

BOROUGH OF NORTH ARLINGTON
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2014

BOROUGH OF NORTH ARLINGTON

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BOROUGH OF NORTH ARLINGTON

BERGEN COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of North Arlington, as of December 31, 2014, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of North Arlington on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of North Arlington prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of North Arlington as of December 31, 2014, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 19 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the year ended December 31, 2014. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 56 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2014.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of North Arlington as of December 31, 2014, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis for the year then ended in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Prior Year's Financial Statements Audited by Other Auditors

The financial statements of the Borough of North Arlington as of and for the year ended December 31, 2013 were audited by other auditors whose report dated October 16, 2014 expressed an adverse opinion on the financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities. Their report also expressed a modified opinion on those financial statements – regulatory basis prepared and presented in accordance with the regulatory basis of accounting, due to the unaudited LOSAP Trust Fund.

Other Information

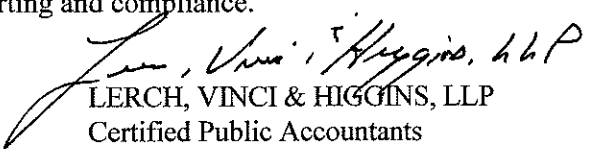
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of North Arlington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of North Arlington.


The supplementary schedules listed in the table of contents, schedule of expenditure of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2015 on our consideration of the Borough of North Arlington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of North Arlington's internal control over financial reporting and compliance.


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


Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
July 22, 2015

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2014 AND 2013

ASSETS	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Current Fund			
Cash and Cash Equivalents	A-4	\$ 8,099,901	\$ 2,189,915
Cash - Change Funds	A-5	200	200
Due from State of New Jersey - Senior & Veterans Deductions	A-6	22,837	21,337
Grants Receivable	A-7	<u>401,176</u>	<u>335,517</u>
		<u>8,524,114</u>	<u>2,546,969</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-8	1,364,732	692,948
Tax Title Liens Receivable	A-9	22,927	15,943
Interfunds Receivable			
Due From Animal Control Fund	B-6	9,774	9,618
Due from Assessment Trust Fund	B-12		850
Due from Other Trust Fund	B-13		273,978
Due from Unemployment Trust Fund	B-17	3	7,843
Revenue Accounts Receivable	A-10	24,411	
Prepaid School Taxes	A-20	2,290	
Prepaid Payroll Expenditure	A-21	<u>252,758</u>	<u>-</u>
		<u>1,676,895</u>	<u>1,001,180</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-55) Five Year	A-11	474,441	750,000
Overexpenditure of Appropriation	A-12		64,984
Overexpenditure of Appropriation Reserve	A-12	7,084	10,182
Overexpenditure of Grant Appropriation	A-12	449	1,775
Operating Deficit	A-12	<u>70,690</u>	<u>264,747</u>
		<u>552,664</u>	<u>1,091,688</u>
Total Assets		<u>\$ 10,753,673</u>	<u>\$ 4,639,837</u>

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 1,226,596	\$ 206,028
Encumbrances Payable	A-14	419,596	359,282
Accounts Payable	A-15	23,593	12,944
Fees Payable	A-16	631	
Prepaid Taxes	A-17	166,741	545,161
Tax Overpayments	A-18	243,913	242,462
County Added and Omitted Taxes Payable	A-19	3,172	873
Tax Anticipation Note Payable	A-25	4,750,000	
Special Emergency Note Payable	A-26	510,000	750,000
Interfunds Payable			
Due to Assessment Trust Fund	B-12	68,026	
Due to Other Trust Fund	B-13	66,189	53,364
Due to General Capital Fund	C-5	504,987	290,681
Reserve for Federal and State Grants - Appropriated	A-22	410,340	381,822
Reserve for Federal and State Grants - Unappropriated	A-23	54,686	56,051
Miscellaneous Reserves	A-24	125,593	237,274
		<u>8,574,063</u>	<u>3,135,942</u>
Reserve for Receivables	A	1,676,895	1,001,180
Fund Balance	A-1	<u>502,715</u>	<u>502,715</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,753,673</u>	<u>\$ 4,639,837</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
REVENUE AND OTHER INCOME REALIZED			
Miscellaneous Revenue Anticipated	A-2	\$ 4,706,852	\$ 4,397,106
Receipts from Delinquent Taxes	A-2	683,700	247,570
Receipts from Current Taxes	A-2	41,447,400	40,708,241
Non-Budget Revenues	A-2	91,174	90,871
Other Credits to Income:			
Interfunds Returned	A	292,289	6,342
Unexpended Balance of Appropriation Reserves	A-13	180,858	129,275
Cancellation of Tax Overpayments	A-1	-	23
		<u>47,402,273</u>	<u>45,579,428</u>
Total Income			
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,803,051	6,497,137
Other Expenses	A-3	8,639,785	8,301,569
Capital Improvements	A-1		113,000
Municipal Debt Service	A-3	3,144,825	2,643,198
Deferred Charges, Statutory Expenditures and Judgments	A-3	2,051,153	1,938,343
Local District School Tax	A-20	23,058,397	22,980,691
County Taxes	A-19	3,410,281	3,395,522
Overexpenditure of Appropriation Reserves	A-12	7,084	10,182
Overexpenditure of Grant Appropriation	A-12	449	1,775
Refund of Prior Year Taxes and Revenue	A-4	99,896	
Disallowed Senior Citizens and Veterans Deductions - Prior Year	A-6	750	17,471
Interfunds and Prepaid Expenditures Advanced	A	264,825	21,928
		<u>47,480,496</u>	<u>45,920,816</u>
Total Expenditures			
Deficit in Revenue		(78,223)	(341,388)
Adjustment to Income before Surplus:			
Expenditures included above which are by Statute Deferred			
Charges to Budgets of Succeeding Years	A-12	78,223	341,388
Statutory Excess to Surplus	A-1	-	-
Fund Balance, January 1	A	<u>502,715</u>	<u>502,715</u>
Fund Balance, December 31	A	<u>\$ 502,715</u>	<u>\$ 502,715</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Reference</u>	<u>2014 Budget</u>	<u>Added by N.J.S. 40A:4-87</u>	<u>2014 Realized</u>	<u>Excess or (Deficit)</u>
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-10	\$ 59,300		\$ 53,584	\$ (5,716)
Other	A-2	16,150		21,905	5,755
Fees and Permits	A-2	40,025		40,427	402
Fines and Costs					
Municipal Court	A-10	322,800		336,132	13,332
Interest and Costs on Taxes	A-10	91,500		113,678	22,178
Parking Meters	A-10	41,800		44,137	2,337
Interest on Investments and Deposits	A-2	9,500		9,139	(361)
Cable Television Franchise Fees	A-10	88,297		85,887	(2,410)
Verizon Franchise Fees	A-10	107,148		120,758	13,610
New Jersey Meadowlands Commission					
Tax Sharing NJSA 13:17-74	A-10	996,462		996,462	
Energy Receipts Tax	A-10	1,069,861		1,069,861	
Uniform Construction Code Fees	A-10	210,000		225,854	15,854
State and Federal Revenues Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-7	11,677		11,677	
Drunk Driving Enforcement Fund	A-7	3,943		3,943	
Bullet Proof Vest Partnership	A-7	9,847		9,847	
Emergency Management Agency Assistance Subgrant	A-7	5,000		5,000	
Body Armor Replacement Program - Reserve	A-23	1,858		1,858	
Clean Communities - Reserve	A-23	48,628		48,628	
Drunk Driving Enforcement Fund - Reserve	A-23	5,407		5,407	
Alcohol Education and Rehabilitation - Reserve	A-23	158		158	
Bergen County Prosecutor - Police Radios	A-7		\$ 44,099	44,099	
Other Special Items of Revenue					
Uniform Fire Safety Act	A-10	17,400		19,209	1,809
NJMC Host Community Fees	A-10	313,000		330,380	17,380
Third Party Billing - Emergency Medical Services	A-10	320,000		303,454	(16,546)
Trust Assessment Surplus	B-12	32,000		32,000	
Library Insurance Reimbursement	A-10	40,000		40,000	
FEMA Reimbursement - Sandy	A-24	125,559		125,559	
Reserve for Tax Maps	A-24	97,809		97,809	
Passaic Valley Water Settlement	A-10	275,000		325,000	50,000
Capital Surplus to Pay Debt Service	C-1	185,000		185,000	
	A-1	<u>4,545,129</u>	<u>44,099</u>	<u>4,706,852</u>	<u>117,624</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-2	<u>650,000</u>	<u>-</u>	<u>683,700</u>	<u>33,700</u>
AMOUNT TO BE RAISED FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2	15,875,961		15,427,768	(448,193)
Minimum Library Tax	A-2	485,954		485,954	-
Total Amount to be Raised for Support of Municipal Budget		<u>16,361,915</u>	<u>-</u>	<u>15,913,722</u>	<u>(448,193)</u>
Total General Revenues		<u>\$ 21,557,044</u>	<u>\$ 44,099</u>	<u>21,304,274</u>	<u>\$ (296,869)</u>
Non-Budget Revenue	A-1, A-2			<u>91,174</u>	
				<u>\$21,395,448</u>	

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collections	A-1, A-7	\$ 41,447,400
Less: Allocated to School, County and Open Space Taxes	A-19, A-20	<u>26,468,678</u>
Balance for Support of Municipal Budget Appropriations	A-3	14,978,722
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>935,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 15,913,722</u>
Licenses - Other		
Borough Clerk	A-10	\$ 10,801
Board of Health	A-10	<u>11,104</u>
	A-2	<u>\$ 21,905</u>
Fees and Permits		
Borough Clerk	A-10	\$ 5,957
Board of Health	A-10	13,582
Police	A-10	7,472
Tax	A-10	40
Recreation	A-10	<u>13,376</u>
	A-2	<u>\$ 40,427</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-10	\$ 5,824
Due from Animal Control Fund	B-6	34
Due from Assessment Trust Fund	B-12	681
Due from Unemployment Trust Fund	B-17	37
Due from Other Trust Fund	B-13	588
Due from General Capital Fund	C-5	<u>1,975</u>
	A-2	<u>\$ 9,139</u>
Non Budget Revenues		
Premium on Tax Anticipation Note		2,850
Miscellaneous		<u>88,324</u>
	A-1, A-2, A-4	<u>\$ 91,174</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL APPROPRIATIONS OPERATIONS - WITHIN "CAPS"	Appropriated		Expended		Unexpended Balances Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 194,000	\$ 189,000	\$ 179,086	\$ 9,914	
Other Expenses	165,140	185,140	156,911	28,229	
Borough Council					
Salaries and Wages	51,600	51,600	51,549	51	
Elections					
Salaries and Wages	3,800	3,800		3,800	
Other Expenses	17,100	17,100	12,547	4,553	
Financial Administration					
Salaries and Wages	25,000	25,000	24,602	398	
Other Expenses	268,000	291,000	257,165	33,835	
Collection of Taxes					
Salaries and Wages	13,000	13,000	12,860	140	
Other Expenses	84,800	99,800	89,793	10,007	
Assessment of Taxes					
Salaries and Wages	24,200	24,200	24,164	36	
Other Expenses	1,500	5,500	577	4,923	
Legal Services and Costs					
Salaries and Wages	70,000	70,000	70,000		
Other Expenses	175,000	160,000	110,817	49,183	
Engineering Services and Costs					
Other Expenses	60,000	85,000	59,802	25,198	
LAND USE ADMINISTRATION					
Municipal Land Use Law N.J.S.A. 40:55-D1					
Planning Board					
Salaries and Wages	4,100	1,100		1,100	
Other Expenses	2,150	6,150	812	5,338	
Zoning Commission					
Salaries and Wages	7,600	5,600	4,100	1,500	
Other Expenses	1,000	5,000	34	4,966	
CODE ENFORCEMENT ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	2,600	2,600	2,500	100	
INSURANCE					
Unemployment	20,000	20,000	20,000		
Liability Insurance	370,000	370,000	343,736	26,264	
Workers Compensation	372,500	372,500	317,366	55,134	
Employee Group Insurance	2,217,700	2,217,700	2,037,994	179,706	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	3,886,200	3,850,600	3,688,675	161,925	
Other Expenses	214,200	204,200	136,876	67,324	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS" (Cont'd.)					
Emergency Medical Transportation					
Salaries and Wages	\$ 406,000	\$ 406,000	\$ 386,996	\$ 19,004	
Police Dispatch/911					
Salaries and Wages	300,000	290,000	267,602	22,398	
Crossing Guards					
Salaries and Wages	241,000	236,000	226,806	9,194	
Office of Emergency Management					
Other Expenses	4,000	4,000	2,736	1,264	
Fire Department					
Other Expenses	162,990	162,990	154,507	8,483	
Volunteer Emergency Squad (First Aid Organization)					
Other Expenses	72,420	72,420	65,636	6,784	
Uniform Fire Safety (Ch. 383, P.L. 1983)					
Fire Official					
Salaries and Wages	6,000	6,000	5,595	405	
Other Expenses	6,500	6,500	5,882	618	
Municipal Prosecutor					
Salaries and Wages	15,000	15,000	15,000		
PUBLIC WORKS FUNCTION					
Streets and Roads					
Road Repair and Maintenance					
Salaries and Wages	818,000	783,000	782,996	4	
Other Expenses	242,320	277,320	223,947	53,373	
Snow Removal					
Salaries and Wages	30,000	30,000	29,999	1	
Other Expenses	41,114	79,114	41,315	37,799	
Shade Tree					
Other Expenses	50,000	35,000	21,375	13,625	
Sanitation					
Garbage and Trash Removal Contract	420,000	420,000	381,333	38,667	
Public Building and Grounds					
Other Expenses	258,570	258,570	234,719	23,851	
Recycling Program					
Other Expenses - Contractual	165,000	165,000	150,220	14,780	
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Board of Health					
Salaries and Wages	158,000	148,000	119,606	28,394	
Other Expenses	61,000	63,000	53,253	9,747	
Dog Warden					
Other Expenses	14,000	14,000	8,773	5,227	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd.)					
PARKS AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	\$ 7,500	\$ 9,900	\$ 9,761	\$ 139	
Other Expenses	85,000	79,000	57,945	21,055	
Celebration of Public Events					
Other Expenses	4,700	4,700	2,950	1,750	
Youth Center					
Salaries and Wages	75,000	63,000	57,663	5,337	
Other Expenses	8,000	8,000	4,444	3,556	
Senior Citizen Services					
Salaries and Wages	28,500	28,500	24,539	3,961	
Other Expenses	3,700	3,700	195	3,505	
OTHER COMMON OPERATING FUNCTIONS					
Municipal Court					
Salaries and Wages	169,300	159,900	148,499	11,401	
Other Expenses	11,435	11,435	11,127	308	
Public Defenders (P.L. 1997, C.256)					
Salaries and Wages	10,000	10,000	10,000		
Accumulated Leave	1	1	1		
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Construction Code Official					
Salaries and Wages	233,000	233,000	228,274	4,726	
Other Expenses	7,140	7,140	5,965	1,175	
UTILITY EXPENSES AND BULK PURCHASES					
Gasoline	132,400	132,400	132,093	307	
Electricity	243,000	243,000	195,713	47,287	
Telephone	110,000	110,000	90,474	19,526	
Street Lighting	275,000	275,000	244,814	30,186	
Water	13,000	13,000	11,245	1,755	-
Total Operations Within "CAPS"	<u>13,139,780</u>	<u>13,139,180</u>	<u>12,015,964</u>	<u>1,123,216</u>	-
Total Operations including Contingent-Within "CAPS"	<u>13,139,780</u>	<u>13,139,180</u>	<u>12,015,964</u>	<u>1,123,216</u>	-
Detail:					
Salaries and Wages	6,779,401	6,654,801	6,370,873	283,928	-
Other Expenses	<u>6,360,379</u>	<u>6,484,379</u>	<u>5,645,091</u>	<u>839,288</u>	-

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

GENERAL APPROPRIATIONS (Cont'd.)	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balances Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Overexpenditure of Appropriations	\$ 64,984	\$ 64,984	\$ 64,984		
Overexpenditure of Appropriation Reserves	10,182	10,182	10,182		
Operating Deficit	271,553	271,553	264,747		\$ 6,806
Expenditure Without Appropriation-Grant Fund	1,776	1,776	1,775		1
Statutory Charges					
PERS	283,932	283,932	283,932		
Social Security System (O.A.S.I.)	315,000	315,000	297,960	\$ 17,040	
Police and Firemen's Retirement System	787,374	787,374	787,374		
Defined Contribution Retirement Program	2,000	2,600	2,349	251	-
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	<u>1,736,801</u>	<u>1,737,401</u>	<u>1,713,303</u>	<u>17,291</u>	<u>6,807</u>
Total General Appropriation for Municipal Purposes within "CAPS"	<u>14,876,581</u>	<u>14,876,581</u>	<u>13,729,267</u>	<u>1,140,507</u>	<u>6,807</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Lyndhurst-North Arlington Joint Meeting					
Share of Costs	176,000	176,000	175,986	14	
Maintenance of Free Public Library	485,954	485,954	473,366	12,588	
Passaic Valley Sewerage Commission					
Share of Costs	1,102,800	1,102,800	1,102,738	62	
Snow Emergencies					
Salaries and Wages	148,250	148,250	148,250		
Other Expenses	158,885	158,885	157,425	1,460	
Length of Service Award Program: (NJSA 40A-45.3)					
Contribution	93,150	93,150	66,185	26,965	-
Total Other Operations Excluded from "CAPS"	<u>2,165,039</u>	<u>2,165,039</u>	<u>2,123,950</u>	<u>41,089</u>	<u>-</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Municipal Alliance Against Alcohol and Drug Abuse					
Other Expenses	\$ 11,677	\$ 11,677	\$ 11,677		
Local Match	3,000	3,000	3,000		
Drunk Driving Enforcement Fund					
Other Expenses	5,407	5,407	5,407		
State of New Jersey - Body Armor Fund					
Other Expenses	1,858	1,858	1,858		
Bullet Proof Vest Partnership	9,847	9,847	9,847		
Drunk Driving Enforcement Fund	3,943	3,943	3,943		
NJ Alcohol Rehabilitation	158	158	158		
Emergency Management Agency Assistance Subgrant	5,000	5,000	5,000		
Emergency Management Agency Assistance Subgrant Match	5,000	5,000	5,000		
NJ Clean Communities - Unappropriated Reserve	48,628	48,628	48,628		
Bergen County Prosecutor	-	44,099	44,099	-	-
	<u>94,518</u>	<u>138,617</u>	<u>138,617</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>94,518</u>	<u>138,617</u>	<u>138,617</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,259,557</u>	<u>2,303,656</u>	<u>2,262,567</u>	<u>\$ 41,089</u>	<u>-</u>
Detail:					
Salaries and Wages	148,250	148,250	148,250	-	-
Other Expenses	2,111,307	2,155,406	2,114,317	41,089	-
	<u>2,259,557</u>	<u>2,303,656</u>	<u>2,262,567</u>	<u>41,089</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,370,000	2,370,000	2,370,000		
Payment of Bond Anticipation Notes and Capital Notes	10,000	10,000			\$ 10,000
Interest on Bonds	740,000	740,000	736,786		3,214
Interest on Special Emergency Note	7,500	7,500	7,479		21
N.J. Wastewater Treatment Trust Loan					
Principal and Interest	37,847	37,847	30,560	-	7,287
	<u>3,165,347</u>	<u>3,165,347</u>	<u>3,144,825</u>	<u>-</u>	<u>20,522</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>3,165,347</u>	<u>3,165,347</u>	<u>3,144,825</u>	<u>-</u>	<u>20,522</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS" (Continued)					
DEFERRED CHARGES MUNICIPAL-					
EXCLUDED FROM "CAPS"					
Special Emergency Authorizations-5 Years	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Sandy Superstorm 2012 Special Emergency Auth-3 Years	<u>125,559</u>	<u>125,559</u>	<u>125,559</u>	-	-
Total Deferred Charges Municipal - Excluded from "CAPS"	<u>275,559</u>	<u>275,559</u>	<u>275,559</u>	-	-
Judgements	<u>45,000</u>	<u>45,000</u>	-	\$ 45,000	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,745,463</u>	<u>5,789,562</u>	<u>5,682,951</u>	<u>86,089</u>	<u>\$ 20,522</u>
Subtotal General Appropriations	20,622,044	20,666,143	19,412,218	1,226,596	27,329
Reserve for Uncollected Taxes	<u>935,000</u>	<u>935,000</u>	<u>935,000</u>	-	-
Total General Appropriations	<u>\$ 21,557,044</u>	<u>\$ 21,601,143</u>	<u>\$ 20,347,218</u>	<u>\$ 1,226,596</u>	<u>\$ 27,329</u>
	<u>Reference</u>	A-2	A-2	A-1	A,A-1
				A,A-1	A-1

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Reference</u>	<u>Budget</u> After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>
Budget as Adopted	A-2	\$ 21,557,044	
Added N.J.S.A. 40A:4-87	A-2	<u>44,099</u>	
		<u>\$ 21,601,143</u>	
Cash Disbursements	A-4		\$ 18,282,681
Reserve for Uncollected Taxes	A-2		935,000
Deferred Charges	A-11, A-12		617,247
Encumbrances Payable	A-14		373,673
Appropriated Grant Reserves	A-22		<u>138,617</u>
			<u>\$ 20,347,218</u>

**BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-4	\$ 14,625	\$ 16,608
		<u>14,625</u>	<u>16,608</u>
ASSESSMENT TRUST FUND			
Cash	B-4,5	315,865	498,969
Assessments Receivable	B-9	23	23
Due from Current Fund	B-12	68,026	-
		<u>383,914</u>	<u>498,992</u>
OTHER TRUST FUND			
Cash	B-4	707,314	752,841
Due from Current Fund	B-13	66,189	-
		<u>773,503</u>	<u>752,841</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-4	981	19,028
		<u>981</u>	<u>19,028</u>
LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Investments	B	1,382,420	1,242,350
Contributions Receivable	B	97,750	93,150
		<u>1,480,170</u>	<u>1,335,500</u>
Total Assets		<u>\$ 2,653,193</u>	<u>\$ 2,622,969</u>

**BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-6	\$ 9,774	\$ 9,618
Due to State of New Jersey	B-7	1	4
Reserve for Animal Control Expenditures	B-8	<u>4,850</u>	<u>6,986</u>
		<u>14,625</u>	<u>16,608</u>
ASSESSMENT TRUST FUND			
Assessment Bonds Payable	B-10	383,745	465,973
Assessment Overpayment	B-11	30	30
Due to Current Fund	B-12		850
Reserve for Assessment Receivables	B-9	23	23
Fund Balance	B-1	<u>116</u>	<u>32,116</u>
		<u>383,914</u>	<u>498,992</u>
OTHER TRUST FUND			
Due to Current Fund	B-13		220,614
Payroll and Payroll Deductions Payable	B-14	3,435	3,435
Reserve for Library	B-15	47,806	51,979
Miscellaneous Reserves	B-16	<u>722,262</u>	<u>476,813</u>
		<u>773,503</u>	<u>752,841</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to Current Fund	B-17	3	7,843
Reserve for Unemployment Insurance Benefits	B-18	<u>978</u>	<u>11,185</u>
		<u>981</u>	<u>19,028</u>
LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Net Assets Available for Benefits	B	<u>1,480,170</u>	<u>1,335,500</u>
		<u>1,480,170</u>	<u>1,335,500</u>
LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 2,653,193</u>	<u>\$ 2,622,969</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	B	\$ 32,116	\$ 32,698
Increased by:			
Collection of Unpledged Assessments	B	-	31,418
		32,116	64,116
Decreased by:			
Anticipated as Revenue in the Current Fund Budget	A-2, B-12	32,000	32,000
Balance, December 31	B	<u>\$ 116</u>	<u>\$ 32,116</u>

EXHIBIT B-2

STATEMENT OF REVENUES- REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Reference</u>	<u>Budget</u> <u>Revenues</u>	<u>Realized</u>
Assessment Cash	B-3	<u>\$ 82,228</u>	<u>\$ 82,228</u>

EXHIBIT B-3

STATEMENT OF EXPENDITURES- REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Reference</u>	<u>Budget</u> <u>Appropriations</u>	<u>Expenditures</u>
Payment of Bond Principal	B-2, B-10	<u>\$ 82,228</u>	<u>\$ 82,228</u>

**BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash	C-2,3	\$ 1,099,162	\$ 2,036,795
Grants Receivable	C-4	535,763	581,013
Due from Current Fund	C-5	504,987	290,681
Deferred Charges to Future Taxation			
Funded	C-6	17,115,256	19,440,077
Unfunded	C-7	<u>1,011,743</u>	<u>375,243</u>
 Total Assets		 <u>\$ 20,266,911</u>	 <u>\$ 22,723,809</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-8	\$ 17,115,256	\$ 19,403,028
Loans Payable	C-9		37,049
Improvement Authorizations:			
Funded	C-10	1,725,512	32,924
Unfunded	C-10	527,776	2,376,135
Contracts Payable	C-11	706,099	460,865
Capital Improvement Fund	C-12	33,972	70,712
Reserve for Payment of Debt	C-13	72,200	
Reserve for Grants Receivable	C-4	51,097	123,097
Fund Balance	C-1	<u>34,999</u>	<u>219,999</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 20,266,911</u>	 <u>\$ 22,723,809</u>

There were bonds and notes authorized but not issued of \$1,011,743 and \$375,243 at December 31, 2014 and 2013, respectively (Exhibit C-14).

BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	C	\$ 219,999	\$ 38,212
Increased by:			
Premium on Sale of Notes	C	<u> -</u>	<u>181,787</u>
		219,999	219,999
Decreased by:			
Anticipated as Revenue in the Current Fund Budget	A-2, C-5	<u>185,000</u>	<u> -</u>
Balance, December 31	C	<u>\$ 34,999</u>	<u>\$ 219,999</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - GENERAL FIXED ASSETS ACCOUNT GROUP
REGULATORY BASIS
AS OF DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Land	\$ 7,418,400	\$ 7,418,400
Buildings and Improvements	5,565,488	5,492,089
Vehicles and Equipment	<u>7,423,349</u>	<u>7,285,580</u>
	<u>\$ 20,407,237</u>	<u>\$ 20,196,069</u>
 LIABILITIES		
Investment in General Fixed Assets	<u>\$ 20,407,237</u>	<u>\$ 20,196,069</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of North Arlington (the "Borough") was incorporated in 1840 and operates under an elected Mayor and 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 only 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 units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

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.

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain 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
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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 from 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 Fund (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 related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

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

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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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:

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.

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

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of 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 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The 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/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the 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 measurable and available).

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the 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.

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.

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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

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

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, 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 judgements, 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.

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

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

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 operating 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.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the 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 as 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.

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- Trust Funds (except Assessment Trust)
- General Capital Fund

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2014 the Borough Council increased the original budget by \$44,099. The increase was funded by additional aid allotted to the Borough. The Borough Council did not increase the original budget in 2013. In addition, the governing body approved several budget transfers during 2014 and 2013.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2014</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
2013 Appropriation Reserves			
Streets and Roads - Repair and Maintenance			
Salaries and Wages	\$ 82	\$ 1,130	\$ 1,048
Other Expenses		1,232	1,232
Streets and Roads - Snow Removal			
Salaries and Wages	1	813	812
Fire Official			
Other Expenses	34	2,999	2,965
Public Buildings and Grounds			
Other Expenses		398	398
Board of Health			
Other Expenses	3,071	3,700	629
Appropriated Grant Reserves			
Alcohol Education and Rehabilitation	3,355	3,804	449

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations (Continued)

<u>2013</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
2013 Appropriations			
Legal Services and Costs			
Other Expenses	\$ 228,775	\$ 235,197	\$ 6,422
Engineering Services and Costs			
Other Expenses	60,170	70,606	10,436
Road Repair and Maintenance			
Other Expenses	231,500	246,361	14,861
Public Buildings and Grounds			
Other Expenses	263,780	269,830	6,050
Recreation			
Other Expenses	62,050	65,792	3,742
Construction Code Official			
Other Expenses	7,000	7,080	80
Insurance			
Employee Group Insurance	2,024,954	2,047,105	22,151
Utilities			
Water	12,400	13,130	730
Statutory Charges			
Defined Contribution Retirement Plan (DCRP)	1,000	1,512	512
2012 Appropriation Reserves			
Financial Administration			
Other Expenses	663	3,902	3,239
Maintenance of Free Public Library			
Other Expenses	25,833	32,776	6,943

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 3 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.

A. 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.

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, 2014 and 2013, the book value of the Borough's deposits were \$10,238,048 and \$5,514,356 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,640,201 and \$5,914,472, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 9,640,201	\$ 5,914,472

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 not have a formal policy for custodial credit risk. As of December 31, 2014 and 2013, the Borough's bank balances were not exposed to custodial credit risk.

B. 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 or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2014 and 2013, the Borough had the following investments:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2014</u>		
Lincoln Financial Group (LOSAP)	\$ 1,382,420	\$ 1,382,420
	<u>Fair Value</u>	<u>Book Value</u>
<u>2013</u>		
Lincoln Financial Group (LOSAP)	\$ 1,242,350	\$ 1,242,350

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, 2014 and 2013, \$1,382,420 and \$1,142,350 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value (LOSAP)</u>	<u>Book Value</u>
<u>2014</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (unaudited)	\$ 1,382,420	\$ 1,382,420
	<u>Fair Value (LOSAP)</u>	<u>Book Value</u>
<u>2013</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (unaudited)	\$ 1,142,350	\$ 1,142,350

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2014 and 2013, 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 4 TAXES RECEIVABLE

Receivables at December 31, 2014 and 2013 consisted of the following:

<u>Current Fund</u>	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 1,364,732	\$ 692,948
Tax Title Liens	<u>22,927</u>	<u>15,943</u>
	<u>\$ 1,387,659</u>	<u>\$ 708,891</u>

In 2014 and 2013, the Borough collected \$683,700 and \$247,570 from delinquent taxes, which represented 96.4% and 97.8%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2014</u>		<u>2013</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	\$ 9,777	\$ 639,202	\$ 292,289	\$ 344,045
Trust Fund				
Animal Control		9,774		9,618
Other Trust	66,189			220,614
Unemployment		3		7,843
Assessment	68,026			850
General Capital Fund	<u>504,987</u>	<u>-</u>	<u>290,681</u>	<u>-</u>
 Total	 <u>\$ 648,979</u>	 <u>\$ 648,979</u>	 <u>\$ 582,970</u>	 <u>\$ 582,970</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 474,441	\$ 261,688	\$ 212,753
Overexpenditure of Grant Appropriation	449	449	
Overexpenditure of Appropriation Reserves	7,084	7,084	
Operating Deficit	70,690	70,690	

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 750,000	\$ 275,559	\$ 474,441
Overexpenditure of Appropriations	64,984	64,984	
Overexpenditure of an Appropriation Reserves	10,182	10,182	
Overexpenditure of a Grant Appropriation	1,775	1,775	
Operating Deficit	264,747	264,747	

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current 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 the budget for the succeeding year were as follows:

	2014		2013	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Non-Cash Surplus	\$ 502,715	\$ -	\$ 502,715	\$ -
	<u>\$ 502,715</u>	<u>\$ -</u>	<u>\$ 502,715</u>	<u>\$ -</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2014 and 2013.

	<u>Balance January 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2014</u>
2014				
Land	\$ 7,418,400			\$ 7,418,400
Buildings and Building Improvements	5,492,089	\$ 73,399		5,565,488
Machinery and Equipment	7,285,580	137,769	-	7,423,349
	<u>\$ 20,196,069</u>	<u>\$ 211,168</u>	<u>\$ -</u>	<u>\$ 20,407,237</u>
	<u>Balance January 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2013</u>
2013				
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	7,285,580
	<u>\$ 19,015,951</u>	<u>\$ 1,247,768</u>	<u>\$ 67,650</u>	<u>\$ 20,196,069</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. 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.

The Borough's debt is summarized as follows:

	<u>2014</u>	<u>2013</u>
Issued		
General		
Bonds and Loans	\$ 17,115,256	\$ 19,440,077
Assessment		
Bonds	<u>383,745</u>	<u>465,973</u>
	17,499,001	19,906,050
Less Funds Temporarily Held to Pay Bonds and Notes	<u>455,945</u>	<u>465,973</u>
Net Debt Issued	17,043,056	19,440,077
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,011,743</u>	<u>375,243</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 18,054,799</u>	<u>\$ 19,815,320</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.229% and 1.312% at December 31, 2014 and 2013, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 18,510,744	\$ 455,945	\$ 18,054,799
School Debt	<u>4,902,000</u>	<u>4,902,000</u>	<u>-</u>
Total	<u>\$ 23,412,744</u>	<u>\$ 5,357,945</u>	<u>\$ 18,054,799</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 20,281,293	\$ 465,973	\$ 19,815,320
School Debt	<u>3,632,000</u>	<u>3,632,000</u>	<u>-</u>
Total	<u>\$ 23,913,293</u>	<u>\$ 4,097,973</u>	<u>\$ 19,815,320</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>2014</u>	<u>2013</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 51,628,575	\$ 52,847,719
Net Debt	<u>18,054,799</u>	<u>19,815,320</u>
Remaining Borrowing Power	<u>\$ 33,573,776</u>	<u>\$ 33,032,399</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

A. 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>2014</u>	<u>2013</u>
\$11,765,000, 2005 B.C.I.A. Refunding Bond, due in annual installments of \$475,000 to \$520,000 through September 20, 2018, interest at 3.50% to 4.00%	\$ 2,015,000	\$ 2,535,000
\$8,720,000, 2005 B.C.I.A. General Improvement Bonds, due in annual installments of \$1,270,000 to \$1,535,000 through September 20, 2018, interest at 3.50% to 3.75%	5,570,000	6,735,000
\$390,889, 2005 B.C.I.A. Assessment Bonds, due in annual installments of \$56,681 to \$68,396 through September 20, 2018, interest at 3.50% to 3.75%	246,256	299,028
\$2,800,000, 2010 General Improvement Encap Bonds, due in annual installments of \$200,000 through September 20, 2018, interest at 3.75% to 4.25%	2,000,000	2,200,000
\$7,634,000, 2013 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through August 15, 2027, interest at 3.00% to 3.375%	<u>7,284,000</u>	<u>7,634,000</u>
	<u>\$ 17,115,256</u>	<u>\$ 19,403,028</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>2014</u>	<u>2013</u>
\$609,111, 2005 B.C.I.A. Assessment Bonds, due in annual installments of \$88,319 to \$106,605 through September 20, 2018, interest at 3.50% to 3.75%	<u>\$ 383,745</u>	<u>\$ 465,973</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the New Jersey Department of Environmental Protection for the financing relating to the wastewater treatment program of the Borough's sanitary sewer system.. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
\$227,322, 1994 Loan Payable, due to an annual installment of \$12,049 on March 1, 2014. This loan is fully matured		\$ 12,049
\$228,952, 1998 Refunding Loan, due in an annual installment of \$25,000 on March 1, 2014. This loan is fully matured	-	<u>25,000</u>
	<u>\$ -</u>	<u>\$ 37,049</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2014 is as follows:

Calendar Year	<u>General Bonds</u>		<u>Assessment</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
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	2,628,396	339,301	106,605	3,074,302
2019	900,000	229,126		1,129,126
2020-2024	4,325,000	717,120		5,042,120
2025-2027	<u>1,859,000</u>	<u>121,036</u>	<u>-</u>	<u>1,980,036</u>
Total	<u>\$ 17,115,256</u>	<u>\$ 3,055,429</u>	<u>\$ 383,745</u>	<u>\$ 20,554,430</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 19,403,028		\$ 2,287,772	\$ 17,115,256	\$ 2,396,681
Intergovernmental Loans Payable	<u>37,049</u>	<u>-</u>	<u>37,049</u>	<u>-</u>	<u>-</u>
General Capital Fund Long-Term Liabilities	<u>\$ 19,440,077</u>	<u>\$ -</u>	<u>\$ 2,324,821</u>	<u>\$ 17,115,256</u>	<u>\$ 2,396,681</u>
Trust Assessment Fund					
Bonds Payable	<u>\$ 465,973</u>	<u>-</u>	<u>\$ 82,228</u>	<u>\$ 383,745</u>	<u>\$ 88,319</u>
Trust Assessment Fund Long-Term Liabilities	<u>\$ 465,973</u>	<u>\$ -</u>	<u>\$ 82,228</u>	<u>\$ 383,745</u>	<u>\$ 88,319</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

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

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2014 and 2013 was as follows:

Bond Anticipation Notes

2014

There are none.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

Purpose	Rate (%)	Maturity Date	Balance		Retired/ Redeemed	Balance, December 31, 2013
			December 31, 2012	Renewed/ Issued		
2013						
<u>General Capital Fund</u>						
Reconstruction of Rutherford Place	1.50%	5/24/2013	\$ 35,590		\$ 35,590	-
	1.00%	8/23/2013		\$ 35,590	35,590	-
Construction of Bikeway	1.50%	5/24/2013	29,470		29,470	-
	1.00%	8/23/2013		29,470	29,470	-
Various Equipment	1.50%	5/24/2013	171,850		171,850	-
	1.00%	8/23/2013		171,850	171,850	-
Reconstruction of Rutherford Place	1.50%	5/24/2013	229,050		229,050	-
	1.00%	8/23/2013		229,050	229,050	-
DPW Storage Tanks	1.50%	5/24/2013	203,424		203,424	-
	1.00%	8/23/2013		203,424	203,424	-
Resurfacing Hedden Terrace	1.50%	5/24/2013	170,356		170,356	-
	1.00%	8/23/2013		170,356	170,356	-
Improvements to Various Public Buildings	1.50%	5/24/2013	199,240		199,240	-
	1.00%	8/23/2013		199,240	199,240	-
Stover Street & Ridge Park Drive Improvements	1.50%	5/24/2013	61,288		61,288	-
	1.00%	8/23/2013		61,288	61,288	-
Various General Improvements	1.50%	5/24/2013	933,000		933,000	-
	1.00%	8/23/2013		933,000	933,000	-
Ridge Road Streetscape III	1.50%	5/24/2013	638,000		638,000	-
	1.00%	8/23/2013		638,000	638,000	-
Acquisition of Fire Rescue Truck	1.50%	5/24/2013	467,500		467,500	-
	1.00%	8/23/2013		467,500	467,500	-
Various Park Improvements	1.50%	5/24/2013	193,809		193,809	-
	1.00%	8/23/2013		193,809	193,809	-
Various General Improvements	1.50%	5/24/2013	190,000		190,000	-
	1.00%	8/23/2013		190,000	190,000	-
Wilson Place Improvements	1.50%	5/24/2013	17,400		17,400	-
	1.00%	8/23/2013		17,400	17,400	-
Resurfacing of Sunset Avenue	1.50%	5/24/2013	25,000		25,000	-
	1.00%	8/23/2013		25,000	25,000	-
Various Sewer Improvements	1.50%	5/24/2013	237,500		237,500	-
	1.00%	8/23/2013		237,500	237,500	-
Various Improvements	1.50%	5/24/2013	664,393		664,393	-
	1.00%	8/23/2013		664,393	664,393	-
Various Improvements	1.50%	5/24/2013	807,500		807,500	-
	1.00%	8/23/2013		807,500	807,500	-
Acquisition of Equipment	1.50%	5/24/2013	130		130	-
	1.00%	8/23/2013		130	130	-
Various Capital Improvements	1.50%	5/24/2013	332,500		332,500	-
	1.00%	8/23/2013	-	332,500	332,500	-
			<u>\$ 5,607,000</u>	<u>\$ 5,607,000</u>	<u>\$ 11,214,000</u>	<u>\$ -</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance 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 2014 and 2013 as follows:

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the Borough may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

	Rate (%)	Maturity Date	Balance, December 31, 2013	Additions	Reductions	Balance, December 31, 2014
<u>2014</u>						
Special Emergency Notes		5/22/2015	\$ 750,000	\$ 510,000	\$ 750,000	\$ 510,000
			Balance, December 31, 2012	Additions	Reductions	Balance, December 31, 2013
<u>2013</u>						
Special Emergency Notes	1.50%	5/23/2014	\$ 990,000	\$ 750,000	\$ 990,000	\$ 750,000

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Tax Anticipation Notes

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the Borough may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

	Rate (%)	Maturity Date	Balance, December 31, 2013	Additions	Reductions	Balance, December 31, 2014
<u>2014</u>						
Tax Anticipation Note	0.50%	3/23/2015	\$ -	\$ 4,750,000	\$ -	\$ 4,750,000

2013
 None

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2014</u>		
2013 Road Improvement Program	\$281,796	2015

2013
 Not Available.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. 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 \$1,427,042 and \$1,249,583 at December 31, 2014 and 2013, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of both December 31, 2014 and 2013, the Borough has reserved in the Other Trust Fund \$75,012 to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

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 payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2014 and 2013 is \$569,820 and \$609,993, respectively.

Changes in Other Long-Term Liabilities

The Borough's changes in other long-term liabilities for the years ended December 31, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
Compensated Absences	\$ 1,249,583	\$ 177,459		\$ 1,427,042	
Deferred Pension Obligation	<u>430,720</u>	<u>-</u>	<u>\$ 70,049</u>	<u>360,671</u>	<u>\$ 28,706</u>
Other Long-Term Liabilities	<u>\$ 1,680,303</u>	<u>\$ 177,459</u>	<u>\$ 70,049</u>	<u>\$ 1,787,713</u>	<u>\$ 28,706</u>
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Compensated Absences	\$ 1,303,224		\$ 53,641	\$ 1,249,583	
Deferred Pension Obligation	<u>454,086</u>	<u>-</u>	<u>23,366</u>	<u>430,720</u>	<u>\$ 70,049</u>
Other Long-Term Liabilities	<u>\$ 1,757,310</u>	<u>\$ -</u>	<u>\$ 77,007</u>	<u>\$ 1,680,303</u>	<u>\$ 70,049</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 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.

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

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

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

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:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 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), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: 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 for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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 was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 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 systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases of 4.22 percent for PERS and 6.01 percent for PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2013 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2014, 2013 and 2012, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2014	\$ 787,374	\$ 283,932	\$ 2,349
2013	786,590	287,645	1,512
2012	917,278	311,846	1,338

NOTE 13 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. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

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

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Basis of Accounting

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

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. For those employed on or after June 28, 2011 the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment 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 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$139.8 million for 9,404 eligible retired members for Fiscal Year 2013. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$38.0 million in Fiscal Year 2013 to provide benefits under Chapter 330 to qualified retirees.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2014, 2013 and 2012 were \$991,814, \$930,345 and \$834,053, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2014 and 2013 were \$19,612 and \$42,977, respectively.

NOTE 14 RISK MANAGEMENT

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

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 management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 14 RISK MANAGEMENT (Continued)

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. 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:

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance (Deficit)</u>
2014	\$ 20,000	\$ 8,944	\$ 39,151	\$ 978
2013		8,801	28,320	11,185
2012	28,544	16,600	28,554	30,704

NOTE 15 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, 2014 and 2013. 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, 2014 and 2013, significant amounts of grant expenditure 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 16 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, 2014 and 2013, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 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 457 (e)(11)(13) of 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 \$1,150 for both 2014 and 2013, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 for both 2014 and 2013, for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$79,350 and \$93,150 for 2014 and 2013, 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 remitting the funds to the plan administrator.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

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 service 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 18 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2014. As of December 31, 2014, the Borough has received \$342,233 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

CURRENT FUND

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH - COLLECTOR/TREASURER**

Balance, December 31, 2013		\$ 2,189,915
Increased by Receipts:		
Revenue Accounts Receivable	\$ 4,132,552	
Miscellaneous Revenue Not Anticipated	91,174	
Due from State of NJ Senior Citizens' and Veterans Deductions	120,250	
Grants Receivable	8,907	
Taxes Receivable	41,463,439	
Fees Payable	12,515	
Prepaid Taxes	166,741	
Tax Overpayments	243,913	
Reserve for Federal and State Grants - Unappropriated	54,686	
Miscellaneous Reserves	111,687	
Tax Anticipation Note	4,750,000	
Special Emergency Notes	510,000	
Receipts From Animal Control Fund	67	
Receipts From General Capital Fund	401,281	
Receipts From Other Trust Fund	329,953	
Receipts From Assessment Trust Fund	101,557	
Receipts From Unemployment Trust Fund	7,877	
	<u>52,506,599</u>	
		54,696,514
Decreased by Disbursements:		
2014 Budget Appropriations	18,282,681	
2013 Appropriation Reserves	86,646	
Encumbrances Payable	303,981	
Fees Payable	11,884	
Tax Overpayments	242,462	
County Taxes Payable	3,407,982	
Local District School Taxes	23,060,687	
Prepaid Payroll Expenditure	252,758	
Reserve for Federal and State Grants - Appropriated	64,625	
Special Emergency Notes	750,000	
Animal Control Trust Fund Expenditures Paid by Current Fund	189	
Other Trust Fund Expenditures Paid by Current Fund	42,562	
Refund of Prior Year Taxes and Revenue	90,156	
	<u>46,596,613</u>	
Balance, December 31, 2014		<u>\$ 8,099,901</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2013</u>	Balance, December 31, <u>2014</u>
Tax Collector	\$ 200	\$ 200
	<u>\$ 200</u>	<u>\$ 200</u>

**STATEMENT OF AMOUNT DUE FROM STATE OF NEW JERSEY -
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2013		\$ 21,337
Increased by:		
Senior Citizen and Veterans Deductions per Tax Billing	\$ 122,750	
Senior Citizen Deductions Allowed by Tax Collector	<u>250</u>	<u>123,000</u>
		144,337
Decreased by:		
Senior Citizen Deductions Disallowed by Tax Collector	500	
Senior Citizen Deductions Disallowed by Tax Collector - Prior Year	750	
Received in Cash from State	<u>120,250</u>	<u>121,500</u>
Balance, December 31, 2014		<u>\$ 22,837</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, 2014	Accrued	Cash Receipts	Balance, December 31, 2014
NJ Meadowlands Municipal Assistance Grant	\$ 8,300			\$ 8,300
NJ Handicapped Recreational Opportunities	18,727		\$ 4,964	13,763
NJ Department of Transportation- Canterbury PH II	4			4
Hackensack Meadowland Development Commission Discretionary Grant	46,425			46,425
Municipal Alliance	39,024	\$ 11,677		50,701
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		9,847		9,847
Drunk Driving Enforcement Fund		3,943	3,943	
Emergency Management		5,000		5,000
Fire Department Saver Grant	74,437			74,437
County of Bergen - ADA Ramps	11,488			11,488
Smart Growth	11,598			11,598
Bergen County Prosecutor - Police Radios		44,099		44,099
NJ Dept. of Transportation- Mobility Grant	10,320	-	-	10,320
	<u>\$ 335,517</u>	<u>\$ 74,566</u>	<u>\$ 8,907</u>	<u>\$ 401,176</u>

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, January 1, <u>2014</u>	2014 Levy	Added/ Omitted Taxes	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Collected In</u>		Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Transferred to Tax Title <u>Liens</u>	Balance, December 31, <u>2014</u>
					<u>2013</u>	<u>2014</u>				
2012	\$ 250					\$ 250				
2013	<u>692,698</u>	-	-	\$ 750	-	<u>683,450</u>	-	\$ 9,358	-	\$ 640
	692,948	-	-	750	-	683,700	-	9,358	-	640
2014	<u>-</u>	\$ <u>42,832,630</u>	\$ <u>28,540</u>	<u>500</u>	\$ <u>545,161</u>	<u>40,779,739</u>	\$ <u>123,000</u>	<u>42,694</u>	\$ <u>6,984</u>	<u>1,364,092</u>
	<u>\$ 692,948</u>	<u>\$ 42,832,630</u>	<u>\$ 28,540</u>	<u>\$ 1,250</u>	<u>\$ 545,161</u>	<u>\$ 41,463,439</u>	<u>\$ 123,000</u>	<u>\$ 52,052</u>	<u>\$ 6,984</u>	<u>\$ 1,364,732</u>

Analysis of 2014 Tax Levy

Tax Yield

General Purpose Tax	\$ 42,832,630
Added Taxes (54:4-63.1 et seq.)	<u>28,540</u>
	<u>\$ 42,861,170</u>

Tax Levy

Local District School Tax (Abstract)	\$ 23,058,397
County Taxes (Abstract)	3,371,264
County Open Space	36,688
Due County for Added Taxes(54:4-63.1 et seq.)	<u>2,329</u>
	\$ 26,468,678
Local Tax for Municipal Purposes (Abstract)	15,875,961
Minimum Library Tax	485,954
Additional Tax Levied	<u>30,577</u>
	<u>16,392,492</u>
	<u>\$ 42,861,170</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2014	\$ 15,943
Increased by:	
Transfers from Taxes Receivable	<u>6,984</u>
Balance, December 31, 2014	<u>\$ 22,927</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2013</u>	Accrued in <u>2014</u>	<u>Collected</u>	Balance, December 31, <u>2014</u>
Borough Clerk				
Alcoholic Beverage Licenses		\$ 53,584	\$ 53,584	
Licenses - Other		10,801	10,801	
Fees and Permits		5,957	5,957	
Board of Health				
Licenses - Other		11,104	11,104	
Fees and Permits		13,582	13,582	
Police				
Fees and Permits		7,472	7,472	
Tax				
Fees and Permits		40	40	
Recreation				
Fees and Permits		13,376	13,376	
Parking Meters		44,137	44,137	
Construction Code Official				
Fees and Permits		225,854	225,854	
Interest on Investments and Deposits		5,824	5,824	
Interest and Costs on Taxes		113,678	113,678	
Municipal Court				
Fines and Costs		360,543	336,132	\$ 24,411
Cable TV Franchise Fees		85,887	85,887	
Verizon Franchise Fees		120,758	120,758	
New Jersey Meadowlands Commission				
Tax Sharing N.J.S.A. 13:17-74		996,462	996,462	
Energy Receipts Tax		1,069,861	1,069,861	
N.J.M.C. Host Community Fees		330,380	330,380	
Uniform Fire Safety Act		19,209	19,209	
Library - Pension/Insurance Reimbursement		40,000	40,000	
Third Party Billing-Emergency Medical Services		303,454	303,454	
Passaic Valley Water Settlement	-	325,000	325,000	-
	<u>\$ -</u>	<u>\$ 4,156,963</u>	<u>\$ 4,132,552</u>	<u>\$ 24,411</u>

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
STATEMENT OF DEFERRED CHARGES N.J.S.A. 40A:4-53 - SPECIAL EMERGENCY

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance, December 31, 2013</u>	<u>Increased in 2014</u>	<u>Reduced in 2014</u>	<u>Balance, December 31, 2014</u>
2010	Terminal Leave	\$ 300,000	\$ 60,000	\$ 120,000		\$ 60,000	\$ 60,000
2011	Terminal Leave	450,000	90,000	270,000		90,000	180,000
2012	Superstorm Sandy	450,000	90,000	360,000	-	125,559	234,441
				<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 275,559</u>	<u>\$ 474,441</u>

STATEMENT OF DEFERRED CHARGES

	<u>Balance, December 31, 2013</u>	<u>Amount in 2014 Budget</u>	<u>Amount Resulting from 2014</u>	<u>Balance, December 31, 2014</u>
Operating Deficit	\$ 264,747	\$ 264,747	\$ 70,690	\$ 70,690
Overexpenditure of Grant Appropriation	1,775	1,775	449	449
Overexpenditure of Appropriation	64,984	64,984		
Overexpenditure of Appropriation Reserve	10,182	10,182	7,084	7,084
	<u>\$ 341,688</u>	<u>\$ 341,688</u>	<u>\$ 78,223</u>	<u>\$ 78,223</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF 2013 APPROPRIATION RESERVES

	Balance, December 31, 2013	Encumbrances Payable Cancelled	Budget After Modification	Expended	Balance Lapsed	Overexpended
Salaries and Wages						
Administration & Executive	\$ 10		\$ 10		\$ 10	
Borough Council	272		272		272	
Elections	1,300		1,300		1,300	
Financial Administration	29		29		29	
Collection of Taxes	40		40		40	
Assessment of Taxes	35		35		35	
Legal Services and Costs	9		9		9	
Zoning Commission	782		782	\$ 699	83	
Police Department	14,147		14,147	14,098	49	
Emergency Medical Transportation	49		49		49	
Police- Dispatch 911	5,999		5,999	5,500	499	
Crossing Guards	3,236		3,236	3,000	236	
Fire Official		\$ 3,177	3,177		3,177	
Streets & Roads - Repair & Maintenance	82		82	1,130		\$ 1,048
Streets & Roads - Snow Removal	1		1	813		812
Board of Health	823		823		823	
Youth Center	8		8		8	
Senior Citizens Services	635		635		635	
Municipal Court	65		65		65	
Construction Code Officials	301		301		301	
Other Expenses						
Administration & Executive	49	670	719		719	
Elections	61		61		61	
Financial Administration	3,943		3,943	3,899	44	
Collection of Taxes	423		423		423	
Assessment of Taxes	3		3		3	
Planning Board	466		466	290	176	
Rent Leveling Board	100		100		100	
Police Department	26,804		26,804	18,643	8,161	
Office of Emergency Management	1,101		1,101	343	758	
Fire Department	2,825		2,825	1,192	1,633	
Volunteer Emergency Squad	60	1,357	1,417		1,417	
Fire Official	34		34	2,999		2,965
Streets & Roads - Repair & Maintenance				1,232		1,232
Streets & Roads - Snow Removal	24,969		24,969	18,999	5,970	
Shade Tree	93	375	468		468	
Sanitation	3,998		3,998	3,498	500	
Public Building & Grounds				398		398
Recycling	3,999		3,999	3,499	500	
Board of Health	3,071		3,071	3,700		629
Celebration of Public Events		800	800		800	
Youth Center	310		310		310	
Senior Citizens	861		861		861	
Municipal Court	649		649	200	449	

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF 2013 APPROPRIATION RESERVES**

	Balance, December 31, <u>2013</u>	Encumbrances Payable <u>Cancelled</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>	<u>Overexpended</u>
UNCLASSIFIED						
Insurance						
Unemployment	\$ 20,000		\$ 20,000		\$ 20,000	
General Liability Insurance	998	\$ 20,740	21,738		21,738	
Worker's Compensation Insurance	911	9,758	10,669		10,669	
Utility Expenses						
Electricity	13		13		13	
Street Lighting	3,480		3,480	\$ 3,423	57	
Gasoline	30	7	37		37	
Telephone	521	12,000	12,521		12,521	
Social Security System (O.A.S.I.)	25,840		25,840		25,840	
Public Employees Retirement System	31,075		31,075		31,075	
Lyndhurst - North Arlington Joint Meeting	14		14		14	
Maintenance of Free Public Library	21,501	6,417	27,918		27,918	
Passaic Valley Sewerage Commission	3	-	3	-	3	-
	<u>\$ 206,028</u>	<u>\$ 55,301</u>	<u>\$ 261,329</u>	<u>\$ 87,555</u>	<u>\$ 180,858</u>	<u>\$ 7,084</u>
Cash Disbursements				\$ 86,646		
Transferred to Accounts Payable				<u>909</u>		
				<u>\$ 87,555</u>		

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2013		\$ 359,282
Increased by:		
Charged to 2014 Budget Appropriations	\$ 373,673	
Charged to Appropriated Grant Reserves	<u>45,923</u>	
		<u>419,596</u>
Decreased by:		
Cash Disbursements	303,981	778,878
Cancellations	<u>55,301</u>	
		<u>359,282</u>
Balance, December 31, 2014		<u>\$ 419,596</u>

EXHIBIT A-15

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2013		\$ 12,944
Increased by:		
Transferred from 2013 Appropriation Reserves	\$ 909	
Revenue Refunds Payable	<u>9,740</u>	
		<u>10,649</u>
Balance, December 31, 2014		<u>\$ 23,593</u>

EXHIBIT A-16

STATEMENT OF FEES PAYABLE

Increased by:		
Cash Receipts		\$ 12,515
Decreased by:		
Payments to State of New Jersey		<u>11,884</u>
Balance, December 31, 2014		<u>\$ 631</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2013	\$ 545,161
Increased by:	
Payment of 2015 Taxes	<u>166,741</u>
	711,902
Decreased by:	
Applied to 2014 Taxes	<u>545,161</u>
Balance, December 31, 2014	<u>\$ 166,741</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2013	\$ 242,462
Increased by:	
Overpayments Received	<u>243,913</u>
	486,375
Decreased by:	
Cash Disbursements	<u>242,462</u>
Balance, December 31, 2014	<u>\$ 243,913</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2013		\$ 873
Increased by:		
General County Levy - 2014	\$ 3,371,264	
County Open Space Preservation Levy -2014	36,688	
Due County for Added and Omitted Taxes	<u>2,329</u>	
		<u>3,410,281</u>
		3,411,154
Decreased by:		
Payments		<u>3,407,982</u>
Balance, December 31, 2014		<u>\$ 3,172</u>

EXHIBIT A-20

STATEMENT OF PREPAID LOCAL SCHOOL DISTRICT TAXES

Increased by:		
Cash Disbursements		\$ 23,060,687
Decreased by:		
Levy - Calendar Year 2014		<u>23,058,397</u>
Balance, December 31, 2014		<u>\$ 2,290</u>

EXHIBIT A-21

STATEMENT OF PREPAID PAYROLL EXPENDITURES

Increased by:		
Prepayment of 2015 Salaries and Wages		<u>\$ 252,758</u>
Balance, December 31, 2014		<u>\$ 252,758</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF APPROPRIATED GRANT RESERVES

	Balance, January 1, <u>2014</u>	Transfer from Current Year <u>Appropriations</u>	Paid or <u>Charged</u>	Balance, <u>December 31, 2014</u>	
				<u>Reserved</u>	<u>Overexpended</u>
Body Armor Fund	\$ 4,932	\$ 11,705	\$ 11,156	\$ 5,481	
Drunk Driving Enforcement Fund		9,350	3,855	5,495	
Alcohol Education and Rehabilitation Fund	3,197	158	3,804		\$ 449
Clean Communities	64,553	48,628		113,181	
Recycling Tonnage Grant	54,470		3,363	51,107	
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	28,568	14,677	7,240	36,005	
Local Match	10,433			10,433	
Fire Department Saver Grant	73,631		34,089	39,542	
Bill Gates Library Grant	1,300			1,300	
County of Bergen ADA Ramps Project	11,488			11,488	
Emergency Management		10,000		10,000	
Bergen County Prosecutor - Police Radios		44,099	43,199	900	
BCUA Recycling Assistance	9,049	-	3,842	5,207	-
	<u>\$ 381,822</u>	<u>\$ 138,617</u>	<u>\$ 110,548</u>	<u>\$ 410,340</u>	<u>\$ 449</u>
			Cash Disbursed \$ 64,625		
			Encumbrances Payable <u>45,923</u>		
			<u>\$ 110,548</u>		

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
STATEMENT OF RESERVE FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

	Balance, January 1, 2014	Cash Receipts	Anticipated as 2014 Budget Revenue	Balance, December 31, 2014
Body Armor	\$ 1,858	\$ 2,862	\$ 1,858	\$ 2,862
Drunk Driving Enforcement Fund	5,407		5,407	
NJ Alcohol Rehab. Education	158	1,477	158	1,477
Clean Communities	48,628	22,678	48,628	22,678
Recycling tonnage	-	27,669	-	27,669
	<u>\$ 56,051</u>	<u>\$ 54,686</u>	<u>\$ 56,051</u>	<u>\$ 54,686</u>

EXHIBIT A-24

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, January 1, 2014	Cash Receipts	Anticipated as 2014 Budget Revenue	Balance, December 31, 2014
Reserve for:				
Revaluation	\$ 97,809		\$ 97,809	
FEMA	125,560	\$ 111,687	125,559	\$ 111,688
State Library Aid	13,905	-	-	13,905
	<u>\$ 237,274</u>	<u>\$ 111,687</u>	<u>\$ 223,368</u>	<u>\$ 125,593</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAX ANTICIPATION NOTE PAYABLE**

Original Date of Issue	Original Issue	Date of Maturity	Interest Rate	Balance, December 31, 2013	Increased	Decreased	Balance, December 31, 2014
10/23/2014	\$ 4,750,000	3/23/2015	0.50%	-	\$ 4,750,000	-	\$ 4,750,000
				<u>\$ -</u>	<u>\$ 4,750,000</u>	<u>\$ -</u>	<u>\$ 4,750,000</u>

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Date of Issue	Original Issue	Date of Maturity	Interest Rate	Balance, December 31, 2013	Increased	Decreased	Balance, December 31, 2014
5/23/2014	\$ 510,000	5/22/2015			\$ 510,000		\$ 510,000
5/24/2013	750,000	5/23/2014	1.50%	\$ 750,000	-	\$ 750,000	-
				<u>\$ 750,000</u>	<u>\$ 510,000</u>	<u>\$ 750,000</u>	<u>\$ 510,000</u>

TRUST FUNDS

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH AND INVESTMENTS - COLLECTOR/TREASURER**

	<u>Animal Control Fund</u>	<u>Assessment Trust</u>	<u>Other Trust Funds</u>	<u>Unemployment Insurance</u>
Balance, December 31, 2013	\$ 16,608	\$ 498,969	\$ 752,841	\$ 19,028
Increased by Receipts:				
Animal License Fees	\$ 7,671			
State Dog License Fees	1,180			
Current Fund Budget Appropriation				
Unemployment Insurance				\$ 20,000
Employee Contributions				8,944
Interest on Deposits	34	\$ 681	\$ 588	37
Payroll Deposits			6,148,137	
Library Deposits			9,701	
Miscellaneous Reserves	-	-	746,623	-
	<u>8,885</u>	<u>681</u>	<u>6,905,049</u>	<u>28,981</u>
	25,493	499,650	7,657,890	48,009
Decreased by Disbursements:				
Reserve for Animal Control Expenditures	9,618			
State Dog License Fees	1,183			
Reserve for Library			13,874	
Payroll Disbursements			6,148,137	
Assessment Bonds Payable		82,228		
Miscellaneous Reserves			458,612	
Payments to Current Fund	67	101,557	329,953	7,877
Payments to State of NJ - Unemployment Claims	-	-	-	39,151
	<u>10,868</u>	<u>183,785</u>	<u>6,950,576</u>	<u>47,028</u>
Balance, December 31, 2014	<u>\$ 14,625</u>	<u>\$ 315,865</u>	<u>\$ 707,314</u>	<u>\$ 981</u>

**BOROUGH OF NORTH ARLINGTON
ANALYSIS OF ASSESSMENT CASH**

	Balance, December 31, <u>2014</u>
Fund Balance	\$ 116
Due from Current Fund	(68,026)
Assessment Overpayments	30
Assessment Serial Bonds Ord. #1681 Porete Avenue	<u>383,745</u>
	<u>\$ 315,865</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2013		\$ 9,618
Increased by:		
Interest Earnings	\$ 34	
Animal Control Expenditures Paid by Current Fund	<u>189</u>	
		<u>223</u>
		9,841
Decreased by:		
Payments to Current Fund		<u>67</u>
Balance, December 31, 2014		<u>\$ 9,774</u>

EXHIBIT B-7

**STATEMENT OF AMOUNT DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, December 31, 2013		\$ 4
Increased by:		
2014 State Fees Collected		<u>1,180</u>
		1,184
Decreased by:		
Payments to State of New Jersey		<u>1,183</u>
Balance, December 31, 2014		<u>\$ 1</u>

EXHIBIT B-8

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

Balance, December 31, 2013		\$ 6,986
Increased by:		
Dog License Fees	\$ 6,406	
Cat License Fees	290	
Late Fees	<u>975</u>	
		<u>7,671</u>
		14,657
Decreased by:		
Animal Control Expenditures Paid by Current Fund	189	
Cash Disbursements	<u>9,618</u>	
		<u>9,807</u>
Balance, December 31, 2014		<u>\$ 4,850</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

Ord. No.	Improvement Description	Date of Confirmation	Annual Installments	Due Dates	Balance, December 31, 2013	Collected	Balance, December 31, 2014	Analysis of Balance	
								Assessment Bonds	Reserve
1681	Porete Avenue	4/1/2003	1/10/1900	11/1	\$ 23	\$ -	\$ 23	\$ -	\$ 23

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF ASSESSMENT OVERPAYMENTS**

Balance, December 31, 2013	\$	<u>30</u>
Balance, December 31, 2014	\$	<u><u>30</u></u>

**STATEMENT OF DUE FROM/TO CURRENT FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2013 (Due to)	\$	850
Increased by:		
Anticipated as Current Fund Revenue	\$	32,000
Interest on Deposits		<u>681</u>
		<u>32,681</u>
		33,531
Decreased by:		
Payments to Current Fund		<u>101,557</u>
Balance, December 31, 2014 (Due from)	\$	<u><u>68,026</u></u>

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

Balance, December 31, 2013 (Due to)	\$	220,614
Increased by:		
Interest Earnings	\$	588
Other Trust Fund Expenditures Paid by Current Fund		<u>42,562</u>
		<u>43,150</u>
		263,764
Decreased by:		
Payments to Current Fund		<u>329,953</u>
Balance, December 31, 2014 (Due from)	\$	<u><u>66,189</u></u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF PAYROLL AND PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2013	\$	3,435
Increased by:		
Cash Receipts		6,148,137
		6,151,572
Decreased by:		
Cash Disbursements		6,148,137
Balance, December 31, 2014	\$	3,435

**STATEMENT OF RESERVE FOR LIBRARY
OTHER TRUST FUND**

Balance, December 31, 2013	\$	51,979
Increased by:		
Cash Receipts		9,701
		61,680
Decreased by:		
Cash Disbursements		13,874
Balance, December 31, 2014	\$	47,806

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2014</u>
Escrow Deposits	\$ 77,288	\$ 85,222	\$ 43,674	\$ 118,836
Premium on Tax Sale	242,093	390,700	251,800	380,993
William Swellick Memorial Fund	6,099			6,099
Domestic Partners	25			25
Lien Redemptions	8,912	259,068	205,142	62,838
P.O.A.A.	25,565	1,670		27,235
Municipal Alliance Donations	33,106	7,120		40,226
Fire Prevention - Fines and Penalties	8,087			8,087
Recreation	625			625
Accumulated Leave	75,012			75,012
Police - Fund Drive		2,843	558	2,285
Community Development	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 476,813</u>	<u>\$ 746,623</u>	<u>\$ 501,174</u>	<u>\$ 722,262</u>
		Cash Receipts <u>\$ 746,623</u>		
		Cash Disbursements	\$ 458,612	
		Due to Current Fund	<u>42,562</u>	
			<u>\$ 501,174</u>	

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DUE TO CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2013		\$ 7,843
Increased by:		
Interest on Deposits		37
		7,880
Decreased by:		
Payments to Current Fund		7,877
Balance, December 31, 2014		\$ 3

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE BENEFITS
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2013		\$ 11,185
Increased by:		
Current Fund Budget Appropriation	\$ 20,000	
Employee Contributions	8,944	
		28,944
		40,129
Decreased by:		
Unemployment Claims Paid		39,151
Balance, December 31, 2014		\$ 978

GENERAL CAPITAL FUND

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH - COLLECTOR/TREASURER**

Balance, December 31, 2013		\$ 2,036,795
Increased by:		
Interest Earnings	\$ 1,975	
Grant Receipts		
Reserve for Payment of Debt	<u>72,200</u>	
		<u>74,175</u>
		2,110,970
Decreased by:		
Improvement Authorizations	162,127	
Contracts Payable	448,400	
Payments to Current Fund	<u>401,281</u>	
		<u>1,011,808</u>
Balance, December 31, 2014		<u>\$ 1,099,162</u>

**BOROUGH OF NORTH ARLINGTON
ANALYSIS OF CASH**

	Balance, December 31, <u>2014</u>
Fund Balance	\$ 34,999
Capital Improvement Fund	33,972
Grants Receivable	(484,666)
Due from Current Fund	(504,987)
Contracts Payable	706,099
Reserve for Payment of Debt	72,200
Ord.	
<u>No.</u>	
1524	Curbs and Sidewalks (8,000)
1725	Plans and Specifications-Construction of Intersection (21,190)
1751/1753	Various Improvements (37,957)
1889	Paving - Various Roads 1,100
1928	Construction of Bikeway 35,627
1960	Resurface Hedden Terrace 97,266
1961/1927	Reconstruction of Rutherford Place 131,595
1963	Ridge Road Streetscape (60,731)
1977	Various Capital Improvements - Library (175,261)
1979/1982	Improvements to Stover and Ridge Park 22,867
2013	Acquisition of Fire Rescue Truck 103
2018	Various Park Improvements 988
2019	Various General Improvements 444
2020	Wilson Place Phase I Improvements 20,779
2021	Resurfacing of Sunset Avenue 24,080
2024	Providing for the Payment of Obligations (Cherokee) (39,180)
2057	Various General Improvements 153,148
2058	Ridge Road Streetscape Phase III 74,346
2067	Sanitary Sewer Improvements 1,025
2068	Acquisition of Senior Bus 4
2074	Various Capital Improvements 3,017
2080	Various Capital Improvements 146,862
2083	Various Road Improvements 12,633
2101	Various Capital Improvements 117,799
2102	Various Capital Improvements 7,388
2110	Various Capital Improvements 473,401
2111	Various Capital Improvements 38,266
2114	Various Capital Improvements 320,817
2116	Fire Equipment 41,957
2142	Various 2014 Capital Improvements (56,210)
2145	Additional 2014 Capital Improvements (85,438)
	<u>\$ 1,099,162</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2013</u>	Increased by: Grants <u>Awarded</u>	Decreased by: <u>Cash</u> <u>Receipts</u>	Balance, December 31, <u>2014</u>
New Jersey Department of Transportation				
Ordinance 1928- Bikeway Phase I	\$ 25,820			\$ 25,820
Ordinance 1988 - Caterbury	53,520			53,520
Ordinance 2021 - Sunset Avenue	63,029			63,029
Community Development Block Grants				
Ordinance 1979/1982/1998	77,775			77,775
Ordinance 2020	12,005			12,005
Ordinance 2083	72,000		\$ 72,000	
Bergen County Open Space				
Ordinance 2018	26,330			26,330
Ordinance 2142		\$ 26,750		26,750
FEMA - Fire Department Equipment - Ordinance 2116	14,452			14,452
ARRA - Streetscape Ordinance 2058	51,097			51,097
Rothman Senior Bus - Ordinance 2068	84,985			84,985
Due from Developer - North Arlington Associates	100,000	-	-	100,000
	<u>\$ 581,013</u>	<u>\$ 26,750</u>	<u>\$ 72,000</u>	<u>\$ 535,763</u>
<u>Analysis of Balance</u>				
Pledged to Ordinance	\$ 457,916	\$ 26,750		\$ 484,666
Pledged to Reserve	123,097	-	\$ 72,000	51,097
	<u>\$ 581,013</u>	<u>\$ 26,750</u>	<u>\$ 72,000</u>	<u>\$ 535,763</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2013		\$ 290,681
Increased by:		
Payments to Current Fund		401,281
		691,962
Decreased by:		
Interest Earnings	\$ 1,975	
Current Fund Anticipated Revenue Fund Balance	185,000	
		186,975
Balance, December 31, 2014		\$ 504,987

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2013		\$ 19,440,077
Decreased by:		
Current Fund Budget Appropriation:		
Serial Bond Principal	\$ 2,287,772	
Wastewater Loan Principal	37,049	
		2,324,821
Balance, December 31, 2014		\$ 17,115,256

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, 2013	2014 <u>Authorizations</u>	Balance, December 31, 2014	<u>Analysis of Balance</u>	
					<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
1524	Curbs and Sidewalks	\$ 8,000		\$ 8,000	\$ 8,000	
1725	Plans and Specifications - Construction of Intersection	21,060		21,060	21,060	
1751/1753	Acquisition of Equipment and Various Improvements	38,087		38,087	38,087	
1963	Ridge Road Streetscape	67,674		67,674	60,731	\$ 6,943
1977	Various Capital Improvements - Library	190,000		190,000	175,261	14,739
2024	Payment of Obligations - Cherokee	50,000		50,000	39,180	10,820
2116	Fire Equipment	422		422		422
2142	Various 2014 Capital Improvements		\$ 228,500	228,500		172,290
2145	Additional 2014 Capital Improvements	-	408,000	408,000	-	322,562
		<u>\$ 375,243</u>	<u>\$ 636,500</u>	<u>\$ 1,011,743</u>	<u>\$ 342,319</u>	<u>\$ 527,776</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2014		Interest Rate	Balance, December 31, 2013	Decreased	Balance, December 31, 2014
			Date	Amount				
BCIA Refunding Issue	9/20/2005	\$ 11,765,000	9/20/2015	\$ 520,000	3.50%	\$ 2,535,000	\$ 520,000	\$ 2,015,000
			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	9/20/2015	1,270,000	3.50%	6,735,000	1,165,000	5,570,000
			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	9/20/2015	56,681	3.50%	299,028	52,772	246,256
			9/20/2016	58,635	3.75%			
			9/20/2017	62,544	3.75%			
			9/20/2018	68,396	3.75%			
General Improvement - Encap Bonds	12/15/2010	2,800,000	12/15/2015	200,000	3.75%	2,200,000	200,000	2,000,000
			12/15/2016-2022	200,000	4.00%			
			12/15/2023	200,000	4.13%			
			12/15/2024	200,000	4.25%			

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2013</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>				
General Obligation Bonds - 2013	8/15/2013	\$ 7,634,000	8/15/2015-2018	\$ 350,000	3.000%	<u>\$ 7,634,000</u>	<u>\$ 350,000</u>	<u>\$ 7,284,000</u>
			8/15/2019-2020	700,000	3.000%			
			8/15/2021	675,000	3.000%			
			8/15/2022-2024	650,000	3.000%			
			8/15/2025	625,000	3.000%			
			8/15/2026	625,000	3.250%			
			8/15/2027	609,000	3.375%			
					<u>\$ 19,403,028</u>	<u>\$ 2,287,772</u>	<u>\$ 17,115,256</u>	
							<u>\$ 2,287,772</u>	
								Paid by Budget Appropriation

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvements	Balance, December 31, 2013		2014 Improvement Authorizations	Paid or Charged	Contracts Cancelled	Balance, December 31, 2014	
		Funded	Unfunded				Funded	Unfunded
1889	Paving - Various Roads	\$ 1,100					\$ 1,100	
1928	Construction of Bikeway	35,627					35,627	
1960	Resurface Hedden Terrace	97,266					97,266	
1961	Reconstruction of Rutherford Place	131,595					131,595	
1963	Ridge Road Streetscape		\$ 6,943					\$ 6,943
1977	Various Capital Improvements - Library		14,739					14,739
1979/1982	Improvements to Stover and Ridge Park	22,867					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	20,779					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	155,293			\$ 2,145		153,148	
2058	Ridge Road Streetscape - Phase III	74,346					74,346	
2067	Sanitary Sewer Improvements	1,025					1,025	
2068	Acquisition of a Senior Bus	4					4	
2074	Various Capital Improvements	3,017					3,017	
2080	Various Capital Improvements	180,969			34,107		146,862	
2083	Various Road Improvements	12,633					12,633	
2101	Various Capital Improvements	117,799					117,799	
2102	Various Capital Improvements	7,388					7,388	
2110	Various Capital Improvements	473,401					473,401	
2111	Various Capital Improvements	67,568			29,302		38,266	
2114	Various Capital Improvements	918,351			597,534		320,817	
2116	Fire Department Equipment	29,492	422		-	\$ 12,465	41,957	422
2142	Various 2014 Capital Improvements			\$ 269,790	97,500			172,290
2145	Additional 2014 Capital Improvements	-	-	430,200	107,638		-	322,562
		<u>\$ 2,376,135</u>	<u>\$ 32,924</u>	<u>\$ 699,990</u>	<u>\$ 868,226</u>	<u>\$ 12,465</u>	<u>\$ 1,725,512</u>	<u>\$ 527,776</u>
	Debt Authorized			\$ 636,500				
	Grant Receivable			26,750				
	Capital Improvement Fund			36,740				
				<u>\$ 699,990</u>				
	Cash Disbursements				\$ 162,127			
	Contracts Payable				706,099			
					<u>\$ 868,226</u>			

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF CONTRACTS PAYABLE**

Balance, December 31, 2013		\$ 460,865
Increased by:		
Charged to Improvement Authorizations		<u>706,099</u>
		1,166,964
Decreased by:		
Cash Disbursements	\$ 448,400	
Contracts Cancelled	<u>12,465</u>	
		<u>460,865</u>
Balance, December 31, 2014		<u>\$ 706,099</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2013		\$ 70,712
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>36,740</u>
Balance, December 31, 2014		<u>\$ 33,972</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Increased by:		
Grant Receipts		<u>\$ 72,200</u>
Balance, December 31, 2014		<u>\$ 72,200</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2013</u>	2014 <u>Authorizations</u>	Balance, December 31, <u>2014</u>
1524	Curbs and Sidewalks	\$ 8,000		\$ 8,000
1725	Plans and Specifications - Construction of Intersection	21,190		21,190
1751/1753	Acquisition of Equipment and Various Improvements	37,957		37,957
1963	Ridge Road Streetscape	67,674		67,674
1977	Various Capital Improvements - Library	190,000		190,000
2024	Payment of Obligations - Cherokee	50,000		50,000
2116	Fire Equipment	422		422
2142	Various 2014 Capital Improvements		\$ 228,500	228,500
2145	Additional 2014 Capital Improvements	-	408,000	408,000
		<u>\$ 375,243</u>	<u>\$ 636,500</u>	<u>\$ 1,011,743</u>

See Accompanying Notes to Financial Statements

BOROUGH OF NORTH ARLINGTON
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of North Arlington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2015. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund or unaudited General Fixed Assets Account Group financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of North Arlington'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 of North Arlington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of North Arlington's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough'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 differences in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of North Arlington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2014-001.


We also noted certain matters that are not required to be reported under Government Auditing Standards 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 of North Arlington's Responses to Findings

The Borough of North Arlington's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of North Arlington's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of North Arlington'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 Borough of North Arlington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants
Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
July 22, 2015

BOROUGH OF NORTH ARLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Federal CFDA Number	Grant Year	Grant Award	2014 Receipts	Balance, December 31, 2013	Revenues Realized	Expended	Adjustment	Balance December 31, 2014	Cumulative Expenditures
<u>Law and Public Safety</u>										
State and Highway Community Safety Click It or Ticket	20.600	2009	\$ 4,000		\$ 4,000				\$ 4,000	*
										*
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 Public Assistance Grant - Hurricane Sandy	97.036	2014	51,685	\$ 51,685		\$ 51,685	\$ 51,685			* 51,685
Assistance to Firefighters Grant Program - SAFER	97.044	2008	104,000		73,632	-	34,089	-	39,543	* 64,457
					<u>\$ 77,666</u>	<u>\$ 51,685</u>	<u>\$ 85,774</u>	<u>\$ -</u>	<u>\$ 43,577</u>	

Note: This Schedule is not subject to a single Audit in accordance with U.S. OMB Circular A-133.

BOROUGH OF NORTH ARLINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Received</u>	<u>Grant Receipts</u>	<u>Balance, December 31, 2013</u>	<u>Revenue/ Receipts</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2014</u>	*	*	<u>Cumulative Expenditures</u>
<u>N.J. Department of Community Affairs</u>										*	*	
NJ Meadowlands Commission Municipal Aid	8030-495-009-041870	2009	\$ 100,000		\$ 67,567				\$ 67,567	*	*	\$ 32,433
<u>Department of Human Services</u>										*	*	
Strengthening Families	100-054-4213	2010	3,516		3,516				3,516	*	*	
<u>Department of Environmental Protection</u>										*	*	
Clean Communities Program	4900-765-004-178910	2010	20,929		16,386				16,386	*	*	4,543
Clean Communities Program	4900-765-004-178910	2011	27,566		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	2014	48,628			\$ 48,628			48,628	*	*	
Recycling Tonnage Grant	4900-752-004-178910	2010	27,657		11,367		\$ 3,363		8,004	*	*	19,653
Recycling Tonnage Grant	4900-752-004-178910	2011	9,049		9,049		3,842		5,207	*	*	3,842
Recycling Tonnage Grant	4900-752-004-178910	2012	17,035		17,035				17,035	*	*	
Recycling Tonnage Grant	4900-752-004-178910	2013	26,068		26,068				26,068	*	*	
<u>Department of Law and Public Safety</u>										*	*	
Police Body Armor Replacement	718-066-1021-001	2011	6,920		1,961		1,961			*	*	6,920
Police Body Armor Replacement	718-066-1021-001	2012	2,971		2,971		2,971			*	*	2,971
Police Body Armor Replacement	718-066-1021-001	2014	11,705			11,705	6,224		5,481	*	*	6,224
Drunk Driving Enforcement Fund	1110-101-030000	2014	9,350	\$ 3,943		9,350	3,855		5,495	*	*	3,855
Emergency Management Program	N/A	2014	10,000			10,000			10,000	*	*	
<u>NJ Department of Transportation</u>										*	*	
(Passed through the College of New Jersey)										*	*	
NJ Mobility and Community Form Initiative	S8040	2009	71,500		45,082				45,082	*	*	26,418
<u>NJ Department of Treasury</u>										*	*	
(Passed through the County of Bergen)										*	*	
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2011	12,157		8,968		7,240		1,728	*	*	10,429
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2012	15,357		15,357				15,357	*	*	
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2013	14,677		14,677				14,677	*	*	
Municipal Alliance on Alcoholism & Drug Abuse	N/A	2014	14,677			14,677			14,677	*	*	
<u>NJ Administrative Office of the Courts</u>										*	*	
Alcohol Education and Rehabilitation	760-046-4240-001	2012	158		3,197		3,197			*	*	158
Alcohol Education and Rehabilitation	760-046-4240-001	2014	158		-	158	158	-	-	*	*	158
					<u>\$ 291,366</u>	<u>\$ 94,518</u>	<u>\$ 32,811</u>	<u>\$ -</u>	<u>\$ 353,073</u>	*	*	

Note: This Schedule is not subject to a single Audit in accordance with NJ OMB Circular 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF NORTH ARLINGTON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014**

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 awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the 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	\$ 51,685	\$ 94,518	\$ 146,203
Total Financial Awards	<u>\$ 51,685</u>	<u>\$ 94,518</u>	<u>\$ 146,203</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 fiscal year and grant program year.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2014-001

Our audit revealed that the Current Fund incurred an operating deficit in 2014.

Criteria or specific requirement

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

Condition

Current Fund revenues and other income were not sufficient to support expenditures incurred during 2014.

Questioned Costs

None

Context

Current Fund expenditures exceeded revenues and other income by \$78,223 during 2014.

Effect

The Borough's operating deficit is required to be raised in the subsequent year's budget.

Cause

Unknown.

Recommendation

A course of action be developed and implemented to eliminate the Borough's operating deficit.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2014-002

Our audit of the General Capital Fund revealed certain contracts were not encumbered upon award.

Criteria or specific requirement

N.J.A.C. 5:30-5.2 through 5.5.

Condition

Certain contracts were approved by the governing body but were not promptly encumbered in the financial reporting system.

Questioned Costs

None

Context

The following contract balances were not reported as a liability by the Borough:

\$97,500	Bathroom Upgrades
\$37,500	Inlet Repair – Phase II
\$74,781	Ford F450
\$32,857	Ford F250

Effect

Improvement authorization balances in the General Capital Fund were overstated and contracts payable were understated in the amount of \$242,638. The financial statements in the General Capital Fund have been adjusted.

Cause

Unknown

Recommendation

Internal controls be enhanced to ensure all contracts be encumbered when awarded or incurred in the General Capital Fund.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2013-001

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.

Status

See General Comments.

FINDING 2013-002

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.

Status

See General Comments.

FINDING 2013-003

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.

Status

See General Comments

FINDING 2013-004

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.

Status

Corrective action has been taken.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2013-005

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, was not maintained.

Status

Corrective action has been taken.

BOROUGH OF NORTH ARLINGTON

BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Miscellaneous - From Other Than Local				
Property Tax Levies	4,798,026	10.12 %	4,487,977	9.85 %
Collection of Delinquent Taxes and Tax Title Liens	683,700	1.44	247,570	0.54
Collection of Current Tax Levy	41,447,400	87.44	40,708,241	89.31
Other Credits	<u>473,147</u>	<u>1.00</u>	<u>135,640</u>	<u>0.30</u>
Total Income	<u>47,402,273</u>	<u>100.00 %</u>	<u>45,579,428</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	20,638,814	43.47	19,493,247	42.45 %
County Taxes	3,410,281	7.18	3,395,522	7.39
Local School Taxes	23,058,397	48.56	22,980,691	50.04
Other Expenditures	<u>373,004</u>	<u>0.79</u>	<u>51,356</u>	<u>0.11</u>
Total Expenditures	<u>47,480,496</u>	<u>100.00 %</u>	<u>45,920,816</u>	<u>100.00 %</u>
Excess in Revenue/(Deficit) in Revenue	(78,223)		(341,388)	
Adjustments to Income before Surplus:				
Expenditures Included above which by Statute are Deferred Charges to Budget of Succeeding Year	<u>78,223</u>		<u>341,388</u>	
Statutory Excess to Surplus	-		-	
Fund Balance, January 1	<u>502,715</u>		<u>502,715</u>	
	502,715		502,715	
Less Utilization as Anticipated Revenue	<u>-</u>		<u>-</u>	
Fund Balance, December 31	<u>\$ 502,715</u>		<u>\$ 502,715</u>	

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.887</u>	<u>\$2.806</u>	<u>\$2.705</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$1.070	\$.990	\$.987
County	.231	.229	0.233
Local School	1.554	1.554	1.450
Library	.032	.033	.035
<u>Assessed Valuation</u>			
2014	<u>\$1,483,637,956</u>		
2013		<u>\$1,479,261,575</u>	
2012			<u>\$1,586,564,192</u>

COMPARATIVE 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>	<u>Percentage of Collection</u>
2014	\$ 42,861,170	\$ 41,447,400	96.70%
2013	41,783,927	40,708,241	97.43%
2012	40,661,795	39,193,071	96.39%

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>December 31 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>
2014	\$ 22,927	\$ 1,364,732	\$ 1,387,659	3.23%
2013	15,943	692,948	708,891	1.70%
2012	2,993	466,622	469,615	1.12%

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>		
2014	\$502,715	-
2013	502,715	-
2012	502,715	-

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS AS OF DECEMBER 31, 2014

<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
Stephen LoIacono	Borough Administrator	
Kathleen Moore	Borough Clerk	
Stephen Sanzari	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
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Our audit indicated several capital improvement authorizations over 5 years old reflect a cash deficit. It is recommended that cash deficits of capital improvement authorizations over 5 years old be funded.

Our audit indicated several reconciling items are reported on the operating bank account reconciliation. It is recommended that reconciling items reported on the monthly operating bank account reconciliation be reviewed and be appropriately cleared.

Our audit indicated that the Borough does not have a formal policy for the use of store credit cards. It is recommended that the Borough adopt formal policies for procedures related to the utilization of store credit cards.

Our audit of the Borough's tax billings indicated a certain property which is tax exempt under a Payment in Lieu of Tax (PILOT) agreement was billed during 2014 and reported as a delinquent balance at year end. It is recommended that, in all instances, tax exempt properties be properly classified in the tax duplicate to ensure that the affected property is not included in the quarterly tax billings.

Our audit indicated that 2014 taxes for properties held in lien by the Borough were not transferred and included in the year end lien balance. It is recommended that subsequent taxes on properties held in municipal tax title liens be added to the lien balance at year end.

Our audit indicated that significant prior year tax overpayment balances remain on the financial records of the Borough. It is recommended that aging tax overpayment balances be reviewed for validity and either be refunded or otherwise cleared of record.

Our audit indicated that several grant receivable and unexpended grant reserve appropriations remain on the financial records of the Borough. It is recommended that efforts be made to collect outstanding grant receivable balances and to utilize unexpended grant reserve balances, or otherwise be cleared of record.

Our audit indicated that the Borough's financial reporting software system does not provide for the maintenance of a general ledger. It is recommended that the Borough maintain a financial reporting software system that provides for the maintenance of a general ledger.

Our audit indicated the dog licenses do not appear to have been issued in sequential order. It is recommended that dog licenses be issued in sequential order to ensure an accurate accounting of licenses issued.

Our audit indicated that a detail escrow account and activity ledger by developer is not currently being maintained by the Borough. It is recommended that a detail escrow account and activity ledger, by developer, be developed and maintained.

Our audit indicated that the Borough's fixed assets appraisal report was not updated for 2014. It is recommended that the fixed assets appraisal report be updated on an annual basis.

**BOROUGH OF NORTH ARLINGTON
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Our audit of the municipal court indicated the following:

- The fines and bail bank accounts were not accurately reconciled to the ATS/ACS system on a monthly basis.
- 117 tickets assigned to officers in excess of 6 months old have not been issued.

With respect to the municipal court, it is recommended that:

- The fines and bail bank accounts be reconciled with the ATS/ACS system on a monthly basis.
- Tickets assigned to officers in excess of 6 months in age be recalled.

Our audit of the recreation department indicated that a receipt ledger is not currently being maintained. It is recommended that a daily cash receipts ledger be maintained by the recreation department.

Our audit of the Borough's payroll indicated the following:

- Salaries for library employees do not appear to have been formally approved.
- An employee who appears to be eligible for pension coverage has not been enrolled into the State pension system.
- An employee's salary earnings for 2014 exceeded the maximum established by ordinance for the respective position.

With respect to the Borough's payroll, it is recommended that:

- Salaries established for library employees be formally approved.
- Employees who are eligible for pension coverage be promptly enrolled in the appropriate State pension system.
- Salary payments be made in accordance with the approved Borough salary ordinance to ensure maximum amounts are not exceeded.

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4

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

The Governing Body of the Borough has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the year. Where question arises 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:

NAVES Bathroom Upgrade
Inlet Repair – Phase II
2013 Road Program – Phase I

**BOROUGH OF NORTH ARLINGTON
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4 (Continued)

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

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

Collection of Interest of Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the non-payment 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 14, 2014.

<u>Year</u>	<u>Number of Liens</u>
2014	5
2013	5
2012	3

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

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. A course of action be developed and implemented to eliminate the Borough's operating deficit.
- 2. Internal controls be enhanced to ensure all contracts be encumbered when awarded or incurred in the General Capital Fund.
- * 3. Cash deficits of capital improvement authorizations over five years old be funded.
- 4. Reconciling items reported on the monthly operating bank account reconciliation be reviewed and be appropriately cleared.
- 5. The Borough adopt formal policies for procedures related to the utilization of store credit cards.
- 6. In all instances, tax exempt properties be properly classified in the tax duplicate to ensure that the affected property is not included in the quarterly tax billings.
- 7. Subsequent taxes on properties held in municipal tax title liens be added to the lien balance at year end.
- 8. Aging tax overpayment balances be reviewed for validity and either be refunded or otherwise cleared of record.
- * 9. Efforts be made to collect outstanding grant receivable balances and to utilize unexpended grant reserve balances, or otherwise be cleared of record.
- 10. The Borough maintain a financial reporting software system that provides for the maintenance of a general ledger.
- 11. Dog licenses be issued in sequential order to ensure an accurate accounting of licenses issued.
- * 12. A detail escrow account and activity ledger, by developer, be developed and maintained.
- 13. The fixed assets appraisal report be updated on an annual basis.
- 14. With respect to the municipal court, it is recommended that:
 - * a. The fines and bail bank accounts be reconciled with the ATS/ACS system on a monthly basis.
 - b. Tickets assigned to officers in excess of 6 months in age be recalled.
- 15. A daily cash receipts ledger be maintained by the recreation department.
- 16. With respect to the Borough's payroll, it is recommended that:
 - Salaries established for library employees be formally approved.
 - Employees who are eligible for pension coverage be promptly enrolled in the appropriate State pension system.
 - Salary payments be made in accordance with the approved Borough salary ordinance to ensure maximum amounts are not exceeded.

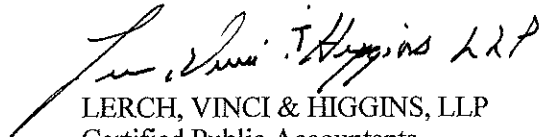
**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**


Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year recommendations and corrective action was taken on all except those denoted with an asterisk (*).

The problems and weaknesses noted in our review 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 or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


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


Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457