	Various Capital Improvements	-	1,219,043	-	1,219,043	-
2116	Fire Equipment	-	90,475	-	90,053	422
		<u>\$ 2,177,021</u>	<u>\$ 1,309,518</u>	<u>\$ 20,000</u>	<u>\$ 3,091,296</u>	<u>\$ 375,243</u>
		C	C-13	C-6	C-9	C

**PART II**  
**SINGLE AUDIT**



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

To the Honorable Mayor and Council Members  
of the Borough of North Arlington, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”), the financial statements – regulatory basis of the Borough of North Arlington (the “Borough”), State of New Jersey, as of and for the year ended December 31, 2013, which collectively comprise the Borough’s basic financial statements and have issued our report thereon dated October 16, 2014. The Borough of North Arlington prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.”

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies noted as items number 2013-02, 2013-03 and 2013-04 in the accompanying Schedule of Findings and Questioned Costs.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and were described in the accompanying Schedule of Findings and Questioned Costs as item numbers 2013-01, 2013-02, 2013-03, 2013-04 and 2013-05.

We also noted certain matters that we reported to management of the Borough of North Arlington in Part III of this report of audit entitled "Letter of Comments and Recommendations".

### **Borough's Response to Findings**

The Borough's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Borough of North Arlington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Judith L. Tutela, CPA  
Registered Municipal Accountant No. 522



Livingston, New Jersey  
October 16, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and Council Members  
of Borough of North Arlington, New Jersey

**Compliance**

We have audited the Borough of North Arlington's (the "Borough"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal programs for the year ended December 31, 2013. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Borough, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Judith L. Tutela, CPA  
Registered Municipal Accountant No. 522



Livingston, New Jersey  
October 16, 2014

**SCHEDULE A**

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2013**

Federal Program	CFDA Number	Grant Year	Grant Award	2013 Grant Receipts	Balance, January 1, 2013	Revenue Realized	Expended	Balance, December 31, 2013	Cumulative Expenditures	
Law and Public Safety										
Alcohol Traffic Safety and Drunk Driving Prevention										
Drunk Driving Enforcement Fund	20.601	2012	\$ 1,716	\$ -	\$ 1,176	\$ 540	\$ 1,716	\$ -	\$ 1,176	
Drunk Driving Enforcement Fund	20.601	2013	5,407	5,407	-	-	-	-	-	
State and Highway Community Safety										
Click It or Ticket	20.6	2009	4,000	-	4,000	-	-	4,000	-	
U.S. Department of Justice										
Bullet Proof Vest Partnership	16.607	2012	1,750	-	-	-	-	-	-	
Bullet Proof Vest Partnership	16.607	2013	2,616	-	-	-	-	-	-	
U.S. Department of Environmental Protection										
Municipal Stormwater Regulation Program	66.605	2004	12,029	-	34	-	-	34	11,995	
U.S. Department of Homeland Security										
Assistance to Firefighters Grant Program - SAFER	97.044	2008	104,000	14,000	96,895	-	23,263	73,632	30,368	
Assistance to Firefighters Grant Program - Operations and Safety	97.244	2012	290,548	290,548	-	290,548	290,548	-	290,548	
Federal Emergency Management Agency - Disaster Grant	97.036	2013	500,023	345,584	-	500,023	500,023	-	500,023	
					<u>\$ 102,105</u>	<u>\$ 791,111</u>	<u>\$ 815,550</u>	<u>\$ 77,666</u>		

See accompanying notes to schedules of federal and state awards.

SCHEDULE B

BOROUGH OF NORTH ARLINGTON

Schedule of Expenditures of State and Local Financial Assistance  
For the Year Ended December 31, 2013

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2013</u>	<u>Revenue Realized</u>	<u>Matching Funds</u>	<u>Expended</u>	<u>Balance, December 31, 2013</u>	<u>Cumulative Expenditures</u>
NJ Department of Community Affairs NJ Meadowlands Commission Municipal Aid	8030-495-009-041870	2009	\$ 100,000	\$ -	\$ 67,567	\$ -	\$ -	\$ -	\$ 67,567	\$ 32,433
Department of Law and Public Safety Police Body Armor Replacement	718-066-1021-001	2011	6,920	-	1,971	-	-	10	1,961	4,959
Police Body Armor Replacement	718-066-1021-001	2012	2,971	-	2,971	-	-	-	2,971	-
Police Body Armor Replacement	718-066-1021-001	2013	3,811	3,811	-	-	-	-	-	-
NJ Department of Transportation Passed through the College of NJ NJ Mobility and Community Form Initiative	S8040	2009	71,500	-	45,082	-	-	-	45,082	26,418
NJ Department of Treasury Passed through the County of Bergen Municipal Alliance on Alcoholism & Drug Abuse	N/A	2011	12,157	775	13,938	-	-	4,970	8,968	4,970
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2012	12,157	-	15,357	-	-	-	15,357	-
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2013	11,677	-	-	11,677	3,000	-	14,677	-
NJ Administrative Office of the Courts Alcohol Education and Rehabilitation	760-046-4240-001	2010	5,174	-	3,197	-	-	-	3,197	1,977
Alcohol Education and Rehabilitation	760-046-4240-001	2012	158	158	-	-	-	-	-	-
Department of Environmental Protection Clean Communities Program	4900-765-004-178910	2010	20,929	-	16,386	-	-	-	16,386	27,389
Clean Communities Program	4900-765-004-178910	2011	20,599	-	27,566	-	-	-	27,566	-
Clean Communities Program	4900-765-004-178910	2012	20,599	-	-	20,599	-	-	20,599	-
Clean Communities Program	4900-765-004-178910	2013	48,628	48,628	-	-	-	-	-	-
Recycling	4900-765-004-178910	2010	27,657	-	18,836	-	-	7,469	11,367	16,290
Recycling	4900-765-004-178910	2011	9,049	-	9,049	-	-	-	9,049	-
Recycling	4900-765-004-178910	2012	16,924	-	16,924	111	-	-	17,035	-
Recycling	4900-765-004-178910	2013	26,068	-	-	26,068	-	-	26,068	-
Department of Human Services Strengthening Families	100-054-4213	2010	3,516	-	3,516	-	-	-	3,516	-
					\$ 169,851	\$ 58,455	\$ 3,000	\$ 12,439	\$ 218,867	

See accompanying notes to schedules of federal and state awards.

**BOROUGH OF NORTH ARLINGTON**

**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
December 31, 2013**

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**Note 1 – General**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of North Arlington. The Borough is defined in Note 1(A) to the Borough’s financial statements. All federal financial assistance received directly from federal agencies, as well as federal and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**Note 2 – Basis of Awards Accounting**

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough’s financial statements.

**Note 3 – Relationship to Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the Borough’s financial statements. Financial assistance revenues are reported in the Borough’s financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 346,124	\$ 58,455	\$ 404,579
General Capital Fund	<u>290,548</u>	<u>-</u>	<u>290,548</u>
Total Financial Awards	<u>\$ 636,672</u>	<u>\$ 58,455</u>	<u>\$ 695,127</u>

**Note 4 – Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough’s year end and grant program year.

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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**Section I - Summary of Auditor's Results**

Financial Statements

- |   |  |
|---|--|
|   | <u>Adverse - GAAP</u><br><u>Qualified - Regulatory Basis</u> |
| A) Type of auditor's report issued:   |  |
| B) Internal control over financial reporting:   |  |
| 1) Material weakness (es) identified?   | _____ Yes <u>  X  </u> No                                    |
| 2) Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>  X  </u> Yes      _____ No                               |
| C) Noncompliance material to general-purpose financial statements noted?                      | <u>  X  </u> Yes      _____ No                               |

**Federal Awards**

- |  |                           |
|--|---------------------------|
| D) Dollar threshold used to determine between Type A and Type B programs:  | _____ \$300,000 _____     |
| E) Auditee qualified as low-risk auditee?  | _____ Yes <u>  X  </u> No |
| F) Internal Control over major programs:   |                           |
| 1) Material weakness (es) identified?  | _____ Yes <u>  X  </u> No |
| 2) Significant deficiency (ies) identified that are not considered to be material weaknesses?                              | _____ Yes <u>  X  </u> No |
| G) Type of auditor's report on compliance for major programs:  | _____ Unmodified _____    |
| H) Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? | _____ Yes <u>  X  </u> No |
| I) Identification of major programs:   |                           |

<u>Type</u>	<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
A	97.036	Homeland Security -Disaster Grant

**State Awards**

None

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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*Part II – Financial Statement Findings*

This section identified the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraph 4.28 of *Government Auditing Standards*.

**Finding 2013-01:**

Our audit of the General Capital Fund revealed that there are numerous improvement authorizations over five years old that have deficit cash balances at year end.

**Criteria or specific requirement:**

Requirements of Audit, issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Condition:**

Improvement authorizations that were adopted over five years ago in the General Capital Fund have deficit cash balances in the amount of \$167,058 at December 31, 2013.

**Questioned Costs:**

None.

**Context**

Certain improvement authorizations have been spent but not permanently funded for the total amount expended. This results in a deficit in cash for the improvement authorization.

**Effect:**

The Borough is not in compliance with accounting practices prescribed by the Division of Local Government Services.

**Cause:**

Ordinances have not been permanently funded through issuance of debt and/or budget appropriation

**Recommendation:**

The Borough should fund the improvement authorization balances that are in excess of five years old and have deficit cash balances in the amount of \$167,058 either through the issuance of debt or Current Fund budget appropriations

**Management's Response:**

The Borough CFO will liquidate cash deficit balances by raising the cash through budget appropriations for the calendar years 2015 and 2016. Management is in agreement and will prepare a corrective action plan.

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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*Part II – Financial Statement Findings (Cont.)*

**Finding 2013-02:**

Grant receivables and appropriation reserves in the Federal and State Grant Fund should be monitored periodically during the year to ensure that all revenues have been billed and appropriate expenditures have been charged to the grant expenditures and all grants expended have been appropriated. Utilizing grant resources first allows the entity to free up funds in the current budget.

**Criteria or specific requirement:**

- Grant Agreements
- Internal Control and Matching Principal

**Condition:**

Grant receipts and disbursements are not monitored to ensure that all expenditures have been properly charged in the period in which they have been expended. Certain grants received have not been appropriately charged for the expenditures disbursed in the current fund budget. In addition, it appears certain receivable balances are uncollectible.

**Questioned Costs:**

None.

**Effect:**

The Borough is not properly utilizing grant funds and recovery. Smaller grants have not been reviewed to ensure charges for grant reimbursements are properly accounted for.

**Cause:**

Unknown.

**Recommendation:**

Grants should be monitored on a periodic basis and all funds received should reflect the amounts charged to the grant. Any grants that are uncollectible should be cancelled.

**Management's Response:**

The Borough CFO will review all grant receivables, expenditures and monitor same on a periodic basis. CFO will also liquidate receivables and cancel reserves by council resolution for all expired grants.

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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*Part II – Financial Statement Findings (Cont.)*

**Finding 2013-03:**

The Borough of North Arlington incurred \$64,984.54 of overexpenditures in the 2013 budget appropriations, \$10,182.00 in the 2012 Appropriation Reserves and \$1,775.67 in the Grant Reserve.

In addition, certain Current Fund operating costs were not encumbered at December 31, 2013.

**Criteria or specific requirement:**

- N.J.A.C. 5:30-5.1 “Encumbrances Systems”
- N.J.S.A. 40A:4-57, expenditures void without appropriations

**Condition:**

Several budget line items and grant reserves were overexpended as a result of not recording certain outstanding liabilities.

Certain outstanding liabilities were not encumbered at December 31, 2013.

**Questioned Costs:**

None.

**Effect:**

Overexpenditures result in deferred charges that must be raised in the subsequent budget.

**Cause:**

Unknown.

**Recommendation:**

Internal controls over encumbrances should be review and enhanced to ensure that all purchases are encumbered timely.

**Management’s Response:**

Purchasing and policies manual has been distributed to Department heads, and staff meeting held discussing same. Periodic staff meetings will be held to review progress on purchasing policies and monitoring budget controls to prevent over expenditures of budget appropriations.

## BOROUGH OF NORTH ARLINGTON

### Schedule of Findings and Questioned Costs December 31, 2013

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#### *Part II – Financial Statement Findings (Cont.)*

##### **Finding 2013-04:**

Procurement requirements for municipalities require compliance with the administrative codes for contracts and procurement, Pay to Play Laws and Local Public Contract Law. A process to ensure the execution and maintenance of contracts, resolutions to authorize state contracts, protocol for emergency procurement, proper certification of funds and compliance with pay to play laws. We noted that the Borough did not have process in place to ensure compliance in the procurement area.

##### **Criteria or specific requirement:**

- N.J.A.C. 5:34-1 and N. J.S.A. 40A:11-1 “Local Public Contract Law”
- N.J.A.C. 5:30-5.1 “Encumbrances Systems”
- N.J.S.A. 19:44A-20.4 et seq. “Political Contribution Disclosure Compliance Laws”
- Internal Control Principles

##### **Condition:**

During our audit we noted the Borough certain procurement standards were not adhered to and the Borough did not have a process in place to ensure the compliance with the procurement process. We noted non-compliance in the following areas:

- Certification of funds
- Compliance with Pay to Play disclosures
- Compliance with Emergency purchase procurement
- Awarding of State contracts
- Maintenance signed and up dated contracts.

##### **Questioned Costs:**

None

##### **Effect:**

The Borough was non-compliant with certain procurement laws and did not have an appropriate internal control system in place to ensure compliance.

##### **Cause:**

The Borough had significant staff change over during the year. Many of the items requested for verification of compliance were not available for audit and the current staff was unaware of what process was in place to ensure compliance.

##### **Recommendation:**

The Borough has already implemented a process to ensure sound internal controls related to the procurement process. The Borough should review this process to ensure the standards encompass all of the areas noted above and to disseminate such information to the head of each Department within the Borough.

##### **Management’s Response:**

Internal controls have been implemented as noted in the recommendation of 2013-3 Finding.

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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*Part II – Financial Statement Findings (Cont.)*

**Finding 2013-05:**

Resolutions for the approval of legal services were not in all cases presented to the governing body for approval. Documentation supporting the approval of such contracts, by project, were not maintained.

**Criteria or specific requirement:**

- New Jersey Local Public Contracts Law N.J.S.A. 40A:11-5 “Exceptions to the Local Public Contracts Law”
- *Best Practices in Awarding Service Contracts* issued by the State Comptroller’s office.

**Condition:**

Documentation supporting the approval of legal services was not made available for audit.

**Questioned Costs:**

None.

**Effect:**

Non-compliance with the Public Contracts Law.

**Cause:**

Unknown.

**Recommendation:**

All agreements for professional services contracts be approved by the governing body and documentation supporting such be made available for audit.

**Management’s Response:**

Borough will have resolutions approved by Mayor and Council for all legal services itemized by category and/or project.

**BOROUGH OF NORTH ARLINGTON**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

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*Part II – Financial Statement Findings (Cont.)*

This section identifies the status of prior year audit findings related to the financial statements and federal and state awards that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 (section 315(a)) and New Jersey OMB Circular 04-04.

**Finding 2012-01:**

Our audit of the General Capital Fund revealed that there are numerous improvement authorizations over five years old that have deficit cash balances at year end.

**Current status**

See Finding 2013-01

**Finding 2012-02:**

Grant receivables and appropriation reserves in the Federal and State Grant Fund should be monitored periodically during the year to ensure that all revenues have been billed and appropriate expenditures have been charged to the grant expenditures and all grants expended have been appropriated. Utilizing grant resources first allows the entity to free up funds in the current budget. Any grants that are uncollectible should be cancelled.

**Current status**

See Finding 2013-02

**PART III**  
**SUPPORTING DATA**  
**LETTER OF COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF NORTH ARLINGTON**

**Supplementary Data**

**Comparative Statements of Operations and Changes in Fund Balance – Current Fund  
For the Years Ended December, 31, 2013 and 2012**

	<b>2013</b>		<b>2012</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>Revenue and Other Income Realized</b>				
Fund Balance Utilized	\$ -	0.0%	\$ -	0.0%
Miscellaneous - From Other Than Local				
Property Tax Levies	4,487,977	9.8%	5,014,879	11.1%
Collection of Delinquent Taxes and Tax Title Liens	247,570	0.5%	536,188	1.2%
Collection of Current Tax Levy	40,708,241	89.3%	39,193,071	87.0%
Other Credits	135,640	0.3%	309,470	0.7%
<b>Total Income</b>	<u>45,579,428</u>	<u>100.0%</u>	<u>45,053,608</u>	<u>100.0%</u>
<b>Expenditures</b>				
<b>Budget Expenditures</b>				
Municipal Purposes	19,493,247	42.4%	19,821,034	43.3%
County Taxes	3,395,522	7.4%	3,499,514	7.7%
Local School Taxes	22,980,691	50.0%	21,796,370	47.7%
Other Expenditures	51,356	0.1%	612,595	1.3%
<b>Total Expenditures</b>	<u>45,920,816</u>	<u>100.0%</u>	<u>45,729,513</u>	<u>100.0%</u>
<b>Excess in Revenue/(Deficit) in Revenue</b>	(341,388)		(675,905)	
<b>Adjustments to Income before Surplus:</b>				
Expenditures Included Above Which By Statute Are Deferred Charges to Budget of Succeeding Year	<u>341,388</u>		<u>675,905</u>	
<b>Statutory Excess to Surplus</b>	-		-	
<b>Fund Balance, January 1</b>	<u>502,715</u>		<u>502,715</u>	
	502,715		502,715	
<b>Less: Utilization as Anticipated Revenue</b>	<u>-</u>		<u>-</u>	
<b>Fund Balance, December 31</b>	<u>\$ 502,715</u>		<u>\$ 502,715</u>	

**BOROUGH OF NORTH ARLINGTON**

**Supplementary Data  
For the Years Ended December, 31, 2013 and 2012**

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**Comparative Schedule of Tax Rate Information**

	<u>2013</u>	<u>2012</u>	<u>2011*</u>
<b><u>Tax Rate</u></b>	\$2.806	\$2.705	\$2.688
<b><u>Apportionment of Tax Rate</u></b>			
Municipal	\$0.990	\$0.987	\$0.923
County	0.229	0.233	0.218
Local School	1.554	1.450	1.511
Library	0.033	0.035	0.036

**Assessed Valuation**

2013	\$ 1,479,261,575
2012	\$ 1,586,564,192
2011*	\$ 1,508,037,889

\*A Borough-wide revaluation became effective in 2011.

**Comparison of Levies and Collection Currently**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<b>Percentage of <u>Collection</u></b>
2013	\$ 41,783,927	\$ 40,708,241	97.43%
2012	40,661,795	39,193,071	96.39%
2011	40,615,724	39,116,790	96.31%

**BOROUGH OF NORTH ARLINGTON**

**Supplementary Data  
For the Years Ended December, 31, 2013 and 2012**

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**Delinquent Taxes and Tax Title Liens**

This tabulation includes a comparison, expressed in percentages, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2013	\$ 15,943	\$ 692,948	\$ 708,891	1.70%
2012	2,993	466,622	469,615	1.12%
2011	2,403	1,756,103	1,758,506	4.32%

**Comparative Schedule of Fund Balances**

<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2013	\$ 502,715	\$ -
2012	502,715	-
2011	502,715	200,000

**BOROUGH OF NORTH ARLINGTON**

**Supplementary Data  
For the Years Ended December, 31, 2013 and 2012**

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**Officials in Office and Surety Bonds**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peter Massa	Mayor	12/31/2014
Dan Pronti	Councilman	12/31/2014
Mark Yampaglia	Councilman	12/31/2014
Joseph Bianchi	Councilman	12/31/2016
Richard Hughes	Councilman	12/31/2016
Albert Granell	Councilman	12/31/2015
Thomas Zammatore	Councilman	12/31/2015
Terence Wall	Borough Administrator, Borough Clerk, Borough QPA (Until 11/23/13)	
Thomas Kane	Borough Administrator	
Kathleen Moore	Borough Clerk ( Appointed 3/13/14)	
James Mangin	Chief Financial Officer (until 7/1/13)	
Thomas Kane	Chief Financial Officer	
Joseph Iannaconi, Jr.	Tax Collector	
Douglas Bern	Municipal Attorney	
George Savino	Judge	

There is a statutory bond limit in the Municipal Joint Insurance Fund that covers the Treasurer, Tax Collector, Magistrates, Court Administrators and Court Clerk up to \$1,000,000 with a member deductible of \$2,500.

**BOROUGH OF NORTH ARLINGTON**

**Comments and Recommendations  
December 31, 2013**

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**General Comments**

**Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4**

N.J.S.A 40A:11-4 states “Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000 ( \$17,500 after November 30, 2013), except by contract or agreement.”

The Governing Body of the Borough has the responsibility of determining whether the expenditures in any category will exceed \$36,000 (\$17,500 after November 30, 2013) within the year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Borough Counsel’s opinion should be sought before a commitment is made.

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

Park improvements	Lawn Service
Road Program	Equipment and Installation

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S.A. 40A:11-5.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of procurement did reveal an instance where resolution documentation of procurement process did not match procurement process used. Quotes were received for Landscaping services where resolution adopted indicated a bid was solicited. Amount of contract did not exceed threshold for bids.

**Collection of Interest on Delinquent Taxes and Assessments**

The statutes provide the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

**Taxes and Tax Title Liens**

A tax sale was held on May 15, 2013.

The following comparison is made of the number of tax title liens receivable on December 31, for the three preceding years.

<u>Year</u>	<u>Number of Liens</u>
2013	5
2012	3
2011	30

**BOROUGH OF NORTH ARLINGTON**

**Comments and Recommendations  
December 31, 2013**

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**Deferred Charges Raised in the Succeeding Year's Budget**

The following deferred charges are shown on the December 31, 2013 balance sheets of the following funds:

<b>2013</b>	<b>Balance December 31,</b>	<b>Subsequent Year Budget Appropriation</b>	<b>Remaining Balance</b>
Current Fund			
Special Emergency Authorization	\$ 750,000	\$ 240,000	\$ 510,000
Operating Deficit	264,747	264,747	-
Overexpenditure of an appropriation	64,984	64,984	-
Overexpenditure of an appropriation reserve	10,182	10,182	-
Overexpenditure of a grant appropriation	1,775	1,775	-
	<u>\$ 1,091,688</u>	<u>\$ 581,688</u>	<u>\$ 510,000</u>

**Comments and Recommendations**

**Comments**

Our audit of the Current Fund and General Capital Fund revealed that there are \$335,517 and \$581,013, respectively of grant receivable balances as of December 31, 2013. Continued efforts should be made to collect all outstanding amounts. Uncollectible amounts should be cancelled by the Governing Body.

Appropriation reserves in the Federal and State Grant Fund should be monitored periodically during the year to ensure that all appropriate expenditures have been charged to the grant expenditures and all grants expended have been appropriated. Utilizing grant resources first, allows the entity to free up funds in the current budget.

Certain improvement authorizations have been spent but not permanently funded for the total amount expended. This results in a deficit in cash for the improvement authorization. Improvement authorizations that were adopted over five years ago in the General Capital Fund have deficit cash balances in the amount of \$167,058 at December 31, 2013.

The Borough is recording their minutes at each meeting. Resolutions are to be disseminated the day following the meeting. All department heads are to be provided with a meeting package before the meeting date. We noted during our audit an instance where the approved resolution had not been posted to the books and records timely. Sending the approved resolutions to the appropriate department heads and timely posting of the resolutions is imperative to ensure contracts are encumbered, taxes are cancelled as well as various important matters occur timely. Continued efforts should be made to ensure that the resolutions are distributed to the appropriate department, department heads are posting transactions and the official minutes are being transcribed and approved in a timely manner.

Our audit of the purchasing of goods and services revealed that the borough does not have a procedure in place to ensure the solicitation of pay to play documentation. The Borough should implement procedures to comply with N.J.S.A. 19:44A-20.4 et seq. "Political Contribution Disclosure Compliance Laws".

## **BOROUGH OF NORTH ARLINGTON**

### **Comments and Recommendations December 31, 2013**

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#### **Comments and Recommendations (Cont.)**

The Borough's procurement practices in place during our audit period did not ensure that contracts are maintained up to date and are fully executed (signed), all emergency purchases are based upon a documented emergency, all state contracts are awarded after providing a resolution to the governing body for approval, all resolutions are certified by the Certified Financial Officers as to the availability of funds.

A process to comply with Disbarment and Suspension in the Bid process is important to ensure only qualified contractors are awarded bids. The Borough did not have any disqualified vendors based upon our test work performed; however, we noted that they controls to ensure compliance were not in place.

Our audit of payroll revealed that the Borough does not have an annual salary ordinance which states specific salaries for all of its non-contractual employees as indicated in the administrative code of the Borough.

Payrolls being processed are not reviewed by someone other than the individual preparing the payroll. The Borough should assign the responsibility for review and approval to an individual who does not have responsibility for entering time. The approval process should include a signature.

The Borough is using a third party for payroll processing and disbursements. When a third party organization is hired to handle payments on behalf of a local unit, the appropriate local official must implement ongoing internal control procedures to oversee the contract. Appropriate internal control policies require that oversight, testing, and organization review be routinely performed. The rules also require controls for tracking and managing servicer errors. When a third party organization is hired to handle payments on behalf of a local unit, the appropriate local official must implement ongoing internal control procedures to oversee the contract. Appropriate internal control policies require that oversight, testing, and organization review be routinely performed. The rules also require controls for tracking and managing servicer errors.

The health insurance reform requires the amounts withheld from employees pay to be updated at a minimum annually. At the end of the audit process, the updates had not yet been implemented. We suggest amounts are updated at the beginning of each year to ensure the correct amounts are being withheld evenly.

The files utilized to properly assess and verify the allowable veteran tax deductions were not in all cases available for audit. The Borough should require all forms to be obtained and filed in logical manner to ensure that the deductions can be audited by both the Borough's auditors and State auditors if necessary. If certain files are not available, the Tax Assessor should request and update from the individual receiving the benefit.

The tax title lien redemption account shows the borough has on hand two long outstanding checks amounting \$19,269 and \$25,321. These checks were printed in 2012 and kept on file with the Borough as the final documentation for the release of the checks are not obtained. Checks for lien redemptions should not be issued until such time as the appropriate documents have been obtained.

Our audit of the municipal court accounts revealed that the municipal court general and bail accounts are not always deposited within 48 hours in accordance with N.J.S.A. 40A:5-15. The accounts are not reconciled timely or accurately but are not materially different. In addition, the Municipal Court General and bail accounts require only one signature.

## **BOROUGH OF NORTH ARLINGTON**

### **Comments and Recommendations December 31, 2013**

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#### **Comments and Recommendations (Cont.)**

Police outside employment is required by the rules issued from the NJ Division of Local Government Services, Local Finance Notice CFO 2000-14 to collect revenues dedicated by rider in the trust fund and to pay salaries for outside police employment from the same fund.

The Police revenue records audited revealed changes in the fee structure documented by way of memo. The changes in fee structure should be approved by the governing body via ordinance.

Revenues collected by the Police department were not turned over for deposit within 48 hours as required by NJSA 40A:5-15.

During our audit of Fire prevention department we noted that the LEA fines were not included in the Trust Fund. The amounts were provided and included in the audited financial statements. In addition, the bank in which the Trust monies are deposited is not an bank approved by the governing body.

Developer deposits are not being tracked separately by each developer in accordance with the NJSA 40:55D, with statements provided monthly or quarterly depending upon the size of the deposit on hand. Developer accounts in excess of \$5,000 are required to be deposited in an interest bearing account and interest earned posted to the developers account.

The Construction Code Department collects various fees for garbage cans, elevator inspections, permits, etc. and submits the funds to the tax office for deposit. The spreadsheet maintained is totaled by day and details of whom the funds were received are not maintained. A cash receipt journal should be utilized to provide sufficient information for revenue collected on a daily basis with daily totals tying into amounts submitted for deposit. A separate pre-numbered receipt book should be utilized when providing a customer receipt. Currently the department is using the same receipt book as the one used in submitting the daily deposits to the tax department.

During 2013, several key positions in the management of North Arlington changed, we noted bank signatories were not changed timely.

Outstanding checks should generally clear in the following month; we noted outstanding balances remained in excess of 6 months after issuance. These checks should be reviewed to determine if they should be reissued, voided or escheated.

Open purchase at year end should only represent amounts required to pay invoices for 2013 services or goods and should be reviewed to ensure all available funds are not encumbered.

Parking coins are collected weekly and are contained in locked canisters. Once they are delivered to the finance office they should be immediately secured until deposit is made.

Animal control reports are required to be submitted within 30 days of the end of the preceding month. Our procedures indicated reports were not being filed timely.

## **BOROUGH OF NORTH ARLINGTON**

### **Comments and Recommendations December 31, 2013**

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#### **Recommendations**

1. Grants should be monitored on a periodic basis for billing and expenditures charged for grants. All funds received should reflect the amounts charged to the grant. Any grants that are uncollectible should be cancelled. \*
2. General capital fund improvement authorizations that are greater than five years in some instances have deficit balances that should be funded through the issuance of debt or current fund budget appropriations.\*
3. All minutes of all Mayor and Council meetings are to be completed and each meeting be subsequently submitted to the governing body for their approval in a timely manner. Resolutions affecting the operations of the Borough should be disseminated after each meeting. Furthermore, the approved minutes of the Borough contain all attachments and are permanently bound and available for review. \*
4. It is recommended that the Borough review the procurement process to ensure they will seek competitive bids for all items above the bid threshold, document emergency purchases and maintain proper documentation of the bids and contracts awarded. It is also recommended that the Borough follow the Political Disclosure Compliance Laws.\*
5. The Borough should on an annual basis, adopt an annual salary ordinance which states specific salaries for all of its non-contractual employees as indicated in the administrative code of the Borough. \*
6. The Borough should assign the responsibility to review and the approval of payrolls, payroll reports, DCRP, life insurance and disability to an individual who does not have responsibility for entering payroll data. Signatures should be evident of the review. \*
7. The third party payroll contract should be reviewed to ensure that the requirements of NJAC 5:30-17 are met. Bank reconciliations prepared by the third party should be reviewed on a periodic basis.\*
8. Calculations for Health insurance reimbursements should be prepared periodically to ensure appropriate amounts are withheld from the employees pay.
9. The tax department and tax assessor should implement a process to ensure all senior post tax forms and veteran's eligibility forms are maintained in a manner to allow for audit.\*
10. Tax title lien checks should not be issued until such time that all the required documentation for distribution met.\*
11. It is recommended that the Municipal Court General and Bail account reconciliations be performed timely and accurately and all differences be investigated and resolved. \*
12. Police outside employment revenues should be collected and deposited to the Trust Funds and the payments made for off duty police hire should be made from the Trust Funds.\*
13. It is recommended that the borough should adopt a resolution/ordinance establishing police outside work fees. \*
14. All fees collected by the Departments must be turned over within 48 hours in accordance with NJSA 40A:5-15.\*
15. It is recommended that LEA funds be included in the Borough Trust Funds. We recommend that all the revenues collected on behalf of the Borough be included in the Borough's financial statements and all disbursements be approved by the governing body. \*
16. All developer escrow deposits should be maintained by developer and in accordance with applicable statutes.\*
17. Signatories for all bank accounts held in the name of the Borough should be reviewed for current authorization in the cash management plan and for appropriate signatories.

**BOROUGH OF NORTH ARLINGTON**

**Comments and Recommendations  
December 31, 2013**

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**Recommendations (Cont.)**

- 18. Outstanding check lists should be reviewed for reissuance, void or escheat.
- 19. Parking revenue collected should be secured at all times from collection until deposit.
- 20. Animal Control reports should be submitted timely.

Our comments with respect to our examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

The findings noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

**Status of Prior Year Recommendations**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action had not been taken on those recommendations that are denoted with an asterisk (\*)

**Acknowledgement**

We greatly appreciate all the assistance and courtesies rendered by the Borough personnel during the course of our audit.

Respectfully Submitted,



Livingston, New Jersey  
October 16, 2014



November 4, 2014

To the Honorable Mayor and Council Members  
of the Borough of North Arlington  
in the County of Bergen, New Jersey

We have audited the financial statements – regulatory basis of the individual funds and account group of the Borough of North Arlington (the “Borough”), State of New Jersey as of December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Borough of North Arlington are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of “Deferred Charges to be Raised in Succeeding Budgets” in Note 8 to the financial statements indicates that the Borough has \$1,215,605 to be raised in the subsequent budgets. The disclosure identifies the deficit amount in operations and the Special Emergency Authorization.

The financial statement disclosures are neutral, consistent, and clear.

To the Honorable Mayor and Council Members  
of the Borough of North Arlington  
November 4, 2014

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, including all material misstatements detected as a result of audit procedures. Journal entries made are available for review.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 19, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We note in addition to the schedule of findings and questioned costs, certain areas where controls could be strengthened and areas of noncompliance which did not have a material effect on the financial statements. These comments and recommendations can be found in Part III of the audited financial statement package.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Honorable Mayor and Council Members  
of the Borough of North Arlington  
June 19, 2013

This information is intended solely for the use of the Mayor, Council Members and management of the Borough of North Arlington and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Judith Tutela". The signature is fluid and cursive, with the first name "Judith" written in a larger, more prominent script than the last name "Tutela".

Judith L. Tutela, CPA, RMA No. 522

Spire Group, P.C.  
Livingston, New Jersey

**SYNOPSIS OF THE 2013 AUDIT REPORT OF  
THE BOROUGH OF NORTH ARLINGTON, COUNTY OF BERGEN, NEW JERSEY,  
AS REQUIRED BY N.J.S.A. 40A:5-7**

**COMBINED COMPARATIVE BALANCE SHEETS  
REGULATORY ACCOUNTING BASIS  
DECEMBER 31, 2013 and 2012**

<b>ASSETS</b>	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash, Cash Equivalents and Investments	\$ 6,756,706	\$ 3,902,223
Taxes Receivable	692,948	466,622
Tax Title Liens	15,943	2,993
Other Receivables:		
Interfunds	636,334	276,682
Other	114,510	145,536
Fixed Assets	20,196,069	19,015,951
Federal and State Grants Receivable	916,530	1,191,033
Deferred Charges to Future Taxation - General Capital	19,815,320	20,661,939
Deferred Charges to Future Taxation - Operating	1,091,688	1,215,905
<b>Total Assets</b>	<u><u>\$ 50,236,048</u></u>	<u><u>\$ 46,878,884</u></u>

**LIABILITIES, RESERVES AND FUND BALANCE**

Cash Liabilities:		
Interfunds	\$ 292,289	\$ 276,707
Other	3,363,002	2,606,125
Bonds, Loans, and Notes Payable	19,906,050	19,844,434
Capital Improvement Fund/Authorizations	2,479,771	1,790,309
Investment in Fixed Assets	20,196,069	19,015,951
Reserve for Receivables	1,908,537	1,718,883
Fund Balance	2,090,330	1,626,475
<b>Total Liabilities, Reserves and Fund Balance</b>	<u><u>\$ 50,236,048</u></u>	<u><u>\$ 46,878,884</u></u>

**SYNOPSIS OF THE 2013 AUDIT REPORT OF  
THE BOROUGH OF NORTH ARLINGTON, COUNTY OF BERGEN, NEW JERSEY,  
AS REQUIRED BY N.J.S.A. 40A:5-7**

**STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE – CURRENT FUND  
REGULATORY ACCOUNTING BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

<b>REVENUE AND OTHER CREDITS TO FUND BALANCE:</b>	<u>2013</u>	<u>2012</u>
Fund Balance Utilized	\$ -	\$ -
Miscellaneous Revenue Anticipated	4,397,106	4,973,068
Receipts From:		
Current Taxes	40,708,241	39,193,071
Delinquent Taxes	247,570	536,188
Non-Budget Revenue	90,871	41,811
Other Credits to Fund Balance	135,640	309,470
	<u>45,579,428</u>	<u>45,053,608</u>
 <b>EXPENDITURES:</b>		
Budget Appropriations	19,493,247	19,821,034
County Taxes	3,395,522	3,499,514
Local School Taxes	22,980,691	21,796,370
Other Expenditures and Charges to Fund Balance	51,356	612,595
	<u>45,920,816</u>	<u>45,729,513</u>
 Excess/ Deficit in Operations	(341,388)	(675,905)
 Adjustments to Income Before Fund Balance		
Expenditures Included above which are by Statute		
Deferred Charges to Budget in Succeeding Fiscal Year	341,388	675,905
	<u>341,388</u>	<u>675,905</u>
 Statutory Excess to Fund Balance	-	-
 Fund Balance, January 1	502,715	502,715
	<u>502,715</u>	<u>502,715</u>
 Decreased by:		
Utilization as Anticipated Revenue	-	-
	<u>-</u>	<u>-</u>
 Fund Balance, December 31	\$ <u>502,715</u>	\$ <u>502,715</u>

**SYNOPSIS OF THE 2013 AUDIT REPORT OF  
THE BOROUGH OF NORTH ARLINGTON, COUNTY OF BERGEN, NEW JERSEY,  
AS REQUIRED BY N.J.S.A. 40A:5-7**

**RECOMMENDATIONS**

1. Grants should be monitored on a periodic basis for billing and expenditures charged for grants. All funds received should reflect the amounts charged to the grant. Any grants that are uncollectible should be cancelled. \*
2. General capital fund improvement authorizations that are greater than five years in some instances have deficit balances that should be funded through the issuance of debt or current fund budget appropriations.\*
3. All minutes of all Mayor and Council meetings are to be completed and each meeting be subsequently submitted to the governing body for their approval in a timely manner. Resolutions affecting the operations of the Borough should be disseminated after each meeting. Furthermore, the approved minutes of the Borough contain all attachments and be permanently bound and available for review. \*
4. It is recommended that the Borough review the procurement process to ensure they will seek competitive bids for all items above the bid threshold, document emergency purchases and maintain proper documentation of the bids and contracts awarded. It is also recommended that the Borough follow the Political Disclosure Compliance Laws.\*
5. The Borough should on an annual basis, adopt an annual salary ordinance which states specific salaries for all of its non-contractual employees as indicated in the administrative code of the Borough. \*
6. The Borough should assign the responsibility to review and the approval of payrolls, payroll reports, DCRP, life insurance and disability to an individual who does not have responsibility for entering payroll data. Signatures should be evident of the review. \*
7. The third party payroll contract should be reviewed to ensure that the requirements of NJAC 5:30-17 are met. Bank reconciliations prepared by the third party should be reviewed on a periodic basis.\*
8. Calculations for Health insurance reimbursements should be prepared periodically to ensure appropriate amounts are withheld from the employees pay.
9. The tax department and tax assessor should implement a process to ensure all senior post tax forms and veteran's eligibility forms are maintained in a manner to allow for audit.\*
10. Tax title lien checks should not be issued until such time that all the required documentation for distribution met.\*
11. It is recommended that the Municipal Court General and Bail account reconciliations be performed timely and accurately and all differences be investigated and resolved. \*
12. Police outside employment revenues should be collected and deposited to the Trust Funds and the payments made for off duty police hire should be made from the Trust Funds.\*
13. It is recommended that the borough should adopt a resolution/ordinance establishing police outside work fees. \*
14. All fees collected by the Departments must be turned over within 48 hours in accordance with NJSA 40A:5-15.\*
15. It is recommended that LEA funds be included in the Borough Trust Funds. We recommend that all the revenues collected on behalf of the Borough be included in the Borough's financial statements and all disbursements be approved by the governing body. \*
16. All developer escrow deposits should be maintained by developer and in accordance with applicable statutes.\*

**SYNOPSIS OF THE 2013 AUDIT REPORT OF  
THE BOROUGH OF NORTH ARLINGTON, COUNTY OF BERGEN, NEW JERSEY,  
AS REQUIRED BY N.J.S.A. 40A:5-7**

**Recommendations (Cont.)**

17. Signatories for all bank accounts held in the name of the Borough should be reviewed for current authorization in the cash management plan and for appropriate signatories.
18. Outstanding check lists should be reviewed for reissuance, void or escheat.
19. Parking revenue collected should be secured at all times from collection until deposit.
20. Animal Control reports should be submitted timely.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

A Corrective Action Plan, which will outline actions the Borough of North Arlington will take to correct the findings listed above, will be prepared in accordance with federal and state requirements. A copy of it will be placed on file and made available for public inspection in the Office of the Borough Clerk within forty-five (45) days of this notice.

The above summary or synopsis was prepared from the report of audit of the Borough of North Arlington, County of Bergen, New Jersey for the year ended December 31, 2013. This report of audit, submitted by Judith Tutela, Registered Municipal Accountant, of Spire Group, P.C. is on file at the Office of the Clerk of the Borough of North Arlington and may be inspected by any interested person.

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Kathleen Moore  
Borough Clerk  
Borough of North Arlington

**Borough of North Arlington of Bergen**  
 City, Town, Boro or Twp. Municipality County

Form for Reporting Dog Licenses Issued  
 Pursuant to R.S. 4:19-15.1 et seq., as  
 amended by Chapter 168, P.L. 1978 and  
 Chapter 235, P.L. 1981

Auditor Spire Group, P.C.  
 Address 220 South Orange Avenue  
Livingston, NJ 07039

Dog License Fee - Minimum	\$10.00	Late Fee	\$25.00
Dog License Fee - Maximum	\$13.00		
State Registration Fees:	\$1.00	"Seeing Eye" Dog License are to be issued without fees	
State Pilot Clinic Fund:	\$0.20		
Animal Population Control Fund:	\$3.00		

**1/1/2013 - 12/31/2013**

<u>License Numbers</u>		Rate	Total Fees	Municipal License	Kennel License	Service Dog	State Registration Fees
From	To						
1	689						
<b>State Fee Schedule:</b>							
Registration Fees	686	1.00	686.00				686.00
Pilot Clinic Fund	686	0.20	137.20				137.20
Non-Neutered	104	3.00	312.00				312.00
<b>Municipal Fee Schedule:</b>							
Local License Share	686	8.80	6,036.80	6,036.80			
Late Fees	27	25.00	675.00	675.00			
Duplicate Tags	3	—	—	—			
Seeing Eye Dog	0	—	—	—			
<b>TOTALS</b>			7,847.00	6,711.80		—	1,135.20

Add: Prior Balance Due State Treasurer December 31, 2012

-

Remitted to State Treasurer

1,135.20

Balance Due State Treasurer December 31, 2013

\$ -

INTERNAL CONTROL QUESTIONNAIRE

SECTION XII - STATUTORY COMPLIANCE

(Note: This questionnaire must be filed with the Division of Local Government Services.)

Municipality Borough of North Arlington

Period Ended 12/31/13

	Yes	No	N/A	Remarks
1. Has the current tax duplicate and Tax levy been proven?	X			
2. Have all the cancellations, State and County Board Judgments, Veterans' deductions and Senior Citizens' deductions been reviewed for propriety and checked to tax duplicate or tax computer system?	X			
3. Were the tax collections traced on a test basis, from the cashbook to the tax duplicate to the tax computer system?	X			
4. Were tax collections per cash receipts book in agreement with amounts posted in current duplicate or tax computer systems?	X			Computer system in use
5. Were transfers to the tax title lien register of computer system in machine systems and foreclosed property register traced?	X		X	Yes to TTL, no to foreclosed property since there are no foreclosed properties.
6. Have all tax overpayments been accounted for?	X			
7. If tax machine bookkeeping or computer system is in use, has it been approved by the Director of the Division of Local Government Services?	X			
8. Have the taxes outstanding for prior years been established and proven?	X			Computer system in use
9. Were all the necessary checks as outlined in the above steps, pertaining to prior years' taxes, taken to insure proof of prior years' taxes?	X			Computer system in use
10. Is a tax arrears register in use and is it properly kept with the respective duplicates closed to the register?	X			Computer system in use

11. Have all the tax liens and other liens been properly established and charges for subsequent delinquencies accumulated to the registers?
12. Are lien registers adequate and are they properly kept?
13. Is a foreclosed property register in use and is kept current?
14. Have all transfers to the foreclosed property register from tax title liens been traced?
15. Have all the final decrees and deeds, mortgages and sales contracts been examined and traced to the register?
16. Have all properties sold been assessed the following year?
17. Were all other remissions, cancellations, etc. checked as to proper authorization and reviewed for propriety?
18. Are all moneys deposited within 48 hours as prescribed by statute ( N.J.S. 40A:5-15) for:
  - a. Collector - Treasurer?
  - b. Treasurer?
19. Did the collector report and pay the amount collected to the treasurer, or other official of the Municipality authorized to receive such collections, on the first day of each month following, or more often if required by the governing body?
20. Is an adequate permanent record maintained by all officials who received municipal funds?
21. Are all disbursements made by the general treasurer for all boards, bodies, or departments?
22. Were all officials handling municipal funds covered by surety bonds?
23. If Blanket Bond coverage was chosen to be utilized for municipal court personnel per N.J.S. 40A: 5-34.1, were non-court employees excluded?
24. Were surety bonds for tax collector, utility collector and

X			Computer system in use
X			Computer system in use
	X		No foreclosed properties
		X	
		X	Computer system in use
		X	
X			
X			
X			Deposits directly to account
X			
X			
X			
X			

25. Does the scope of the audit cover the activities and receipt of revenue of every Board, Body, Officer, or Commission of local unit?	X		
26. Was cash count and reconciliation of the cash accounts of the treasurer, tax collector and utility collector made not more than 50 days prior to the date of filing the report of audit with the clerk of the governing body? a. Date of reconciliation <u>04/30/2013</u> b. Date of filing <u>04/30/2013</u>	X		
27. Did the Municipality have any "Repurchase Agreements" during the year		X	
28. Did the audit of investments reveal any items which are <u>not</u> allowed by statute (N.J.S.A. 40A: 5-51.1)?		X	
29. In your opinion, are the books and records of any official in such unsatisfactory condition that a proper audit could not be made?		X	
30. maintained by the Chief Financial Officer?	X		
31. Is there an appropriation ledger maintained with timely entries by someone in the Municipality?	X		
32. Does the municipality have a tax map approved by the State of New Jersey?	X		
33. Have annual statements as to receipts and disbursements (detailed) been filed by spending agencies as required by N.J.S.40A:5-13?	X		
34. Has an annual report been filed, accounting for funds received, by each fire district and volunteer fire company in accordance with 40A:14-34?			X
35. Have the following reports required from the Collector by R.S. 54:4-91 and 91.1 been filed? A. Yearly report? B. B. List of uncollectible taxes?	X		
36. Was interest collected on delinquencies in accordance with the statutes and/or the resolution of the governing body?	X		Test indicated compliance

37. Does the interest resolution of the governing body exceed the maximums set per current law?
38. Were all temporary appropriations, adopted under 40A:4-19 and 40A:4-20, proper and recorded in the records?
39. Were temporary appropriations, adopted under 40A:4-19, within the statutory maximum?
40. Were the budgets properly spread in full in the minutes?
41. Were budgets, officially certified by the Director, on file with the Municipality?
42. Were there any over commitments and/or over expenditures made of temporary appropriations, and current appropriations or appropriation reserves prior to transfer period of after transfer period?
43. Where there any Expenditures Without Ordinance Appropriations or Appropriation Reserve Expenditures or any similar violations?  
NOTE:  
 (ALL VIOLATIONS OF THIS NATURE SHOULD BE REPORTED TO THE DIVISION OF LOCAL GOVERNMENT SERVICES WITH AN EXPLANATION (IN WRITING) FROM THE CHIEF FINANCIAL OFFICER AS TO THE CAUSE.)
44. Did vouchers carry a properly executed certificate as to goods or materials being received or services rendered in accordance with N.J.S. 40A:5-16?
45. Were supporting delivery slips (or other comparable supporting data) available for examination in all instances where such slips or data were required?
46. Does the Municipality have an ordinance adopted for the approval for payment of claims per N.J.S. 40A:5-17a?
47. Were all vouchers approved by the governing body as required by N.J.S. 40A:5-17a and ordinance adopted?
48. Were all approved vouchers recorded in the minutes as required by N.J.S. 40A:5-1?

	X		
X			
X			
X			
	X		
X			See Financial Statement Findings. Corrective action to be filed.
X			Test indicated compliance
X			
X			
X			Test indicated compliance
X			Test indicated compliance

49. Did your examination of vouchers and disbursements disclose any non-compliance, irregularity or violation of law which has NOT been made a subject of comment and/or recommendation in the report of audit? If answer is "Yes" explain fully.
50. Is there a purchasing agent or centralized purchasing authority in the municipality?
51. Is a certificate, as to Availability of Funds, prepared prior to the awarding of each contract per Local Public Contract regulations?
52. (a) Are there adequate internal procedures to insure advertising for bids where the estimated costs will exceed \$36,000, (per N.J.S. 40A:11-4), and the soliciting of three quotations, where the estimated costs will exceed \$5400, (Per N.J.S.40A:11-6.1)?  
(b) Were resolutions authorizing Agreements for Professional Services properly adopted and advertised in accordance with 40A:11-5?
53. Is an encumbrance system utilized which meets the minimum requirements of Technical Accounting Directive No.1?
54. Have adequate comments been made covering all advertisements for bids as set forth in the minutes?
55. Have all petty cash funds been approved by the Director in accordance with 40A:5-21?
56. Did the audit reveal any irregularities in regard to the amount of the "CAP" or any exclusions from the "CAP" which should be brought to the attention of the Director?
57. If a Municipality operates a utility, has the revenue ledger been proven and were cash collections per cash receipts records in agreement with postings to the ledgers?
58. Was a test check made for utility levy charges?
59. Were all cancellations of utility charges checked for proper authorization?
60. Have all consumer overpayments been accounted for?

	X		
X			
X			Test indicated compliance
X			
X			
X			
	X		
		X	
		X	
		X	
		X	

61. Were penalties on utility charges established by ordinance per N.J.S. 40:62-77 and were collections of the penalties made accordingly?
62. Are there "Deferred Charges to Future Taxation-Unfunded" balances as of the end of the audit year over 5 years old, where the projects have been completed and payments made from cash not provided by the particular ordinances with unfinanced costs?
63. Does the Analysis of General Capital Fund Cash include cash deficits for ordinances over 5 years old?
64. Was there a bond and interest bank account with a balance remaining on The last day of the audit?
65. Has the required "Report of Municipal Court" been filed with the Division, the Magistrate and the Governing body?
66. Are there interfund balances on the various balance sheets as of The end of the year under audit?
67. Did your audit of the "Trust" section of accounts indicate that all expenditures made were properly includable and Dedications by Riders per N.J.S. 40A:4-39 have been approved by the Director for those items deemed as requiring such Compliance approval?
68. Did the municipality make contributions to any first aid association, emergency or volunteer ambulance or rescue squad per N.J.S. 40:5-2?
69. Have comments and recommendations been included in the audit report for all answers above which indicate corrections or improvements are required?
70. Are there any matters which should be taken up with the Municipality by the Division?  
If answer is "Yes", file a detailed report with the Questionnaire, if not previously filed with the Director of the Division of Local Government Services

		X	
X			
X			
		X	
X			
X			
X			
	X		
X			
	X		

This internal control questionnaire, Statutory Compliance, has been completed in accordance with firm policy.

Judith Tutela, RMA  
For the firm of  
Spire Group, P.C.

October 16, 2014  
Date



**BOROUGH OF NORTH ARLINGTON  
MUNICIPAL COURT**

**RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance December 31, 2012	Receipts	Disbursements	Balance December 31, 2013
<b>State Treasurer:</b>				
Fines and Costs	\$ 7,619.80	\$ 131,997.55	\$ 130,637.55	\$ 8,979.80
VCCB	190.00	2,883.00	2,948.00	125.00
DEDR	149.00	4,934.00	4,543.00	540.00
Safe Neighborhood Fund	360.00	4,740.50	4,790.50	310.00
Web Fee	510.00	7,968.00	7,877.00	601.00
Conditional Discharge	75.00	150.00	225.00	-
<b>County Treasurer:</b>				
Title 39	4,618.50	73,596.91	74,390.90	3,824.51
Lab Fees	-	100.00	100.00	-
<b>Municipal Treasurer:</b>				
Fines and Costs	18,905.70	325,780.34	323,155.35	21,530.69
POAA	320.00	3,522.00	3,604.00	238.00
	\$ 32,748.00	\$ 555,672.30	\$ 552,271.30	\$ 36,149.00
<b>Cash Bail:</b>	\$ 46,398.99	\$ 61,616.39	\$ 57,968.64	\$ 50,046.74

\*Was the ending balance disbursed by the 15<sup>th</sup> of the next month? Yes If not, explain? \_\_\_\_\_

**GENERAL MUNICIPAL INFORMATION**

1. Does this municipal court server more than one municipality? No If so, please list: \_\_\_\_\_

2. Amount paid or charged in 2013 appropriations for Salary of Judge(s) \$ 25,000, Other Staff \$ 132,934 and expenses \$ 11,851.
3. Is an approved statewide violations bureau schedule of fines prominently posted in the place where fines are to be paid to the violations clerk? Yes
4. Does the court have an approved supplemental Local Violations Bureau Schedule? Yes  
If so, is it prominently posted in the place where fines are paid to the violations clerk? Yes
5. List staff members that are bonded:

Judge	<u>George Savino</u>	Amount of Bond \$	<u>*</u>
Ct. Admin.	<u>Eugenia Marshall</u>	Amount of Bond \$	<u>*</u>
Other staff	<u>Melissa Reznik</u>	Amount of Bond \$	<u>*</u>

\*Covered under Borough Blanket Bond
6. When does the Judge's term expire? Renewed until 12/31/2015
7. Are uniform traffic tickets serially numbered, properly controlled and accounted for? Yes
8. Are tickets eligible for destruction disposed of in a timely and proper manner? Yes

## FINANCIAL PROCEDURES

### Daily Financial Procedures

1. Are separate cash boxes maintained for each employee that receipts money? Yes
2. Who is responsible for completing the Daily Bank Deposit? Melissa Reznik
3. Who is responsible for transporting the Daily Deposit to the bank? All the court employees
4. What procedures are followed to transport the monies to the bank (i.e. security)? Money is transported by Court Personnel with a Police escort
5. Are deposits made within 48 hours of receipt? Yes If no, please explain \_\_\_\_\_
6. Do the above cash handling procedures provided for adequate security and separation of responsibilities? Adequate based on the above five questions.
7. Do the deposit slips match the totals provided by the Daily Batch and Criminal Journal? Yes  
If no, please explain \_\_\_\_\_

8. Do the deposit slips match the daily totals displayed on the ATS Monthly Cashbook? Yes If no, please explain \_\_\_\_\_
9. Are the deposit slips attached to the ATS Daily Batch report and Criminal Journal? Yes \_\_\_\_\_
10. As of what date or dates was cash counted, reconciliation made and bank balance confirmed?  
December 31, 2013 with adjustments and reconciling items \_\_\_\_\_

### **Monthly Financial Procedures**

11. Are separate general/bail accounts maintained? Yes \_\_\_\_\_
12. Is the court utilizing the ATS/ACS monthly cashbook? Yes If no, please explain \_\_\_\_\_
13. Who is responsible for the municipal court financial procedures (name and title)? Eugenia Marshall, Court Administrator \_\_\_\_\_
14. Do the monthly disbursement checks equal account totals on Part V of the ATS Monthly Cash Book? No If no, please explain The monthly disbursement checks equal account totals on Part V of the ATS monthly cash book plus overpayment refunds and bail reinstatements.
15. Are monies turned over to the proper agencies on or before the 15<sup>th</sup> day of each month? Yes If no, please explain \_\_\_\_\_
16. Does the general account accrue interest? Yes Bail Account? Yes Is the interest turned over to the municipality on a monthly basis? Yes-automatic \_\_\_\_\_
17. Are overpayment checks written on a monthly basis? Yes Interest? N/A \_\_\_\_\_
18. Is the Bank reconciliation page of the Monthly Cash Book completed and balanced? Yes If no, please explain \_\_\_\_\_
19. Are the Fiscal Records kept in a safe place? Yes \_\_\_\_\_

### **Bail Procedures**

20. Is bail collected by the police department and promptly turned over to the municipal court? Yes \_\_\_\_\_
21. Are bail refunds done in a timely manner? Yes Are the refund checks made out to the surety? Yes \_\_\_\_\_
22. Are bail forfeitures done in a timely manner? Yes \_\_\_\_\_
23. Are the cash balances on the Monthly Bail on Account Report equal to the account balance in the Bail Account? Yes \_\_\_\_\_

## COMMENTS AND RECOMMENDATIONS

### 1. **Comment:**

Our audit of the Municipal Court revealed that not all deposits are timely deposited within 48 hours in accordance with N.J.S.A. 40A: 5-15.

### **Recommendation:**

It is recommended that the Municipal Court make all deposits within 48 hours in accordance with N.J.S.A 40A: 5-15.

### 2. **Comment:**

Our audit revealed that only one signature is required on checks disbursed from the Municipal Court bank accounts.

### **Recommendation:**

The Court should have two signatures on all checks issued from the Municipal Court bank accounts.