

TOWN OF KEARNY
Financial Statements With
Supplementary Information
December 31, 2009
(With Independent Auditors' Reports Thereon)

TOWN OF KEARNY

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Town of Kearny in the County of Hudson, as of and for the six month period ended December 31, 2009 and the year ended June 30, 2009, and the related statements of operations and changes in fund balance-regulatory basis for the periods then ended, and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the six months ended December 31, 2009. These financial statements are the responsibility of the Town of Kearny's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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



Honorable Mayor and
Members of the Town Council
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In our opinion, because of the Town of Kearny's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Kearny, New Jersey as of December 31, 2009 and June 30, 2009 or the results of its operations for the periods then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Town of Kearny, New Jersey at December 31, 2009 and June 30, 2009, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the periods then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the six month period ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2010 on our consideration of the Town of Kearny's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Kearny, State of New Jersey, taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Government, and Nonprofit Organizations, and New Jersey State Office of Management and Budget Circular Letter 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the financial statements. Additionally, the accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the New Jersey Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly presented in all material respects in relation to the regulatory basis financial statements taken as a whole on the basis of accounting as described in Note 1.


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CROO413


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

May 6, 2010



TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	December 31, 2009	June 30, 2009
<u>Assets</u>			
Regular Fund:			
Current Assets:			
Cash - Operating Accounts	A-4	\$ 13,532,695	7,623,336
Cash - Change Fund	A-5	800	800
		<u>13,533,495</u>	<u>7,624,136</u>
Due from State of New Jersey per Ch. 129, P.L. 1976	A-7	101,500	200,382
Energy Receipts Tax	A-25	6,177,561	_____
		<u>6,279,061</u>	<u>200,382</u>
		<u>19,812,556</u>	<u>7,824,518</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes	A-8	1,454,714	1,793,777
Tax Title Liens	A-9	7,635,579	7,425,250
Property Acquired for Taxes - Assessed Valuation	A-10	1,593,100	1,593,100
Revenue Accounts Receivable	A-11	88,846	104,383
Interfunds Receivable:			
Federal and State Grant Fund	A-18	467,105	260,856
Water Utility Capital Fund	A-18	750,000	_____
Other Trust Fund	A-18	55	_____
		<u>11,989,399</u>	<u>11,177,366</u>
		<u>31,801,955</u>	<u>19,001,884</u>
Federal and State Grant Fund:			
Cash - Operating Accounts	A-4	1,097,327	1,041,733
Grants Receivable	A-12	6,819,455	3,504,909
		<u>7,916,782</u>	<u>4,546,642</u>
		<u>\$ 39,718,737</u>	<u>23,548,526</u>

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	December 31, 2009	June 30, 2009
Liabilities, Reserves and Fund Balance			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3/A-13	\$ 528,675	466,761
Unencumbered	A-3/A-13	3,266,988	483,353
Reserve for:			
Maintenance of Free Public Library w/ State Aid	A-15	116,707	82,994
Tax Appeals	A-17	1,500,000	
Retroactive Pay	A-14	2,400,000	1,200,000
Tax Overpayments	A-16	96,739	70,372
Pension Deferral	A-27	2,662,255	
Due to Library	A-26	187,406	
Due to State of N.J.-DCA Fees	A-22	5,666	1
Prepaid Taxes	A-21	98,466	115,128
		10,862,902	2,418,609
Reserve for Receivables	Contra	11,989,399	11,177,366
Fund Balance	A-1	8,949,654	5,405,909
		31,801,955	19,001,884
Federal and State Grant Fund			
Interfunds Payable	A-23	467,105	260,856
Reserve for Grant Encumbrances	A-24	831,087	218,085
Reserve for Grant Expenditures	A-24	5,521,263	3,025,968
Reserve for UEZ		1,097,327	1,041,733
		7,916,782	4,546,642
	\$	39,718,737	23,548,526

See accompanying note: to financial statements.

TOWN OF KEARNY, N.J.

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

Current Fund

Six Month Period Ended December 31, 2009 and
Twelve Month Period Ended June 30, 2009

	December 31, <u>2009</u>	June 30, <u>2009</u>
Revenues and Other Income:		
Fund Balance Utilized	2,500,000	
Miscellaneous Revenue Anticipated	29,442,630	33,866,852
Receipts from Delinquent Taxes	1,775,122	1,118,581
Receipts from Current Taxes	46,208,590	93,044,155
Non-Budget Revenue	166,334	732,587
Other Credits to Income:		
Grants Canceled	18,242	
Prior Years Interfunds Returned		419,590
Unexpended Balance of Appropriation Reserves	<u>154,816</u>	<u>208,368</u>
Total Revenues and Other Income	<u>77,765,734</u>	<u>131,890,133</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	17,194,000	30,215,104
Other Expenses	20,194,834	27,252,001
Capital Improvement Fund	151,348	100,000
Municipal Debt Service	1,614,287	5,523,024
Statutory Expenditures	<u>3,530,255</u>	<u>4,158,124</u>
	<u>42,684,724</u>	<u>67,248,253</u>
Prior Year Revenue Refund	57,786	23,512
Grants Receivable Canceled	15,052	173,617
Interfund Advances	956,250	
County Taxes	8,322,623	16,053,653
Local District School Tax	<u>22,185,554</u>	<u>44,422,716</u>
Total Expenditures	<u>74,221,989</u>	<u>127,921,751</u>
Statutory Excess to Fund Balance	<u>3,543,745</u>	<u>3,968,382</u>
Fund Balance, July 1,	<u>5,405,909</u>	<u>3,937,527</u>
	<u>8,949,654</u>	<u>7,905,909</u>
Decreased by:		
Fund Balance Utilized as Budget Revenue		2,500,000
Fund Balance, December 31,	<u>8,949,654</u>	<u>5,405,909</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	\$ 467	1,860	1,393
Other	22,000	30,666	8,666
Fees and Permits:	76,000	83,291	7,291
Fines and Costs:			
Municipal Court	500,000	596,739	96,739
Interest and Costs on Taxes	100,000	209,172	109,172
Parking Meters	90,000	121,741	31,741
Interest on Investments and Deposits	20,000	84,603	64,603
Hackensack Meadowlands Development Corporation	1,000,000	2,795,256	1,795,256
Hartz Mountain Lease Agreement	60,000	61,368	1,368
Consolidated Municipal Property Tax Relief Aid	964,002	964,002	
Energy Receipts Tax	19,484,891	19,484,891	
Uniform Construction Code Fees	150,000	167,839	17,839
State and Federal Revenues Offset w/ Appropriations:			
Musuem Grant	5,000	5,000	
Justice Assistance Grant	17,118	17,118	
Justice Assistance Grant	70,586	70,586	
UEZ Kearny Clean Project 2008	15,155	15,155	
UEZ Revolving Loan Program	664,500	664,500	
UEZ Seller Street Reconstruction	1,019,640	1,019,640	
UEZ Economic Stimulus Loan	107,500	107,500	
DDEF	14,755	14,755	
Local Government Energy Audit	52,687	52,687	
Over the Limit Under Arrest	6,000	6,000	
Public Health Priority Funding	11,599	11,599	
Kearny Federal Planters Donation	4,500	4,500	
UEZ Marketing and Promotion	70,000	70,000	
UEZ Marketing and Promotion	500,140	500,140	
UEZ Shpping Bus	63,535	63,535	
Kearny Urban Enterprise Zone - Fire Engine Custom Pumper	380,000	380,000	
Kearny Urban Enterprise Zone - Schuyler Ave Parking Lot	62,612	62,612	
Recyclir g Tonnage Grant	28,172	28,172	
Paris Grant	37,500	37,500	
NJ Health HIN1	112,778	112,778	
NJ Transit Rail Shuttle	10,000	10,000	
Hudson County Open Space - All Seasons Veteran Field	350,000	350,000	
Hudson County Open Space - Brighton Ave Playground	200,000	200,000	
UEZ Administration	199,957	199,957	
Hudson County Open Space - Veterans Field LEED Imp	175,000	175,000	
Energy Efficiency and Conservation Block Grant	158,600	158,600	
Other Special Items:			
Uniform Fire Safety Act	43,000	70,577	27,577
New Jersey Meadowlands Commission-Host Community Fees		384,650	384,650
PILOT Payments	13,000	48,641	35,641
Total Miscellaneous Revenues	26,860,694	29,442,630	2,581,936

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Receipts from Delinquent Taxes	<u>500,000</u>	<u>1,775,122</u>	<u>1,275,122</u>
Subtotal General Revenues	<u>27,360,694</u>	<u>31,217,752</u>	<u>3,857,058</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>17,332,744</u>	<u>17,700,413</u>	<u>367,669</u>
Budget Totals	44,693,438	48,918,165	4,224,727
Non-Budget Revenue		<u>166,334</u>	<u>166,334</u>
	<u>\$ 44,693,438</u>	<u>49,084,499</u>	<u>4,391,061</u>

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 46,208,590
Allocated to County of Hudson Local School District	\$ 8,322,623 <u>22,185,554</u> <u>30,508,177</u>
Balance for Support of Municipal Budget Appropriations	15,700,413
Add : Appropriation - Reserve for Uncollected Taxes	<u>2,000,000</u>
Amount for Support of Municipal Budget Appropriations	\$ <u>17,700,413</u>
Receipts from Delinquent Taxes: FY 2009 Collections	<u>1,775,122</u>
	\$ <u>1,775,122</u>

Analysis of Non-budget RevenuesMiscellaneous Revenue Not Anticipated

Response Calls - NJTP	\$ 2,060
Refunds	4,830
DMV	855
Tax Sale Costs	3,577
Reimbursements	970
NSF Checks	280
Clean Earth	27,526
Dental	18,718
Recycling	88,302
PVSC Fees	1,068
Health	150
Rentals	800
Police Private Duty	10,158
S/C Administration Fee	4,008
Miscellaneous	2,257
Civil Union Fees	775
	<u>166,334</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpected Balance Cancelled</u>
General Government:					
Administration	\$ 150,000	150,000	129,381		20,619
Salaries and Wages					
Other Expenses:					
Misc. Other Expenses	40,000	40,000	38,516		1,484
Mayor and Council	65,000	65,000	61,611		3,389
Salaries and Wages	2,500	2,500	2,403		97
Other Expenses					
Town Clerk	150,000	150,000	55,054		94,946
Salaries and Wages	15,000	16,000	15,572		428
Other Expenses					
Elections:					
Salaries and Wages	5,000	5,000	3,717		1,283
Other Expenses	30,000	30,000	1,022		28,978
Legal:					
Other Expenses	350,000	350,000	261,472		88,528
Prosecutor:					
Other Expenses	25,000	25,000	24,162		838
Auditor:					
Other Expenses	85,000	85,000			85,000
Engineering:					
Other Expenses	40,000	40,000	26,957		13,043
Public and Industrial Development:					
Other Expenses	5,000	5,000	3,487		1,513
Insurance:					
Life Insurance for Employees	30,000	30,000	29,743		257
Employee Hospitalization	4,975,000	4,888,000	4,422,743		465,257
Other Insurance	25,000	25,000	22,274		2,726
Dedicated Insurance Fund	1,600,000	1,600,000			1,600,000

TOWN OF KEEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Court					
Salaries and Wages	250,000	250,000	227,070		22,930
Other Expenses	25,000	25,000	16,390		8,610
Public Defender:					
Salaries and Wages	20,000	20,000	14,536		5,464
Financial Administration:					
Treasurer:					
Salaries and Wages	225,000	225,000	196,033		28,967
Other Expenses	65,000	65,000	43,159		21,841
Assessment of Taxes:					
Salaries and Wages	70,000	70,000	64,538		5,462
Other Expenses	40,000	40,000	10,085		29,915
Collection of Taxes:					
Salaries and Wages	100,000	100,000	77,420		22,580
Other Expenses	20,000	20,000	12,641		7,359
Public Safety:					
Police:					
Salaries and Wages	7,575,000	7,575,000	7,170,074		404,926
Other Expenses	400,000	400,000	301,534		98,466
Uniform Fire Safety Act: (P.L. 1983 Chap. 383)					
Fire:					
Salaries and Wages	5,075,000	5,075,000	4,666,682		408,318
Other Expenses	100,000	100,000	84,906		15,094
Emergency Management Services:					
Other Expenses	2,500	2,500			2,500
Health and Welfare					
Board of Health					
Salaries and Wages	275,000	275,000	156,057		118,943
Other Expenses	35,000	35,000	33,914		1,086
Intercounty Council on Drugs					
Board of Health-Contractual agreement					
					2,364

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Unexpended Balance</u>	<u>Carried forward</u>
Human Services					
Other Expenses	10,000	10,000	10,000		
Meals on Wheels Program					
Other Expenses	20,000	20,000	16,858	3,142	
Animal License					
Other Expenses	40,000	40,000	40,000		
Shelter Workshop for Handicapped					
Other Expenses	12,000	12,000	12,000		12,000
Department of Public Works					
Road Repairs and Maintenance:					
Salaries and Wages	900,000	900,000	845,627	54,373	
Other Expenses	200,000	200,000	197,935	2,065	
Shade Tree:					
Salaries and Wages	275,000	275,000	212,389	62,611	
Other Expenses	90,000	98,000	97,277	723	
Public Buildings and Grounds:					
Salaries and Wages	125,000	125,000	108,655	16,345	
Other Expenses	200,000	200,000	165,510	34,490	
Vehicle Maintenance:					
Salaries and Wages	100,000	100,000	93,487	6,513	
Other Expenses	90,000	90,000	89,026	974	
Recreation and Parks:					
Recreation:					
Unified Recreation Committee	150,000	150,000	143,222	6,778	
Other Expenses	50,000	50,000	29,995	20,005	
Parks and Playgrounds:					
Other Expenses:	50,000	50,000	20,000	30,000	
Celebration of Public Events:					
Other Expenses:	20,000	20,000	166	19,834	
Senior Citizen Center					
Salaries and Wages	100,000	105,000	104,536	464	
Other Expenses	10,000	10,000	5,104	4,896	

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Construction Code Enforcement					
Salaries and Wages	325,000	325,000	302,491		22,509
Other Expenses	35,000	35,000	16,869		18,131
Zoning Commission					
Salaries and Wages	1,500	1,500	1,312		188
Other Expenses	17,500	17,500	7,534		9,966
Board of Appeals					
Salaries and Wages	1,000	1,000			1,000
Other Expenses	1,500	1,500	625		875
Planning Board					
Salaries and Wages	1,500	1,500			1,500
Other Expenses	17,500	17,500	9,241		8,259
Parking Lot Lease Payment					
Management Information					
Salaries and Wages	50,000	50,000	34,633		15,367
Other Expenses	60,000	60,000	41,273		18,727
Unclassified:					
Electricity and Gas	250,000	250,000	170,578		79,422
Street Lighting	175,000	175,000	149,383		25,617
Communications	375,000	375,000	294,560		80,440
Block Parents Program					
Gasoline	200,000	200,000	126,325		73,675
Postage	30,000	30,000	29,797		203
Salary and Wage Adjustment	1,200,000	1,200,000	1,200,000		
North Hudson Community Action Council					
Rental of Pumps			10,000		10,000
Landfill and Solid Waste Disposal Costs					
Garbage and Trash Removal:					
Contractual	600,000	600,000	575,000		25,000
Bailier Fees	900,000	900,000	826,507		73,493
Total Operations within "CAPS"	<u>28,687.500</u>	<u>28,624.500</u>	<u>25,811.785</u>	<u>2,812,715</u>	

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
B. Contingent	2,000	2,000			2,000
Total Operations Including Contingent-within "CAPS"	<u>28,689,500</u>	<u>28,626,500</u>	<u>25,811,785</u>		<u>2,814,715</u>
Detail:					
Salaries & Wages	17,189,000	17,194,000	15,870,025		1,323,975
Other Expenses (Including Contingent)	11,500,500	11,432,500	9,941,760		1,490,740
(E) Deferred Charges and Statutory Expenditures-					
Municipal within "CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees' Retirement System	306,117	306,117			306,117
Social Security System (O.A.S.I.)	450,000	450,000			434,959
Consolidated Police and Firemen's Pension	230,000	230,000			228,106
Police and Firemen's Retirement System	2,356,138	2,356,138			2,356,138
Unemployer's Insurance	125,000	188,000	187,939		61
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	<u>3,467,255</u>	<u>3,530,255</u>	<u>3,513,259</u>		<u>16,996</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>32,156,755</u>	<u>32,156,755</u>	<u>29,327,044</u>		<u>2,851,711</u>

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Passaic Valley Sewer Commission: Share of Costs	2,100,000	2,100,000	1,988,384		111,616
Maintenance of Free Public Library (Ch. 82 & 541, P.L. 1985) Contribution	700,000 117,940	700,000 117,940	494,279 7,060		205,721 117,940
Matching Funds For Grants	7,060				
Matching Funds for UEZ - Shopping Bus Project Year 2	1,500,000	1,500,000	1,500,000		
Reserve for Tax Appeals					
Total Other Operations - Excluded from "CAPS"	4,425,000	4,425,000	3,989,723		435,277
Public and Private Programs Offset by Revenues					
Museum Grant - Hudson County	5,000				5,000
Justice Assistance Grant	17,118				17,118
Justice Assistance Grant (ARRA)	70,586				70,586
PARIS Grant	37,500				37,500
Public Health Priority Funding	11,599				11,599
Urban Enterprise Zone - Administration	199,957				199,957
Over the Limit Under Arrest	6,000				6,000
Hudson County Open Space - Veterans Field	350,000				350,000
Hudson County Open Space - Brighton Ave	200,000				200,000
Hudson County Open Space - LEED Imp.	175,000				175,000
Energy Efficiency Block Grant	158,600				158,600
Kearny Ave Planters Donation	4,500				4,500
Drunk Driving Enforcement Fund	14,755				14,755
Local Government Energy Audit	52,687				52,687
UEZ Marketing and Promotion	70,000				70,000
UEZ Sellers Street Reconstruction	1,019,640				1,019,640
UEZ Fire Engine Custom Pumper	380,000				380,000
UEZ Schuyler Ave Parking Lot Construction	62,612				62,612

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
UEZ Kearny Clean Project 2008	15,155	15,155			15,155
UEZ Business Development Revolving Loan	64,500	64,500			64,500
UEZ Business Development Revolving Loan	600,000	600,000			600,000
UEZ Economic Stimulus Loan Program	107,500	107,500			107,500
UEZ Marketing and Promotion Program	500,140	500,140			500,140
UEZ Shopping Bus Project Year 2	63,535	63,535			63,535
Local Public Health Response to H1N1	112,778	112,778			112,778
Recycling Tonnage Grant	28,172	28,172			28,172
Rail Service Shuttle Program	10,000	10,000			10,000
Total Public and Private Programs Offset by Revenues	<u>4,337,334</u>	<u>4,337,334</u>	<u>4,337,334</u>		
Total Operations-Excluded from "CAPS"	<u>8,762,334</u>	<u>8,762,334</u>	<u>8,327,057</u>	<u>435,277</u>	
Detail:					
Other Expenses	8,762,334	8,762,334	8,327,057	435,277	
Capital Improvements-Excluded from CAPS"	<u>151,348</u>	<u>151,348</u>	<u>151,348</u>		
Capital Improvement Fund	<u>151,348</u>	<u>151,348</u>	<u>151,348</u>		
Total Capital Improvements-"Excluded from CAPS"	<u>151,348</u>	<u>151,348</u>	<u>151,348</u>		
Municipal Debt Service - Excluded from "CAPS"					
Green Trust Loan Program	29,900	29,900	29,879		21
Loan Repayments for Principal and Interest					
N.J. Wastewater Treatment Trust	556,800	556,800	548,204		8,596
Loan Repayments for Principal and Interest					
Payment of Bond Principal	1,036,300	1,036,300	1,036,202		98
Interest on Bonds					
Total Municipal Debt Service-Excluded from "CAPS"	<u>1,623,000</u>	<u>1,623,000</u>	<u>1,614,285</u>		<u>8,715</u>

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Six Month Period Ended December 31, 2009

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>10,536,682</u>	<u>10,536,682</u>	<u>10,092,690</u>	<u>435,277</u>	<u>8,715</u>
Subtotal General Appropriations	42,693,437	42,693,437	39,417,734	3,266,988	8,715
Reserve for Uncollected Taxes	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>		
<u>\$ 44,693,437</u>	<u>44,693,437</u>	<u>41,417,734</u>	<u>3,266,988</u>		<u>8,715</u>
Appropriation by 40A:4-87					
Budget	1,422,125	43,271,312			
	<u>44,693,437</u>				
Reserve for Uncollected Taxes				2,000,000	
Transferred to Reserve for:					
Retroactive Payroll				1,200,000	
Tax Appeals				1,500,000	
Pension Deferral				2,662,255	
Grants				4,337,334	
Encumbrances				528,675	
Cash				<u>29,189,470</u>	
					<u>41,417,734</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	December 31, 2009	June 30, 2009
<u>Assets</u>			
Assessment Trust Fund:			
Assessment Receivable - Unpledged	B-3	\$ 1,136	1,136
Assessment Liens Receivable - Unpledged	B-4	<u>292</u>	<u>292</u>
		<u>1,428</u>	<u>1,428</u>
Animal Trust Fund:			
Cash	B-2	<u>2,886</u>	<u>19,220</u>
		<u>2,886</u>	<u>19,220</u>
Other Trust Funds:			
Cash	B-2	3,920,516	3,928,299
Community Development Receivables	B-7	824,428	450,088
Other Accounts Receivable	B-6	47,443	47,443
Intrafund Accounts Receivable			
Due from Escrow Trust Fund	B-14	<u>216,871</u>	<u>216,871</u>
		<u>5,009,258</u>	<u>4,642,701</u>
Self-Insurance Trust Fund:			
Cash	B-2	<u>2,032,585</u>	<u>1,109,857</u>
		<u>2,032,585</u>	<u>1,109,857</u>
		<u>\$ 7,046,157</u>	<u>5,773,206</u>

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Assessment Trust Fund:			
Reserve for Assessments and Liens	B-12	\$ 1,334	1,334
Fund Balance	B-1	<u>94</u>	<u>94</u>
		<u>1,428</u>	<u>1,428</u>
Animal Trust Fund:			
Reserve for Animal Control Expenditures	B-8	<u>2,886</u>	<u>19,220</u>
		<u>2,886</u>	<u>19,220</u>
Other Trust Fund:			
Reserves for:			
Other Expenditures	B-9	3,986,334	3,975,742
Community Development Grant	B-10	805,998	450,088
Interfunds Accounts Payable:			
Due to Current Fund	B-13	55	
Intrafund Accounts Payable:			
Due to Affordable Housing Trust Fund	B-14	98,357	98,357
Due to Other Trust Fund	B-14	<u>118,514</u>	<u>118,514</u>
		<u>5,009,258</u>	<u>4,642,701</u>
Self-Insurance Trust Fund:			
Reserve for Self-Insurance	B-11	<u>2,032,585</u>	<u>1,109,857</u>
		<u>2,032,585</u>	<u>1,109,857</u>
		<u>\$ 7,046,157</u>	<u>5,773,206</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Schedule of Fund Balance-Regulatory Basis

Assessment Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009	\$ <u> 94</u>
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Balance - December 31, 2009	\$ <u> 94</u>
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See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	December 31, 2009	June 30, 2009
<u>Assets</u>			
Cash - Checking Accounts	C-2/C-3	\$ 237,604	918,600
Accounts Receivable:			
Department of Transportation Grants	C-4	544,439	420,278
Green Acres Grants	C-4	935,000	500,000
Hudson County Open Space Grants	C-4	110,000	110,000
Loans Receivable:			
Environmental Infrastructure Loans	C-5	858,918	858,918
Due From Water Capital Fund	C-8		500,000
Deferred Charges to Future Taxation:			
Funded	C-6	57,826,575	58,334,645
Unfunded	C-7	5,947,477	5,512,477
		<u>\$ 66,460,013</u>	<u>67,154,918</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-9	\$ 47,644,000	47,784,000
New Jersey Wastewater Loan Payable	C-10	9,405,588	9,890,394
Green Acres Trust Loan Payable	C-11	776,987	800,251
Improvement Authorizations:			
Funded	C-13	1,208,564	1,697,733
Unfunded	C-13	3,728,752	4,514,860
Capital Improvement Fund	C-15	280,947	129,599
Reserve for Receivables	C-12	310,000	310,000
Schedule of Reserves	C-14	2,166,354	2,166,354
Fund Balance	C-1	938,821	1,727
		<u>\$ 66,460,013</u>	<u>67,294,918</u>

There were \$5,947,477 and \$5,512,477 of Bonds and Notes Authorized but Not Issued on December 31, 2009 and June 30, 2009 respectively (Exhibit C-16).

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 1,727
Increased by:	
Funded Improvement Authorizations canceled	<u>937,094</u>
Balance, December 31, 2009	\$ <u>938,821</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	<u>Ref.</u>	December 31, <u>2009</u>	June 30, <u>2009</u>
<u>Assets</u>			
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 74,270	323,700
Due From East Orange Water Commission	D-7	176,306	264,460
Deficit in Operations	D-1	<u>159,809</u>	<u> </u>
		<u>410,385</u>	<u>588,160</u>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-8	724,606	634,968
Municipal Liens	D-9	<u> </u>	<u>37,804</u>
		<u>724,606</u>	<u>672,772</u>
Total Water Utility Operating Fund		<u>1,134,991</u>	<u>1,260,932</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	33,433	73,410
Fixed Capital	D-10	22,146,385	22,146,385
Fixed Capital Authorized and Uncompleted	D-11	<u>4,300,000</u>	<u>4,300,000</u>
Total Capital Fund		<u>26,479,818</u>	<u>26,519,795</u>
		<u>\$ 27,614,809</u>	<u>27,780,727</u>

Exhibit D

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

**Six Month Period Ended December 31, 2009 and
Twelve Month Period Ended June 30, 2009**

	<u>Ref.</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-12	96,261	18,967
Reserve for Encumbrances	D-4	38,525	5,714
Accrued Interest on Bonds and Notes	D-13	<u>133,068</u>	<u>132,794</u>
		267,854	157,475
Reserve for Receivables		Contra	724,606
Reserve for Municipal Liens		Contra	37,804
Fund Balance	D-1	<u>142,531</u>	<u>430,685</u>
		<u>1,134,991</u>	<u>1,260,932</u>
Total Water Utility Operating Fund			
Capital Fund:			
Interfund Accounts Payable:			
Due to General Capital Fund	D-18	500,000	
Due to Current Fund	D-18	750,000	
Serial Bonds Payable	D-17	7,293,000	7,363,000
Improvement authorization:			
Funded	D-14	174,687	266,696
Unfunded	D-14	3,342,249	3,540,217
Capital Improvement Fund	D-15	57,750	57,750
Reserve for:			
Amortization	D-16	14,853,385	14,783,385
Fund Balance	D-2	<u>8,747</u>	<u>8,747</u>
		<u>26,479,818</u>	<u>26,519,795</u>
Total Capital Fund			
		<u>\$ 27,614,809</u>	<u>27,780,727</u>

There were \$4,300,000 and \$4,300,000 of Bonds and Notes Authorized But Not Issued on December 31, 2009 and June 30, 2009 respectively (Exhibit D-18).

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

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

Water Utility Operating Fund

Six Month Period Ended December 31, 2009 and
Twelve Month Period Ended June 30, 2009

	December 31, <u>2009</u>	June 30, <u>2009</u>
Revenue and other income:		
Operating Surplus Anticipated	\$ 288,154	725,310
Water rents	2,263,533	4,961,629
Water bulk - Cedar Grove	186,659	470,019
Miscellaneous Revenue	8,163	
Unexpended balance appropriation reserve	<u>3,584</u>	<u>4,073</u>
Total revenue and other income	<u>2,750,093</u>	<u>6,161,031</u>
Expenditures:		
Operating	2,555,500	5,001,656
Capital Improvements		25,000
Debt service	226,000	662,000
Deferred charges and statutory expenditures	112,654	136,654
Refunds	<u>15,748</u>	
Total expenditures	<u>2,909,902</u>	<u>5,825,310</u>
Operating Deficit to be Raised in Budget of Succeeding Year	(159,809)	335,721
Statutory Excess to Fund Balance		335,721
Fund balance, July 1	<u>430,685</u>	<u>820,274</u>
	430,685	1,155,995
Decreased by utilization by water operating budget	<u>288,154</u>	<u>725,310</u>
Balance, December 31	<u>\$ 142,531</u>	<u>430,685</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Schedule of Fund Balance - Regulatory Basis

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ <u>8,747</u>
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Balance, December 31, 2009	\$ <u>8,747</u>
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See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Water Utility Operating Fund

Six Month Period Ended December 31, 2009

	<u>Anticipated</u>	<u>Realized</u>	Excess <u>(deficit)</u>
Surplus Anticipated	\$ 288,154	288,154	
Rents	2,400,000	2,263,533	(136,467)
Water Bulk Sales - Cedar Grove	206,000	186,659	(19,341)
Miscellaneous		8,163	8,163
	<u>\$ 2,894,154</u>	<u>2,746,509</u>	<u>(147,645)</u>

Analysis of Realized Revenue

Surplus Anticipated	\$ 288,154
Rents	2,263,533
Water Bulk Sales - Cedar Grove	186,659
Miscellaneous	8,163
	<u>2,746,509</u>

Analysis of Miscellaneous Revenue Not Anticipated

Stand Pipe Permit	75
Water Line Damage	351
Recycling Scrap Metal	3,884
Hydrant Replacement	3,853
	<u>8,163</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Water Utility Operating Fund

Six Month Period Ended December 31, 2009

	<u>Appropriations</u>			
	<u>Budget</u>	<u>Budget after modifi- cation</u>	<u>Paid or charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 280,000	288,462	288,462	
Other Expenses	400,000	391,538	298,320	93,218
North Jersey Water District Supply	<u>1,875,500</u>	<u>1,875,500</u>	<u>1,875,312</u>	<u>188</u>
Total Operating	<u>2,555,500</u>	<u>2,555,500</u>	<u>2,462,094</u>	<u>93,406</u>
Debt Service:				
Payment of Bond Principal	70,000	70,000	70,000	
Interest on Bonds	<u>156,000</u>	<u>156,000</u>	<u>156,000</u>	
	<u>226,000</u>	<u>226,000</u>	<u>226,000</u>	
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Receivable-East Orange	88,154	88,154	88,154	
Social Security	<u>24,500</u>	<u>24,500</u>	<u>21,645</u>	<u>2,855</u>
Total Deferred Charges and Statutory Expenditures	<u>112,654</u>	<u>112,654</u>	<u>109,799</u>	<u>2,855</u>
	<u>\$ 2,894,154</u>	<u>2,894,154</u>	<u>2,797,893</u>	<u>96,261</u>
	Cash Disbursed	\$ 2,515,214		
	Accrued Interest on Bonds and Notes	156,000		
	Encumbrances	38,525		
	Due From East Orange	<u>88,154</u>		
		<u>\$ 2,797,893</u>		

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative balance Sheets-Regulatory Basis

Public Assistance Trust Fund

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	December 31, <u>Ref.</u>	June 30, <u>2009</u>
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AssetsGoodwill Account

Cash	E-1	\$ <u>27,880</u>	<u>17,880</u>
		<u>\$ 27,880</u>	<u>17,880</u>

LiabilitiesGoodwill Account

Reserve for Public Assistance Expenditures	E-2	\$ <u>27,880</u>	<u>17,880</u>
		<u>\$ 27,880</u>	<u>17,880</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheets-Regulatory Basis

Payroll Account

Six Month Period Ended December 31, 2009 and
 Twelve Month Period Ended June 30, 2009

	December 31, <u>2009</u>	June 30, <u>2009</u>
<u>Assets</u>		
Cash	\$ <u>290,879</u>	<u>301,100</u>
	<u>\$ 290,879</u>	<u>301,100</u>
<u>Liabilities</u>		
Withholdings Payable	\$ 289,207	299,428
Reserve for Payroll	<u>1,672</u>	<u>1,672</u>
	<u>\$ 290,879</u>	<u>301,100</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Comparative Statement of General Fixed Assets-Regulatory Basis

**Six Month Period Ended December 31, 2009 and
Twelve Month Period Ended June 30, 2009**

	December 31, <u>2009</u>	June 30, <u>2009</u>
General Fixed Assets:		
Land	\$ 4,000,600	4,000,600
Buildings	6,070,933	6,070,933
Machinery and equipment	<u>23,100,687</u>	<u>22,563,144</u>
	<u>33,172,220</u>	<u>32,634,677</u>
Investment in General Fixed Assets	<u>\$ 33,172,220</u>	<u>32,634,677</u>

See accompanying notes to financial statements.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Town of Kearny (the "Town") operates under a Mayor/Council form of government. The Town's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

However, the 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. 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 Town do not include the Volunteer Fire Department, First Aid Organization or Public Library, which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

The Town 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 Town functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Town has the following funds and account group:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Town as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

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

Assessment Trust Fund - This fund is used to account for the collection of special assessments for improvements.

Payroll Fund - Receipts and disbursements of payroll withholdings that the Town collects on behalf of various agencies as their agents.

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

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Town pursuant to Title 44 of New Jersey Statutes.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

Water Utility Fund – This fund is used to account for revenues and expenditures for operation of the Town's water facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities are accounted for in the capital section of the fund.

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

Basis of Accounting

A modified accrual basis of accounting is followed by the Town of Kearny. 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 for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. 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. 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 Town. 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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Town. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

Basis of Accounting, (continued)

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

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

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

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

General Capital Fund
Trust Fund
Public Assistance Fund
Water Utility Capital Fund

The governing body shall introduce and approve the annual budget not later than August 10, of the fiscal year. The budget shall be adopted not later than September 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

Basis of Accounting, (continued)

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. 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 the six month period ended December 31, 2009, the governing body approved the insertion of \$1,422,125 in grant monies and donations into the budget in accordance with N.J.S.A. 40A:4-87. They also approved several budget transfers.

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

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

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

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

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

Basis of Accounting, (continued)

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

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

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

Basis of Accounting, (continued)

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

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

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

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

C. Basic Financial Statements

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodian credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$-0- of the Town's bank balance of \$22,230,716 was exposed to custodial credit risk.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

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

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2009 consisted of the following:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	Amounts Due Within One Year
Bonds Payable:					
General Obligation Debt	\$47,644,000	\$	\$	\$47,644,000	\$4,815,000
Water Utility Obligation Debt	<u>7,363,000</u>	_____	<u>70,000</u>	<u>7,293,000</u>	<u>220,000</u>
Total Bonds Payable	<u>55,007,000</u>	_____	<u>70,000</u>	<u>4,937,000</u>	<u>5,035,000</u>
Other Liabilities:					
New Jersey Wastewater Loans	9,890,394		484,806	9,405,588	405,007
Green Acres Trust Loans	800,251		23,264	776,987	47,120
Compensated Absences Payable	<u>5,147,701</u>	<u>2,089,014</u>	<u>1,042,008</u>	<u>6,194,707</u>	_____
Total Other Liabilities	<u>15,838,346</u>	<u>2,089,014</u>	<u>1,550,078</u>	<u>16,377,282</u>	<u>452,127</u>
	<u>\$70,845,346</u>	<u>\$2,089,014</u>	<u>\$1,620,078</u>	<u>\$71,314,282</u>	<u>\$5,487,127</u>

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

The Town's debt is summarized as follows:

	Six Month Period Ended <u>December 31,</u> <u>2009</u>	Year Ended <u>June 30,</u> <u>2009</u>	Year Ended <u>June 30,</u> <u>2008</u>
Issued:			
General Bonds, Notes and Loans	\$57,826,575	\$58,334,645	\$61,114,071
Municipal Utility Authority*		17,733,671	15,913,724
Water Utility Bonds and Notes	<u>7,293,000</u>	<u>7,363,000</u>	<u>7,593,000</u>
Net Debt Issued	<u>65,119,575</u>	<u>83,431,316</u>	<u>84,620,795</u>
Authorized But Not Issued:			
General Bonds and Notes	5,947,477	5,512,477	1,777,477
Water Utility Bonds and Notes	<u>4,300,000</u>	<u>4,300,000</u>	<u> </u>
Total Authorized But Not Issued	<u>10,247,477</u>	<u>9,812,477</u>	<u>1,777,477</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$75,367,052</u>	<u>\$93,243,793</u>	<u>\$86,398,272</u>

* Guaranteed by the Town of Kearny

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENTS

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.01%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$15,365,000	\$15,365,000	\$
General Debt	63,774,052	26,996,354	36,777,698
Utility Debt	<u>11,593,000</u>	<u>8,161,888</u>	<u>3,431,112</u>
	<u>\$90,732,052</u>	<u>\$50,523,242</u>	<u>\$40,208,810</u>

Net Debt \$40,208,810 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$4,000,339,145 equals 1.01%.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 ½% of equalized valuation basis (municipal)	\$140,011,870
Net Debt	40,208,810
Remaining borrowing power	<u>\$99,803,060</u>

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.A. 40A:2-45

Cash receipts from fees, rents or other charges for year	\$2,722,598
Deductions:	
Operating and Maintenance Cost	\$2,668,154
Debt Service per Water Utility	<u>226,000</u>
Total Deductions	<u>2,894,154</u>
Deficit in Revenue	<u>(\$171,556)</u>

The Water Utility is NOT Self-Liquidating

The Town's long term debt consisted of the following at December 31, 2009:

<u>General Obligation Bonds - Paid by Current Fund</u>	<u>Amount Outstanding</u>
General Serial Bonds - with an interest rate from 3.75% to 4.15% issued January 15, 2003 through January 15, 2016	\$12,534,000
Refunding Bonds - with an interest rate from 2.00% to 4.25% issued January 15, 2003 through January 15, 2016	4,750,000
Pension Refunding Bonds (Taxable) - with an interest rate of 3.28% to 5.92% issued January 15, 2003 through February 1, 2021	7,500,000
Refunding Bonds - with an interest rate from 4.5% to 5.00% issued February 1, 2007, due through February 1, 2016	7,480,000
Refunding Bonds (Taxable) - with an interest rate from 4.98% to 5.16% issued February 1, 2007, due through February 1, 2016	5,100,000
General Improvement Bonds - with an interest rate from 3.50% to 4.00% issued January 15, 2008, due through January 15, 2021	<u>10,280,000</u>
	<u>\$47,644,000</u>

TOWN OF KEARNY
 Notes to Financial Statements
 Six Month Period Ended December 31, 2009
 (continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED, (continued)

	<u>Amount Outstanding</u>
<u>Green Acres Loan - Paid by Current Fund</u>	
The Town has three outstanding loan agreements with New Jersey Green Acres Bond Act of 1983 for the F.J. Vincent Marina Project, the Riverbank Park Project, and the Harvey Field Project. The 1992 for the Marina Project award is at a rate of 2.0% in the amount of \$73,725.00 with semi-annual loan payments of various amounts made on August 7 and February 7 through February 7, 2012	\$11,127
The 2003 Harvey Field Project award is at a rate of 2% in the amount of \$235,731 with semi-annual loan payments of various amounts made on July 11 and January 11 through July 11, 2022	167,069
The 2004 Riverbank Park Project Award is at a rate of 2% in the amount of \$250,000 with semi-annual loan payments of various amounts made on February 28 and August 28 through February 28, 2024	194,836
The 2009 Gunnel Oval Skateboard Park Project award is an interest free loan in the amount of \$138,690 with semi-annual loan payments of \$3,556 made on May 26 and November 26 through November 26, 2028	135,134
The 2008 Bell Playground Project award is at a rate of 2% in the amount of \$275,000 with semi-annual loan payments of various amounts made on January 9 and July 9 through July 9, 2027	268,821
	<u>\$776,987</u>
<u>Wastewater Treatment Loans - Paid by Current Fund</u>	
The Town has outstanding two loan agreements with the New Jersey Environmental Infrastructure Trust for financing relating to improvement to the Wastewater Treatment Plants.	
Trust Bonds Series 1998A - Trust Share - with an interest rate of 4.0%-4.5% issued November 1, 1998, due through August 1, 2018	\$905,000
Trust Bonds Series 1998A - Fund Share - at a zero rate of interest issued November 1, 1998, due through August 1, 2018	725,198
Trust Bonds Series 2004A - Trust Share - with an interest rate of 3.0%-5.0% issued November 4, 2004, due through August 1, 2024	875,000
Trust Bonds Series 2004A - Fund Share - at a zero rate of interest issued November 4, 2004, due through August 1, 2024	2,343,096
Trust Bonds Series 2007A - Trust Share - with an interest rate of 3.4%-5.0% issued November 8, 2007, due through August 1, 2027	1,210,000
Trust Bonds Series 2007A - Fund Share - at a zero rate of interest issued November 8, 2007, due through August 1, 2027	3,347,294
	<u>\$9,405,588</u>

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED, (continued)

<u>Water Utility Bonds - Paid by Water Utility Fund</u>	<u>Amount Outstanding</u>
The Town pledges revenue from operations to pay debt service on bonds issued. Water utility bonds outstanding at December 31, 2009 are as follows:	
Water Utility Bonds - with an interest rate of 5.10% issued November 15, 1997, due through August 1, 2016	\$285,000
Water Utility Bonds (Taxable) - with an interest rate of 5.00% to 5.50% issued January 15, 2003, due through January 15, 2016	933,000
Water Utility Bonds - with an interest rate of 3.75% to 4.15% issued January 15, 2003, due through January 15, 2016	175,000
Water Utility Bonds - with an interest rate of 3.50% to 5.25% issued January 15, 2008, due through January 15, 2027	<u>5,900.000</u>
	<u>\$7,293,000</u>

The Town's principal and interest for bonded debt and loans issued and outstanding as of December 31, 2009 is as follows:

<u>Dec.31,</u>	<u>General Capital Debt</u>		<u>Utility Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$4,815,000	\$1,975,604	\$220,000	\$317,525	\$7,328,129
2011	5,020,000	1,776,971	280,000	303,780	7,380,751
2012	5,230,000	1,563,600	300,000	288,545	7,382,145
2013	5,460,000	1,334,125	320,000	272,610	7,386,735
2014	5,705,000	1,085,903	340,000	255,690	7,386,593
2015-2019	17,254,000	2,334,685	1,898,000	1,099,864	22,586,549
2020-2024	4,160,000	171,420	2,425,000	549,500	7,305,920
2025-2027	<u><u>\$47,644,000</u></u>	<u><u>\$10,242,308</u></u>	<u><u>\$7,293,000</u></u>	<u><u>\$3,178,514</u></u>	<u><u>\$68,357,822</u></u>

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 4. BOND ANTICIPATION NOTES

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

On December 31, 2009, the Town had \$-0- in outstanding general capital bond anticipation notes. The Town also had \$-0- of Water Utility Capital Bond Anticipation notes.

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Amount Resulting from the Period Ended December 31, 2009</u>	<u>Balance Succeeding Year budget</u>
Water Utility Operating Fund: Deficit in Operations	\$159,809	\$159,809
Total Deferred Charges	\$159,809	\$159,809

NOTE 6. PENSION PLANS

Description of Systems:

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

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 6. PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Police and Firemens' Retirement System (PFRS)

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

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final average compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years or 1/60 of final average compensation multiplied by the number of years of creditable service, whichever is greater. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

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

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 6. PENSION PLANS, (continued)

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8½ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Town of Kearny opted for this deferral in the amount of \$2,662,255.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Town's contribution to the various plans, equal to the required contributions for each period, were as follows:

	<u>PERS</u>	<u>PFRS</u>
Six Month Period Ended		
December 31, 2009	\$ -0-	\$ -0-
Year Ended June 30, 2009	357,219	2,549,904
Year Ended June 30, 2008	294,863	2,857,945

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 6. PENSION PLANS, (continued)

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS. A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

TOWN OF KFARNY
 Notes to Financial Statements
 Six Month Period Ended December 31, 2009
 (continued)

NOTE 7. ACCUMULATED VACATION AND SICK PAY

Under the existing policies and labor agreements of the Town, employees are allowed to accumulate (with certain restrictions) sick pay over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death or retirement. Employees are not allowed to accumulate unused vacation pay.

The estimated accumulated sick time liability as of December 31, 2009 was \$6,194,708.

NOTE 8. FIXED ASSETS

The following is a summary of General Fixed Assets Account Group as of December 31, 2009:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2009</u>
Land	\$4,000,600	\$	\$	\$4,000,600
Building	6,070,933			6,070,933
Machinery and Equipment	<u>22,563,144</u>	<u>537,543</u>	<u> </u>	<u>23,100,687</u>
	<u>\$32,634.677</u>	<u>\$537,543</u>	<u>\$ -0-</u>	<u>\$33,172,220</u>

NOTE 9. DUE TO/FROM OTHER FUNDS

Balances due from/to other funds at December 31, 2009 consist of the following:

\$750,000	Due to the Current Fund from the Water Utility Fund for cash advance.
467,105	Due to the Current Fund from the Federal and State Grant Fund to cover expenditures.
<u> </u> 55	Due to the Current Fund from the Escrow Trust Fund for interest earnings.
<u> </u> <u>\$1,217.160</u>	

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

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 10. RISK MANAGEMENT

The Town of Kearny was self-insured with respect to deductibles from insurance coverages for Automobile Liability, General Liability, Property Damage Liability, Police Professional Liability and Workers' Compensation.

An analysis of the Self-Insurance Trust Fund Reserve as reflected in the financial statements herein is detailed as follows:

Balance - June 30, 2009	<u>\$1,109,857</u>
 Increases:	
Town Contributions	1,600,000
Reimbursements	<u>45,679</u>
	<u>1,645,679</u>
	2,755,536
 Decreases:	
Claims	<u>722,951</u>
Balance - December 31, 2009	<u>\$2,032,585</u>

The self insurance fund is still operational to pay claims submitted prior to the Town's joining an insurance pool for these coverages.

NOTE 11. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance December 31, <u>2009</u>	Balance June 30, <u>2009</u>
Prepaid Taxes	\$98,466	\$115,128
Cash Liability for Taxes Collected in Advance	<u>\$98,466</u>	<u>\$115,128</u>

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by the Town Counsel that the Town is involved in several legal suits. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The following matters were identified by Town Counsel to have significant risk exposure:

(a) Unemployment Compensation

The Town has received a bill for \$155,031 for delinquent Unemployment Contributions to the State of New Jersey. This bill includes \$66,947 in charges and \$88,084 in interest. The Town is researching this issue to determine the validity of the states claim.

NOTE 13. REVERSION TO CALENDAR YEAR BUDGET

On October 14, 2009, the Local Finance Board approved the Town's application to revert to a calendar year budget. This process requires a transition year budget and a transition year audit for the six month period July 1, 2009 - December 31, 2009.

NOTE 14. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2009 which has been appropriated as revenue in the 2010 budget is as follows:

Current Fund	\$7,641,000
Water Utility Operating Fund	-0-

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 2, the Town provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

Plan Description

The Town of Kearny contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

TOWN OF KEARNY
Notes to Financial Statements
Six Month Period Ended December 31, 2009
(continued)

NOTE 15. OTHER POST EMPLOYMENT BENEFITS, (continued)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursements to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf>.

Plan Coverage

Any employee who retires after twenty-five (25) years or more of services within the Town shall be entitled to be continued in the above health insurance coverage on a family-plan basis, with the cost thereof to be paid by the Town. This does not include dental benefits.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Town of Kearny on a monthly basis. The rates charged by the system for the six month period ended December 31, 2009 and the year ended June 30, 2009 were as follows:

The Town of Kearny contributions to SHBP for post-retirement benefits for the six month period ended December 31, 2009 was \$1,635,352 and \$3,157,551 for the year ended June 30, 2009, which equaled the required contribution for each period.

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	Six Month Period Ended December 31,	Year Ended June 30,	
	<u>2009</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate</u>	8.947	8.947	8.776
<u>Apportionment of Tax Rate</u>			
Municipal	3.280	3.280	3.156
County	1.522	1.522	1.492
Local School	4.145	4.145	4.128
<u>Assessed Valuation</u>			
Six Month Period Ended December 31, 2009	\$1,071,114,398		
Year Ended June 30, 2009		\$1,071,114,398	
Year Ended June 30, 2008			\$1,071,081,556

COMPARISON OF TAX 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>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
Six Month Period Ended December 31, 2009	\$47,903,987	\$46,208,590	96.46%
Year Ended June 30, 2009	95,274,383	93,044,155	97.66
Year Ended June 30, 2008	92,565,531	91,051,386	98.36

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>Amount of Tax Title Lien</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
Six Month Period Ended December 31, 2009	\$7,635,579	\$1,454,714	\$9,090,293	18.98%
Year Ended June 30, 2009	7,425,250	1,793,777	9,219,027	9.68
Year Ended June 30, 2008	6,931,842	1,060,257	7,992,099	8.63

PROPERTY ACQUIRED BY TAX TITLE LIENS LIQUIDATION

The value of properties acquired by liquidation of tax title liens on December 31, 2009 on the basis of the last assessed valuation of such properties, was as follows:

	<u>Amount</u>
Six Month Period Ended December 31, 2009	\$1,593,100
Year Ended June 30, 2009	1,593,100
Year Ended June 30, 2008	1,593,100

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Period Ended</u>	<u>Balance June 30,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	Dec. 31, 2009	\$8,949,654	\$7,641,000
	June 30, 2009	5,405,909	
	June 30, 2008	3,937,527	2,500,000
	June 30, 2007	987,110	
	June 30, 2006	987,110	
Water Utility Operating	Dec. 31, 2009	\$142,531	\$
	June 30, 2009	430,685	288,154
	June 30, 2008	820,274	725,310
	June 30, 2007	665,281	88,156
	June 30, 2006	298,159	

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
Alberto Santos	Mayor	
Eileen Eckel	Council Member	
Barbara Cifelli-Sherry	Council Member	
Carol Jean Doyle	Council Member	
David Krusznis	Council Member	
Laura Cifelli-Pettigrew	Council Member	
Alexa Arce	Council Member	
Michael Landy	Council Member	
Susan McCurrie	Council Member	
Joseph D'Arco	Business Administrator/Town Clerk	
Shuaib Firozvi	Chief Financial Officer/Acting Tax Collector	
Norman A. Doyle	Municipal Court Judge	
Nancy Waller	Municipal Court Administrator	
Theresa McGuire	Municipal Prosecutor	
Gregory Castano	Town Attorney	
Joseph Neglia	Engineer	

A Blanket Bond in the amount of \$1,000,000 covers all public employees who may handle municipal monies.

TOWN OF KEARNY, N.J.

Cash Receipts and Disbursements - Treasurer

Current Fund

Six Month Period Ended December 31, 2009

	<u>Current Fund</u>	Federal and State Grant <u>Fund</u>
Balance June 30, 2009	\$ 7,623,336	1,041,733
Increased by Receipts:		
Tax Collector	47,738,942	
Miscellaneous Revenue Not Anticipated	166,334	
Due From State of New Jersey	200,382	
Petty Cash	1,700	
Tax Title Lien Redemptions	30,591	
Revenue Accounts Receivable	5,620,405	
State and Federal Grants Receivable	1,014,796	
Reserve for Maintenance of Free Public Library with State Aid	37,546	
Tax Overpayments	55,512	
Prepaid Taxes	98,466	
Due to State - DCA Fees	9,971	
Energy Tax Receipts	13,307,330	
Reserve for Urban Enterprise Zone	55,594	
	68,281,975	55,594
	75,905,311	1,097,327
Decreased by:		
Current Year Budget Appropriations	29,189,470	
Petty Cash	1,700	
Appropriation Reserves	607,892	
Reserve for Maintenance of Free Public Library with State Aid	3,833	
Due to State - DCA Fees	4,306	
Interfunds	970,537	
Tax Overpayments	29,145	
County Taxes Payable	8,322,623	
Local District School Taxes	22,185,554	
Refund of Prior Years Revenue	57,786	
Appropriated Reserves for Grants	999,770	
	62,372,616	
Balance December 31, 2009	\$ 13,532,695	1,097,327

TOWN OF KEARNY, N.J.

Schedule of Cash - Change Fund

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ <u>800</u>
Balance December 31, 2009	\$ <u><u>800</u></u>

Exhibit A-6

Schedule of Cash - Petty Cash

Current Fund

Six Month Period Ended December 31, 2009

	<u>Funds Established</u>	<u>Funds Returned</u>
Health Department	\$ 300	300
Fire Department	300	300
Police Department	600	600
Purchasing Department	200	200
Library	100	100
Department of Public Works	<u>200</u>	<u>200</u>
	<u><u>\$ 1,700</u></u>	<u><u>1,700</u></u>

TOWN OF KEARNY, N.J.

**Schedule of Amount Due from/(to) State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 129 P.L. 1976**

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 200,382
-----------------------	------------

Increased by:

Senior Citizens' Deductions Per Tax Billing	\$ 21,500
Veterans' Deductions Per Tax Billing	79,750
Senior Citizen's, Veteran's, and Disabled Allowed	250
	101,500
	301,882

Decreased by:

State Share of Senior Citizens and Veteran Deductions Received in Cash	200,382
Balance December 31, 2009	\$ <u>101,500</u>

TOWN OF KEARNY, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Six Month Period Ended December 31, 2009

Year	Levy	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2009
		2009	2009				
2008	6,630						6,630
2009	1,787,147						9,744
	<u>1,793,777</u>		<u>1,746,980</u>				<u>16,374</u>
					<u>13,041</u>	<u>17,382</u>	
					<u>13,041</u>	<u>17,382</u>	
						<u>42,834</u>	<u>1,438,340</u>
						<u>60,216</u>	<u>1,454,714</u>
\$	1,793,777	47,903,986	47,903,986	115,128	45,991,962	101,500	214,222

Analysis of Tax Levy

Tax yield:

General Purpose Tax Added/Omitted Taxes

\$ 47,838,376	65,610	\$ 47,903,986
---------------	--------	---------------

Tax Levy:
Local District School Tax
County Tax
County Added and Omitted Taxes

\$ 8,311,462	\$ 22,185,554
	<u>11,161</u>

Local Tax for Municipal Purposes
Additional Taxes

17,395,809
\$ 47,903,986

TOWN OF KEARNY, N.J.

Schedule of Tax Title Liens Receivable

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 7,425,250
Increased by:	
Adjustment to Balances	\$ 11,930
Interest and Costs of Tax Sale	1,727
Transfers from Taxes Receivable	<u>227,263</u>
	<u>240,920</u>
	7,666,170
Decreased by:	
Redemptions	<u>30,591</u>
Balance December 31, 2009	\$ <u>7,635,579</u>

Schedule of Property Acquired for Taxes

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 1,593,100
Balance December 31, 2009	\$ <u>1,593,100</u>

TOWN OF KEARNY, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Six Month Period Ended December 31, 2009

<u>Source</u>		Balance June 30, 2009	Accrued	Collected	Balance Dec. 31, 2009
Clerk:					
Licenses:					
Alcoholic beverages	\$	1,860		1,860	
Other		30,666		30,666	
Fees and Permits		83,291		83,291	
Construction Code Official:					
Fees and Permits		167,839		167,839	
Municipal Court:					
Fines and Costs	104,383	581,202	596,739		88,846
Interest and Costs on Taxes		209,172	209,172		
Parking Meters		121,741	121,741		
Interest on Investments and Deposits		84,603	84,603		
Hackensack Meadowlands		2,795,256	2,795,256		
Hartz Mountain Lease Agreement		61,368	61,368		
Consolidated Municipal Property Tax Relief Act		964,002	964,002		
Energy Receipts Tax		19,484,891	19,484,891		
Life Hazard Use Fees - Uniform Fire Safety Act		70,577	70,577		
New Jersey Meadowlands Comm.-Host Community Fees		384,650	384,650		
PILOT Payments		48,641	48,641		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 104,383	25,089,759	25,105,296		88,846

Cash	\$ 5,620,405
Accounts Receivable:	
Energy Receipts Tax	19,484,891
	<hr/>
	\$ 25,105,296

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

Current Fund

Six Month Period Ended December 31, 2009

	2009			Balance, Dec. 31, 2009
	Balance, June 30, 2009	Budget Revenue Realized	Collections	<u>Canceled</u>
FY 2006 Grants:				
FY 05 Bullet Proof Vest	12,675		12,675	
KUEZ - Business Development Revolving Loan	164,214			164,214
KUEZ - Kearny Ave Streetscape Extension	77,610		77,610	
KUEZ - Zone Fire Engine - Custom Pumper	175,000		175,000	
2006 Bullet Proof Vest	9,735		7,125	2,610
2007 Justice Assistance Grant	15,315			15,315
State Homeland Security Grant Program	16,000		14,400	1,600
Homeland Security Grant	689			689
UEZ Marketing and Zone Promotion	16,311		1,652	14,659
UEZ Business Development Revolving Loan	22,500			22,500
UEZ Zone Fire Engine Custom Pumper	35,000		35,000	
Gates Foundation Opportunity Grant	1,300			1,300
UEZ Shopping Bus Year 1	65,236		60,267	
UEZ Marketing and Zone Promotion 2	48,000	70,000		118,000
UEZ Kearny Clean Project 2008	144,774	15,155		159,929
UEZ Public Safety Project - Year 1	99,998			99,998
Bullet Proof Vest Grant	11,733			11,733
Veterans Field House Construction-2007	100,000			100,000
Veterans Field House Construction-2008	97,000			97,000
Library Reading Park Construction	50,000			50,000
NJ Transit Grant	10,471		6,888	3,583
Paris Grant	23,150			7,949
NJMC Housing Assistance	19,759			19,759
UEZ Administration	138,146		135,351	2,795
UEZ Jacobus Avenue Phase III	820,290			820,290
Downtown Revitalization Grant	26,300		26,300	
Chemical Bufferzone Protection Program	1,108,367		198,412	909,955
Municipal Alliance	40,947		12,542	28,405
Technology Program Grant	93,530			93,530
Municipal Assistance Program	35,623		35,587	36
Office on Aging 2009	25,236		22,144	3,092
KUEZ - Adminstrative 2009	199,957			199,957
KUEZ - Business Development Revolving Loan Add'l Funds	64,500			64,500
KUEZ - Sellers Street Reconstruction Phase I	1,019,640		73,619	946,021
I UEZ - Zone Fire Engine - 2009 Custom Pumper	380,000			380,000
KUEZ - Schuyler Avenue Parking Lot	62,612			62,612
KUEZ - Marketing and Zone Promotion	500,140			500,140
KUEZ - Shopping Bus Project Year 2	63,535			63,535
KUEZ - Shopping Bus Project Year 2 - Match	7,060		7,060	
KUEZ - Economic Stimulus Loan Program	107,500			107,500
KUEZ - Business Development Revolving Loan	600,000			600,000
Musuem Grant - County	5,000	5,000		
2009 Over the Limit Under Arrest	6,000	6,000		
2009 Justice Assistance Grant	17,118			17,118
2009 Justice Assistance Grant - ARRA	70,586			70,586
FY'10 PARIS Grant	37,500			37,500
FY 2009 Drunk Driving Enforcement Fund	14,755	14,755		
Local Gov't Energy Audit	52,687			52,687
Energy Efficiency & Conservation Block Grant	158,600			158,600
Kearny Federal Planters Donation	4,500		4,500	

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

Current Fund

Six Month Period Ended December 31, 2009

	2009				2009
	Balance, June 30, <u>2009</u>	Budget Revenue <u>Realized</u>	Collections	<u>Canceled</u>	Balance, Dec. 31, <u>2009</u>
2009 Public Health Priority Funding		11,599	11,599		
2009 Hudson County Open Space:					
LEED Impr. at Veteran's Field		175,000			175,000
All Season Multipurpose Veteran's Field		350,000			350,000
Brighton Avenue Playground		200,000			200,000
FY'10 Recycling Tonnage Grant		28,172	28,172		
2009 Pandemic Influenza Preparedness Grant		112,778	43,138		69,640
FY'10 NJ Transit Grant		10,000			10,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 3,504,909</u>	<u>4,344,394</u>	<u>1,014,796</u>	<u>15,052</u>	<u>6,819,455</u>

Town of Kearny

Schedule of Appropriation Reserves

Current Fund

Six Month Period Ended December 31, 2009

	<u>Balance, June 30, 2009</u>	<u>Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages:				
Zoning Commission	1	1		1
Planning Board	1	1		1
Other Expenses:				
Administrative	8,284	8,533	8,291	242
Mayor and Council	82	82		82
Clerk	249	1,049	885	164
Elections	586	586		586
Legal	3,177	50,840	46,522	4,318
Prosecutor	2,250	2,250		2,250
Audit Fees	85,000	85,000		
Engineering	1,634	1,634	1,600	34
Publicity and Industrial Development	800	800		800
Life Insurance for Employees	20	20		20
Other Insurance	37,284	37,284		37,284
Dedicated Insurance Fund	440	440		440
Municipal Court	2,440	2,976	536	2,440
Treasurer	4,261	6,011	2,029	3,982
Assessment of Taxes	5,256	5,256		5,256
Collection of Taxes	561	738		738
Police	14,719	51,843	42,092	9,751
Fire	11,828	41,308	34,002	7,306
Board of Health	2,833	7,358	3,587	3,771
Meals on Wheels	1,284	1,284		1,284
Road Repairs and Maintenance	14,664	31,176	17,264	13,912
Shade Tree	3,965	10,603	4,178	6,425
Public Buildings and Grounds	19,961	52,145	35,902	16,243
Vehicle Maintenance	7,646	18,519	7,452	11,067
Unified Recreation Committee	687	8,436	7,438	998
Parks and Playgrounds	1,774	5,558	3,026	2,532
Celebration of Public Events	7,971	8,221	250	7,971
Senior Citizen Center	1,891	2,816	925	1,891
Construction Code Enforcement	3,799	13,012	9,240	3,772
Zoning Commission	4,770	4,770	171	4,599
Board of Appeals	1,626	1,627		1,627
Planning Board	7,732	7,732	7,648	84
Parking Lot Lease Payment	2,982	17,120	15,456	1,664
Information Systems	1,917	16,375	13,117	3,258
Electricity and Gas	124	60,176	60,176	
Street Lighting	94	59,164	58,094	1,070
Communications	272	3,673	3,292	381
Block Parents Program	1,000	1,000		1,000

Town of Kearny

Schedule of Appropriation Reserves

Current Fund

Six Month Period Ended December 31, 2009

	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
	Balance, June 30, 2009		
Gasoline	986	47,333	40,319
Postage	2,873	2,873	2,873
Rental of Pumps	13,977	13,977	13,977
Contingent	2,000	2,000	2,000
Social Security System (O.A.S.I.)	6,024	6,024	6,024
Consolidated police and Firemans Retirement System	1,164	1,164	1,164
Police and Firemen's Retirement System	1	1	1
Unemployment Insurance	305	305	305
Passaic Valley Sewer Commission Share of Costs	842	842	842
Maintenance of Public Library (Ch. 82 & 541, P.L. 1985)	<u>Contribution</u>	<u>189,316</u>	<u>248,178</u>
TOTAL	<u>\$ 483,353</u>	<u>950,114</u>	<u>795,298</u>
	<u>Encumbrances</u>	<u>\$ 466,761</u>	
	<u>Appropriation Reserves</u>	<u><u>483,353</u></u>	
	<u>\$ 950,114</u>		
Transferred to Reserve for Due to Library	\$ 187,406		
Cash	<u>607,892</u>		
	<u>\$ 795,298</u>		

TOWN OF KEARNY, N.J.

Schedule of Reserve for Retroactive Pay

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 1,200,000
Increased by:	
Budget Appropriation	<u>1,200,000</u>
Balance December 31, 2009	\$ <u>2,400,000</u>

Schedule of Reserve for Library Expenditures

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 82,994
Increased by:	
State Library Aid	<u>37,546</u>
	120,540
Decreased by:	
Library Aid Expenditures	<u>3,833</u>
Balance December 31, 2009	\$ <u>116,707</u>

Exhibit A-16

TOWN OF KEARNY, N.J.

Schedule of Tax Overpayments

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 70,372
Increased by:	
Collections	<u>55,512</u>
	125,884
Decreased by:	
Refunds	<u>29,145</u>
Balance December 31, 2009	\$ <u>96,739</u>

Exhibit A-17

Schedule of Reserve for Tax Appeals

Current Fund

Six Month Period Ended December 31, 2009

Increased by:	
Transferred from Appropriations	\$ <u>1,500,000</u>
Balance December 31, 2009	\$ <u>1,500,000</u>

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Current Fund

Six Month Period Ended December 31, 2009

<u>Fund</u>	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2009</u>
Federal and State Grant Fund	\$ 260,856	1,221,045	1,014,796	467,105
Water Utility Capital Fund		750,000		750,000
Other Trust Fund:				
Other		55		55
	\$ <u>260,856</u>	<u>1,971,100</u>	<u>1,014,796</u>	<u>1,217,160</u>

Analysis of Changes

Interest	\$ 55
Cash Disbursements	970,537
Matching Funds	117,940
Grants Receivable	1,014,796
Grant Expenditures	879,378
Grants-Canceled, net	<u>3,190</u>
\$ <u>1,971,100</u>	<u>1,014,796</u>

Exhibit A-19

TOWN OF KEARNY, N.J.

Schedule of County Taxes Payable

Current Fund

Six Month Period Ended December 31, 2009

Increased by:

Levy	\$ 8,311,462
Added Assessments	<u>11,161</u>
	\$ <u>8,322,623</u>

Decreased by:

Payments	\$ <u>8,322,623</u>
----------	---------------------

Exhibit A-20

Schedule of Local District School Taxes Payable

Current Fund

Six Month Period Ended December 31, 2009

Increased by:

Levy	\$ <u>22,185,554</u>
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Decreased by:

Payments	\$ <u>22,185,554</u>
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TOWN OF KEARNY, N.J.

Schedule of Prepaid Taxes

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 115,128
Increased by:	
Collections	<u>98,466</u>
	213,594
Decreased by:	
Applied to 2009 Taxes Receivable	<u>115,128</u>
Balance December 31, 2009	\$ <u>98,466</u>

TOWN OF KEARNY, N.J.

Schedule of Due to State - DCA Fees

Current Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 1
Increased by:	
Collections	<u>9,971</u>
	9,972
Decreased by:	
Disbursements	<u>4,306</u>
Balance December 31, 2009	\$ <u><u>5,666</u></u>

TOWN OF KEARNY, N.J.

Schedule of Intergovernmental Funds Due from/(to) Various Funds

Federal and State Grant Fund

Six Month Period Ended December 31, 2009

	Balance, June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, Dec. 31 <u>2009</u>
Current Fund	\$ (260,856)	1,221,045	1,014,796	(467,105)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ (260,856)</u>	<u>1,221,045</u>	<u>1,014,796</u>	<u>(467,105)</u>

Analysis of Changes

Grants Receivable	\$ 1,014,796
Expenditures	1,099,915
Matching Funds	117,940
Grant Cancellations	3,190
	<hr/>
	<u>\$ 1,221,045</u>
	<u>1,014,796</u>

TOWN OF KEARNY, N.J.

Schedule of Appropriated Reserves for Grants

Current Fund

Six Month Period Ended December 31, 2009

<u>Grant</u>	<u>Balance, June 30, 2009</u>	<u>2009 Grants Budgeted</u>	<u>Expenditures</u>	<u>Canceled</u>	<u>Balance, Dec. 31, 2009</u>
2006 Bullet Proof Vest	2,610		2,610		
2006 Body Armor Grant	4,345				4,345
KUEZ - Marketing and Zone Promotion Phase II	23,002		20,267		2,735
KUEZ - Business Development Revolving Loan	178,012		250		177,762
2007 Justice Assistance Grant	13,172		13,172		
Body Armor Grant	13,121				13,121
State Homeland Security Grant Program	1,600				1,600
Drunk Driving Enforcement Grant	18,084		15,440		2,644
Homeland Security Grant	689			689	
Emergency Management Grant FY 07	7,593		4,498		3,095
Clean Communities Grant	164		(94)	258	
UEZ Business Development Revolving Loan	5,078				5,078
Gates Foundation Opportunity Grant	2,265				2,265
UEZ Shopping Bus Year 1	73,187		60,267		12,920
UEZ Marketing and Zone Promotion 2	17,986	70,000	87,265		721
UEZ Kearny Clean Project 2008	161,274	15,155	104,570		71,859
UEZ Public Safety Project - Year 1	124,998				124,998
Recycling Tonnage Grant	64			64	
Body Armor Grant	11,414				11,414
Bullet Proof Vest Grant	11,733		11,733		
Veterans Field House Construction-2007	79,225				79,225
Veterans Field House Construction-2008	97,000				97,000
Library Reading Park Construction	50,000				50,000
Emergency Management Grant	10,000				10,000
NJ Transit Grant	8,274		2,517	5,757	
Paris Grant	35,383		27,434	7,949	
NJMC Housing Assistance	19,759				19,759
UEZ Administration	2,133		(662)	2,795	
UEZ Jacobus Avenue Phase III	820,290				820,290
Downtown Revitalization Grant	5,652		5,652		
Chemical Bufferzone Protection Program	1,108,367		922,703		185,664
Recycling Tonnage Grant	18,521		18,521		
Municipal Alliance	30,634		29,319	709	606
Technology Program Grant	6,677		6,677		
Hazardous Discharge Site Remediation	466				466
Office on Aging 2009	17,854		14,762		3,092
Clean Communities 2009	44,739		33,425		11,314
Alcohol Education Rehabilitation Fund	603				603
KUEZ - Adminstrative 2009		199,957	88,529		111,428
KUEZ - Business Development Revolving Loan Add'l Funds		64,500			64,500
KUEZ - Sellers Street Reconstruction Phase I		1,019,640	202,319		817,321
KUEZ - Zone Fire Engine - 2009 Custom Pumper		380,000			380,000
KUEZ - Schuyler Avenue Parking Lot		62,612	43,698		18,914
KUEZ - Marketing and Zone Promotion		500,140	29,266		470,874
KUEZ - Shopping Bus Project Year 2		63,535			63,535
KUEZ - Shopping Bus Project Year 2 - Match		7,060			7,060
KUEZ - Economic Stimulus Loan Program		107,500			107,500
KUEZ - Business Development Revolving Loan		600,000			600,000
Musuem Grant - County		5,000	4,979	21	
2009 Over the Limit Under Arrest		6,000	6,000		
2009 Justice Assistance Grant		17,118			17,118

TOWN OF KEARNY, N.J.

Schedule of Appropriated Reserves for Grants

Current Fund

Six Month Period Ended December 31, 2009

<u>Grant</u>	<u>Balance, June 30, 2009</u>	<u>2009 Grants</u>	<u>Expenditures</u>	<u>Canceled</u>	<u>Balance, Dec. 31, 2009</u>
2009 Justice Assistance Grant - ARRA		70,586	6,954		63,632
FY'10 PARIS Grant		37,500			37,500
FY 2009 Drunk Driving Enforcement Fund		14,755			14,755
Local Gov't Energy Audit		52,687	52,687		
Energy Efficiency & Conservation Block Grant	158,600				158,600
Kearny Federal Planters Donation		4,500	4,500		
2009 Public Health Priority Funding		11,599	11,599		
2009 Hudson County Open Space:					
LEED Impr. at Veteran's Field	175,000				175,000
All Season Multipurpose Veteran's Field	350,000				350,000
Brighton Avenue Playground	200,000				200,000
FY'10 Recycling Tonnage Grant		28,172			28,172
2009 Pandemic Influenza Preparedness Grant		112,778			112,778
FY'10 NJ Transit Grant		10,000			10,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,025,968	4,344,394	1,830,857	18,242	5,521,263

Budget Appropriations \$ 2,922,269
Appropriations by 40a:4-87 1,422,125

\$ 4,344,394

Cash	\$ 999,770
Encumbrances	<u>831,087</u>
	\$ <u>1,830,857</u>

TOWN OF KEARNY, N.J.

Due from State of New Jersey -
Energy Receipts Tax

Current Fund

Six Month Period Ended December 31, 2009

Increased By:

Revenue Accounts Receivable \$ 19,484,891

Decreased By:

Cash Receipts 13,307,330

Balance, December 31, 2009

\$ 6,177,561

Schedule of Reserve for Due to Library

Current Fund

Six Month Period Ended December 31, 2009

Increased By:

Transferred from Appropriation Reserves \$ 187,406

Balance, December 31, 2009

\$ 187,406

TOWN OF KEARNY, N.J.

Schedule of Reserve for Pension Deferral

Current Fund

Six Month Period Ended December 31, 2009

Increased By:	
Transferred from Budget Appropriations	\$ <u>2,662,255</u>
Balance, December 31, 2009	\$ <u>2,662,255</u>

TOWN OF KEARNY, N.J.

Schedule of Cash

Trust Funds

Six Month Period Ended December 31, 2009

	Animal Trust Fund	Other Trust Fund	Self- Insurance Trust Fund
Balance - June 30, 2009	\$ 19,220	3,928,299	1,109,857
Increased by Receipts:			
Reserve for Animal Trust Expenditures	3,256		
Community Development		340,580	
Interfunds		55	
Current Fund Appropriation	40,000		1,600,000
Amount Due to the State of New Jersey	340		
Other Trust Funds		1,769,223	
Refunds			45,679
Total Receipts	43,596	2,109,858	1,645,679
	62,816	6,038,157	2,755,536
Decreased by Disbursements:			
Reserve for Animal Trust Expenditures	59,590		
Amount Due to the State of New Jersey	340		
Other Trust Funds		1,758,631	
Community Development		359,010	
Self-Insurance Liability			722,951
Total Disbursements	59,930	2,117,641	722,951
Balance - December 31, 2009	\$ 2,886	3,920,516	2,032,585

TOWN OF KEARNY, N.J.

Schedule of Assessments Receivable - Unpledged

Assessment Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009	\$ <u>1,136</u>
Balance - December 31, 2009	\$ <u>1,136</u>

Schedule of Assessments Liens Receivable - Unpledged

Assessment Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009	\$ <u>292</u>
Balance - December 31, 2009	\$ <u>292</u>

TOWN OF KEARNY, N.J.

Schedule of Due to State of New Jersey

Animal Trust Fund

Six Month Period Ended December 31, 2009

	Dog License <u>Fees</u>
Increased by:	
Dog License Fees	\$ <u> 340</u>
Decreased by:	
Payments	\$ <u><u> 340</u></u>

TOWN OF KEARNY, N.J.

Schedule of Other Accounts Receivable

Other Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009 \$ 47,443

Balance - December 31, 2009 \$ 47,443

TOWN OF KEARNY, N.J.

Schedule of Community Development Receivables

Other Trust Fund

Six Month Period Ended December 31, 2009

	<u>Balance</u> <u>June 30, 2009</u>	<u>Awards</u>	<u>Receipts</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>
1999-				
Facade Imp Program	5,572			5,572
2003-				
Façade Imp Program	2,023			2,023
2007				
Harvey Field House-Bathroom	242,493		204,372	38,121
2008				
Woodland Avenue Reconstruction	200,000		8,073	191,927
2009				
Sellers Street Reconstruction - Phase I		714,920	128,135	586,785
	<u>\$ 450,088</u>	<u>714,920</u>	<u>340,580</u>	<u>824,428</u>

TOWN OF KEARNY, N.J.

Schedule of Reserve for Animal Trust Fund Expenditures

Animal Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009	\$ 19,220
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Increased by:

Budget Appropriation	\$ 40,000
Animal License Fees	<u>3,256</u>
	<u>43,256</u>
	62,476

Decreased by:

Expenditures Under R.S. 4:19-15.11	<u>59,590</u>
Balance - December 31, 2009	\$ <u>2,886</u>

License fees collected

<u>Year</u>	<u>Amount</u>
2008	\$ 22,914
2009	<u>27,586</u>
	\$ <u>50,500</u>

TOWN OF KEARNY, N.J.

Schedule of Reserves

Other Trust Fund

Six Month Period Ended December 31, 2009

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>
Recreation	\$ 133,962	78,104	70,973	141,093
Swim Pool	50,146	8,473		58,619
Landfill Closure	398,474			398,474
Public Defender Files	463	1,500		1,963
Dedicated Fire Penalties	37,232	14,500	1,350	50,382
Special Deposits	(5,686)			(5,686)
Performance Deposits	273,412			273,412
Bond	101,700			101,700
DARE Program	7,659	2,200	1,920	7,939
Various Donations	45,860	2,000	3,800	44,060
Domestic Violence	1,500			1,500
Police Overtime	149,179	312,031	298,811	162,399
Miscellaneous	7,922			7,922
Escrow Deposits	224,906	54,079	118,757	160,228
Tax Title Lien Premiums	750,900	221,600	287,600	684,900
Recreation Umpire	2,110	10,520	9,600	3,030
Affordable Housing	598,524	384		598,908
POAA	79,727	9,522		89,249
Tax Collector Trust	870	944,969	945,748	91
Law Enforcement Trust Fund	17,993	2,808	1,535	19,266
Public Library Trust				
Donations - Reserved Principal	10,000			10,000
Donations - Unreserved Interest	6			6
Donations - Unreserved	1,300			1,300
DEA Fund	53,691	106,533	18,537	141,687
UDAG	1,033,892			1,033,892
	<u>\$ 3,975,742</u>	<u>1,769,223</u>	<u>1,758,631</u>	<u>3,986,334</u>

TOWN OF KEARNY, N.J.

Schedule of Reserve for Community Development Block Grants

Other Trust Fund

Six Month Period Ended December 31, 2009

	<u>Balance June 30, 2009</u>	<u>Awards</u>	<u>Disbursements</u>	<u>Balance December 31, 2009</u>
1999-				
Community Police Site				
Façade Imp Program	5,572			5,572
2003-				
Façade Imp Program	2,023			2,023
2007-				
Harvey Field House-Bathroom	242,493		204,372	38,121
2008-				
Woodland Avenue Reconstruction	200,000		26,503	173,497
2009-				
Sellers Street Reconstruction - Phase I	<u> </u>	<u>714,920</u>	<u>128,135</u>	<u>586,785</u>
	<u>\$ 450,088</u>	<u>714,920</u>	<u>359,010</u>	<u>805,998</u>

TOWN OF KEARNY, N.J.

Schedule of Reserve for Self-
Insurance Trust Fund Expenditures

Self-Insurance Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009		1,109,857
Increased by:		
Budget Appropriations	\$ 1,600,000	
Current Fund		45,679
Reimbursements		
		<u>1,645,679</u>
		2,755,536
Decreased by:		
Payment of Claims		<u>722,951</u>
Balance - December 31, 2009	\$	<u>2,032,585</u>

TOWN OF KEARNY, N.J.

Schedule of Reserve for Assessments and Licens

Assessment Trust Fund

Six Month Period Ended December 31, 2009

Balance - June 30, 2009	\$ <u>1,334</u>
-------------------------	-----------------

Balance - December 31, 2009	\$ <u>1,334</u>
-----------------------------	-----------------

TOWN OF KEARNY, N.J.

Schedule of Intersfunds Due from/(to) Various Funds

Other Trust Fund

Six Month Period Ended December 31, 2009

<u>Fund</u>	<u>Decreases</u>	Balance Dec. 31, <u>2009</u>
Current Fund	\$ 55	(55)
	\$ 55	(55)

TOWN OF KEARNY, N.J.

Schedule of Intrafunds Due from/(to) Various Trust Funds

Other Trust Fund

Six Month Period Ended December 31, 2009

<u>Fund</u>	Balance June 30, <u>2009</u>	Balance Dec. 31, <u>2009</u>
Other Trust Fund:		
Escrow Trust Fund	\$ 118,514	118,514
Affordable Housing Trust Fund:		
Escrow Trust Fund	98,357	98,357
Escrow Trust Fund:		
Other Trust Fund	(118,514)	(118,514)
Affordable Housing Trust Fund	<u>(98,357)</u>	<u>(98,357)</u>
	\$ <u> </u>	<u> </u>
Due from	\$ 216,511	216,511
Due (to)	<u>(216,511)</u>	<u>(216,511)</u>
	<u> </u>	<u> </u>

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Self-Insurance Trust Fund

Six Month Period Ended December 31, 2009

	<u>Current</u> <u>Fund</u>
Increased by:	
Receipts	\$ _____
Decreased by:	
Disbursements	\$ _____

TOWN OF KEARNY, N.J.

Schedule of Cash

General Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 918,600
Increased by Receipts:	
Grants	\$ 143,656
Interfunds	500,000
Capital Improvement Fund	<u>151,348</u>
	<u>795,004</u>
	1,713,604
Decreased by Disbursements:	
Improvement Authorizations	<u>1,476,000</u>
Balance, December 31, 2009	\$ <u>237,604</u>

TOWN OF KEARNY, N.J.

Analysis of Cash

General Capital Fund

Six Month Period Ended December 31, 2009

Reserve for Receivables	\$ 310,000
Reserve for Payment of Notes	2,166,354
Due From Water Capital Fund	
Capital Improvement Fund	280,947
Fund Balance	938,821
Department of Transportation Grants	(544,439)
Green Acres Grants	(935,000)
Hudson County Open Space Grants	(110,000)
N.J. Environmental Infrastructure Trust Loans Receivable	(858,918)

Improvement Authorizations:

Ordinance

<u>Number</u>	<u>Improvement Description</u>	
2004-25	Improvements to Solids and Floatables Facility	(694,342)
2007-52	Various Capital Improvements	6,179
2008-28	Various Capital Improvements	129,062
2008-34	Various Road and Sewer Improvements	(766,100)
2008-35	Various Capital Improvements	(452,586)
2008-36	Multi-Park Improvements	457,038
2009-12	Various Capital Improvements	(305,696)
2009-37	Elin Street/Laurel Avenue Traffic Signal and Road Improvements	181,284
2009-42	Harvey Field Improvements	<u>435,000</u>
		\$ <u>237,604</u>

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance, June 30, 2009</u>	<u>Awarded</u>	<u>Reduced</u>	<u>Balance, December 31, 2009</u>
DOT Grants:					
2008-34	Various Road and Sewer Repairs	310,000			310,000
2007-03	Supplemental-Street Resurfacing Davis Avenue	110,278			110,278
2009-37	Elm Street and Laurel Avenue Traffic Signal and Road Improvements		267,817	143,656	124,161
		<u>420,278</u>	<u>267,817</u>	<u>143,656</u>	<u>544,439</u>
Green Acres Grants:					
2008-36	Multi-Park Improvements	500,000			500,000
2009-42	Harvey Field Soccer Improvements		435,000		435,000
		<u>500,000</u>	<u>435,000</u>		<u>935,000</u>
Hudson County Open Space Grants:					
2007-30	Various Capital Improvements	110,000			110,000
		<u>110,000</u>			<u>110,000</u>

TOWN OF KEARNY, N.J.

Schedule of Loans Receivable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance, June 30, 2009</u>	<u>Balance, December 31, 2009</u>
Environmental Infrastructure Loans:			
2002-59	Riverbank Park	\$ 437,597	437,597
2004-25	Improvements to CSO Control Facilities	<u>421,321</u>	<u>421,321</u>
		<u>858,918</u>	<u>858,918</u>

TOWN OF KEARNY, N.J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 58,334,645
Decreased by:	
N.J. Wastewater Loans Paid by	
Current Year Budget Appropriations	\$ 484,806
Green Acres Loans Paid by Current	
Year Budget Appropriations	<u>23,264</u>
	<u>508,070</u>
Balance, December 31, 2009	\$ <u>57,826,575</u>

TOWN OF KEARNY, N.J.

Schedule of Deferred Charges to Future Taxation - [Unfinished]

General Capital Fund

Six Month Period Ended December 31, 2009

TOWN OF KEARNY, N.J.

Schedule of Interfund Due from/(to) Various Funds

General Capital Fund

Six Month Period Ended December 31, 2009

	Balance June 30, <u>2009</u>	<u>Decreases</u>
Water Utility Capital Fund	\$ <u>500,000</u>	<u>\$ 500,000</u>

TOWN OF KEARNY, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, December 31, 2009</u>			<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Decreased</u>	<u>Balance December 31, 2009</u>
			<u>Date</u>	<u>Amount</u>	<u>Rate</u>				
General Improvements	Jan. 15, 2003	13,844,000	1/15/2010	1,500,000	3.875%				
			1/15/2011	1,600,000	4.00%				
			1/15/2012	1,700,000	4.00%				
			1/15/2013	1,800,000	4.00%				
			1/15/2014	1,900,000	4.00%				
			1/15/2015	2,000,000	4.10%				
			1/15/2016	2,034,000	4.15%				
						3.40%	4,865,000	115,000	4,750,000
Refunding Bonds Series 2003A	Jan. 15, 2003	14,140,000	1/15/2010	1,320,000	3.50%				
			1/15/2011	990,000	3.50%				
			1/15/2012	780,000	3.85%				
			1/15/2013	670,000	4.00%				
			1/15/2014	255,000	4.00%				
			1/15/2015	135,000	4.125%				
			1/15/2016	600,000	4.25%				
						4.40%	7,500,000		
Refunding Bonds Series 2003B	Jan. 15, 2003	8,875,000	1/15/2010	685,000	4.40%				
			1/15/2011	780,000	4.70%				
			1/15/2012	640,000	5.04%				
			1/15/2013	730,000	5.00%				
			1/15/2014	825,000	5.10%				
			1/15/2015	935,000	5.20%				
			1/15/2016	1,050,000	5.25%				
			1/15/2017	1,175,000	5.35%				
			2/01/21	680,000	5.80%				

TOWN OF KEARNY, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, December 31, 2009</u>		<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Decreased</u>	<u>Balance December 31, 2009</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds Series 2006A	Feb. 1, 2007	7,480,000	2/1/2010 2/1/2011 2/1/2012 2/1/2013 2/1/2014 2/1/2015 2/1/2016	1,065,000 1,195,000 1,055,000 1,195,000 1,500,000 1,170,000 300,000	4.500% 4.000% 4.000% 4.000% 4.750% 5.000% 5.000%	7,480,000		7,480,000
Refunding Bonds Series 2006B	Feb. 1, 2007	8,875,000	2/1/2010 2/1/2011 2/1/2012 2/1/2013 2/1/2014 2/1/2015 2/1/2016	210,000 410,000 1,000,000 1,000,000 1,150,000 1,100,000 230,000	4.980% 5.01% 5.02% 5.05% 5.08% 5.11% 5.16%	5,100,000		5,100,000
General Improvement Bonds	Jan. 1, 2008	10,305,000	1/15/2010 1/15/2011 1/15/2012 1/15/2013 1/15/2014 1/15/2015 1/15/2016 1/15/2017 1/15/2018 1/15/2019 1/15/2020 1/15/2021	35,000 45,000 55,000 65,000 75,000 650,000 650,000 1,200,000 1,825,000 1,900,000 1,950,000 1,830,000	3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 5.25% 4.00% 4.00% 4.00%	10,305,000	25,000	10,280,000

\$ 47,784,000

140,000

47,644,000

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Six Month Period Ended December 31, 2009

	Original Issue		Maturities of Loans Outstanding, December 31, 2009		Interest Rate	Balance June 30, 2009	Decreased	Balance December 31, 2009
	Date	Amount	Date	Amount				
Trust Share	11/05/98	\$ 1,575,000	08/01/10	85,000	4.25%	\$ 985,000	80,000	905,000
			08/01/11	85,000	4.25%			
			08/01/12	90,000	4.50%			
			08/01/13	95,000	4.50%			
			08/01/14	100,000	4.50%			
			08/01/15	105,000	4.50%			
			08/01/16	110,000	4.50%			
			08/01/17	115,000	4.50%			
			08/01/18	120,000	4.50%			
Trust Share	11/04/04	\$ 1,025,000	08/01/10	40,000	5.00%	915,000	40,000	875,000
			08/01/11	45,000	5.00%			
			08/01/12	45,000	5.00%			
			08/01/13	50,000	5.00%			
			08/01/14	50,000	5.00%			
			08/01/15	55,000	4.00%			
			08/01/16	55,000	4.00%			
			08/01/17	55,000	4.00%			
			08/01/18	60,000	5.00%			
			08/01/19	60,000	5.00%			
			08/01/20	65,000	5.00%			
			08/01/21	70,000	5.00%			
			08/01/22	70,000	5.00%			
			08/01/23	75,000	5.00%			
			08/01/24	80,000	4.25%			
Trust Share	11/08/07	\$ 1,255,000	08/01/10	45,000	5.00%	1,255,000	45,000	1,210,000
			08/01/11	50,000	5.00%			
			08/01/12	50,000	3.40%			
			08/01/13	50,000	3.50%			
			08/01/14	55,000	3.60%			
			08/01/15	55,000	5.00%			
			8/1/2016-17	60,000	5.00%			
			08/01/18	65,000	5.00%			
			08/01/19	65,000	4.00%			
			08/01/20	70,000	4.00%			
			8/1/2021-22	75,000	5.00%			
			08/01/23	80,000	4.25%			
			8/1/2024-25	85,000	4.50%			
			08/01/26	90,000	4.50%			
			08/01/27	95,000	4.25%			

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Six Month Period Ended December 31, 2009

Fund Share	Original Issue			Maturities of Loans Outstanding, December 31, 2009			Interest Rate	Balance June 30, 2009	Decreased	Balance December 31, 2009
	Date	Amount	Date	Amount						
	11/05/98	\$ 1,507,371	02/01/10	13,170	*	*				
	08/01/10	68,147			*	*				
	02/01/11	11,933			*	*				
	08/01/11	66,910			*	*				
	02/01/12	10,696			*	*				
	08/01/12	68,907			*	*				
	02/01/13	9,387			*	*				
	08/01/13	70,831			*	*				
	02/01/14	8,004			*	*				
	08/01/14	72,683			*	*				
	02/01/15	6,549			*	*				
	08/01/15	74,463			*	*				
	02/01/16	5,021			*	*				
	08/01/16	76,168			*	*				
	02/01/17	3,420			*	*				
	08/01/17	77,801			*	*				
	02/01/18	1,746			*	*				
	08/01/18	79,362			*	*				
Fund Share	11/04/04	\$ 3,047,070	02/01/10	38,938	*	2,459,744			116,648	2,343,096
	08/01/10	114,752			*	*				
	02/01/11	37,043			*	*				
	08/01/11	122,334			*	*				
	02/01/12	34,910			*	*				
	08/01/12	120,202			*	*				
	02/01/13	32,778			*	*				
	08/01/13	127,546			*	*				
	02/01/14	30,409			*	*				
	08/01/14	125,177			*	*				
	02/01/15	28,513			*	*				
	08/01/15	132,758			*	*				
	02/01/16	26,428			*	*				
	08/01/16	130,674			*	*				
	02/01/17	24,344			*	*				
	08/01/17	128,589			*	*				
	02/01/18	21,737			*	*				
	08/01/18	135,459			*	*				
	02/01/19	18,894			*	*				
	08/01/19	132,616			*	*				
	02/01/20	16,051			*	*				
	08/01/20	139,250			*	*				
	02/01/21	12,971			*	*				
	08/01/21	145,647			*	*				
	02/01/22	9,655			*	*				
	08/01/22	142,330			*	*				
	02/01/23	6,338			*	*				
	08/01/23	148,490			*	*				
	02/01/24	3,317			*	*				
	08/01/24	154,946			*	*				

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Six Month Period Ended December 31, 2009

	Maturities of Loans Outstanding, December 31, 2009						Balance December 31, <u>2009</u>	
	Original Issue		December 31, 2009		Interest	Balance		
	Date	Amount	Date	Amount	Rate	June 30, 2009	Decreased	
Fund Share	11/08/07	3,623,250	02/01/10	50,743	*	3,484,375	137,081	3,347,294
			08/01/10	134,975	*			
			02/01/11	48,637	*			
			08/01/11	142,228	*			
			02/01/12	46,297	*			
			08/01/12	139,889	*			
			02/01/13	44,706	*			
			08/01/13	138,298	*			
			02/01/14	43,068	*			
			08/01/14	146,019	*			
			02/01/15	41,215	*			
			08/01/15	144,166	*			
			02/01/16	38,642	*			
			08/01/16	150,951	*			
			02/01/17	35,834	*			
			08/01/17	148,143	*			
			02/01/18	33,026	*			
			08/01/18	154,695	*			
			02/01/19	29,984	*			
			08/01/19	151,653	*			
			02/01/20	27,551	*			
			08/01/20	158,579	*			
			02/01/21	24,930	*			
			08/01/21	165,317	*			
			02/01/22	21,421	*			
			08/01/22	161,808	*			
			02/01/23	17,911	*			
			08/01/23	167,657	*			
			02/01/24	14,719	*			
			08/01/24	173,814	*			
			02/01/25	11,149	*			
			08/01/25	170,254	*			
			02/01/26	7,569	*			
			08/01/26	176,044	*			
			02/01/27	3,779	*			
			08/01/27	181,603	*			
						\$ 9,890,394	484,806	9,405,588

* Interest Free

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Purpose</u>	<u>Original Issue</u>	Maturities of Loans Outstanding, December 31, 2009			Interest Rate	Balance June 30, 2009	<u>Decreased</u>	Balance December 31, 2009
		<u>Date</u>	<u>Amount</u>					
F J Vincent Marina	\$ 73,725	02/07/10	\$ 2,181	2.00%	\$ 13,286	2,159		11,127
		08/07/10	2,203					
		02/07/11	2,225					
		08/07/11	2,248					
		02/07/12	2,270					
Harvey Field	235,731	01/11/10	\$ 5,659	2.00%	172,672	5,603		167,069
		07/11/10	5,715					
		01/11/11	5,772					
		07/11/11	5,830					
		01/11/12	5,888					
		07/11/12	5,947					
		01/11/13	6,007					
		07/11/13	6,067					
		01/11/14	6,127					
		07/11/14	6,189					
		01/11/15	6,251					
		07/11/15	6,313					
		01/11/16	6,376					
		07/11/16	6,440					
		01/11/17	6,504					
		07/11/17	6,569					
		01/11/18	6,635					
		07/11/18	6,701					
		01/11/19	6,766					
		07/11/19	6,836					
		01/11/20	6,904					
		07/11/20	6,974					
		01/11/21	7,043					
		07/11/21	7,114					
		01/11/22	7,185					
		07/11/22	7,257					
Riverbank Park	\$ 250,000	02/28/10	\$ 5,824	2.00%	200,603	5,767		194,836
		08/28/10	5,883					
		02/28/11	5,942					
		08/28/11	6,001					
		02/28/12	6,061					
		08/28/12	6,122					
		02/28/13	6,183					
		08/28/13	6,245					
		02/28/14	6,307					
		08/28/14	6,370					
		02/28/15	6,434					
		08/28/15	6,498					
		02/28/16	6,563					
		08/28/16	6,629					
		02/28/17	6,695					
		08/28/17	6,762					
		02/28/18	6,830					
		08/28/18	6,898					
		02/28/19	6,967					
		08/28/19	7,037					
		02/28/20	7,107					
		08/28/20	7,178					
		02/28/21	7,250					
		08/28/21	7,322					
		02/28/22	7,396					
		08/28/22	7,469					
		02/28/23	7,544					
		08/28/23	7,620					
		02/28/24	7,698					

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Purpose</u>	<u>Original Issue</u>	Maturities of Loans Outstanding, December 31, 2009			<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Decreased</u>	<u>Balance December 31, 2009</u>
		<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>				
Bell Playground	275,000	01/09/10	6,240	2.00%		275,000	6,179	268,821
		07/09/10	6,303					
		01/09/11	6,366					
		07/09/11	6,430					
		01/09/12	6,494					
		07/09/12	6,559					
		01/09/13	6,624					
		07/09/13	6,691					
		01/09/14	6,758					
		07/09/14	6,825					
		01/09/15	6,893					
		07/09/15	6,962					
		01/09/16	7,032					
		07/09/16	7,102					
		01/09/17	7,173					
		07/09/17	7,245					
		01/09/18	7,317					
		07/09/18	7,391					
		01/09/19	7,465					
		07/09/19	7,539					
		01/09/20	7,615					
		07/09/20	7,691					
		01/09/21	7,768					
		07/09/21	7,845					
		01/09/22	7,924					
		07/09/22	8,003					
		01/09/23	8,083					
		07/09/23	8,164					
		01/09/24	8,246					
		07/09/24	8,328					
		01/09/25	8,411					
		07/09/25	8,495					
		01/09/26	8,580					
		07/09/26	8,666					
		01/09/27	8,753					
		07/09/27	8,840					

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Six Month Period Ended December 31, 2009

TOWN OF KEARNY, N.J.

Schedule of Reserve for Receivables

General Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ <u>310,000</u>
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Balance, December 31, 2009	<u>310,000</u>
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Analysis of Balance:

Department of Transportation Grant	\$ <u>310,000</u>
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TOWN OF KEARNY, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Six Month Period Ended December 31, 2009

Ordinance Number	Improvement Description	Amount	Balance June 30, 2009		Paid or Charged	Cancelled	Balance December 31, 2009	
			Funded	Unfunded			Funded	Unfunded
General Improvements:								
2001-51	Improvements to Kearny Avenue	3,000,000	937,009	1,171,467	88,332	(937,009)		1,085,135
2004-25	Improvements to Solids and Floatables Facility	11,000,000	202,724	11,179	5,000		6,179	
2007-52	Various Capital Improvements	1,305,000	159,545		30,397	(85)	129,063	
2008-28	Various Capital Improvements	90,000	90,000		90,000			
2009-35	Acquisition of a Salt Shed				682,371			1,043,900
2008-34	Various Road and Sewer Improvements	1,810,000		1,726,271	346,501			497,414
2008-35	Various Capital Improvements	1,000,000		843,915	42,962			500,000
2008-36	Multi-Park Improvements	1,000,000	500,000		103,904			169,303
2009-12	Various Capital Improvements	500,000	273,207					
2009-37	Elm Street/Laurel Avenue Traffic Signal and Road Improvements	267,817		267,817	86,533		181,284	
2009-42	Harvey Field Soccer Improvements	870,000		870,000			435,000	435,000
		\$ 1,697,733	4,514,860	1,137,817	1,476,000	(937,094)	1,208,564	3,728,752
	Deferred Charges	Unfunded Grants						
					425,000			
					702,817			
						1,137,817		

TOWN OF KEARNY, N.J.

Schedule of Reserves

General Capital Fund

Six Month Period Ended December 31, 2009

	Balance June 30, <u>2009</u>	Balance December 31, <u>2009</u>
Reserve for:		
Payment of Debt	<u>\$ 2,166,354</u>	<u>2,166,354</u>

TOWN OF KEARNY, N.J.

Schedule of Capital Improvement Fund

General Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 129,599
Increased by:	
Budget appropriation	<u>151,348</u>
Balance, December 31, 2009	\$ <u>280,947</u>

TOWN OF KEARNY, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Six Month Period Ended December 31, 2009

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance June 30, 2009</u>	<u>Authorizations</u>	<u>Balance December 31, 2009</u>
<u>General Improvements:</u>				
1998-26	Sewer Separation Project	9,310		9,310
2004-25	Improvements to Solids and Floatables Facility	1,768,167		1,768,167
2008-34	Various Road and Sewer Improvements	1,810,000		1,810,000
2008-35	Various Capital Improvements	950,000		950,000
2008-36	Multi-Park Improvements	500,000		500,000
2009-12	Various Capital Improvements	475,000		475,000
2009-42	Harvey Field Soccer Improvements		435,000	435,000
		\$ 5,512,477	435,000	5,947,477

TOWN OF KEARNY, N.J.

Schedule of Cash - Treasurer

Water Utility Fund

Six Month Period Ended December 31, 2009

	<u>Operating</u>	<u>Capital</u>
Balance, June 30, 2009	\$ 323,700	73,410
Increased by Receipts:		
Water Collector	2,458,355	
Redemption of Lien	37,804	
Interfunds	<u> </u>	<u>750,000</u>
	<u> </u>	<u>750,000</u>
	2,496,159	750,000
	2,819,859	823,410
Decreased by Disbursements:		
2009 Appropriations	2,515,214	
2008 Appropriation Reserves	21,097	
Interest on Bonds and Notes	155,726	
Refunds	15,748	
Redemption of Lien	37,804	
Interfunds	<u> </u>	<u>500,000</u>
Improvement Authorizations	<u> </u>	<u>289,977</u>
	<u> </u>	<u>289,977</u>
Balance, December 31, 2009	<u>\$ 74,270</u>	<u>33,433</u>

TOWN OF KEARNY, N.J.

Analysis of Cash

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

	Balance, December 31, <u>2009</u>
Capital Improvement Fund	\$ 57,750
Capital fund Balance	8,747
Due to Current Fund	<u>750,000</u>
Improvement Authorizations:	
Ordinance	
<u>number</u>	<u>General improvements</u>
2008-32	Various Water Utility Improvements
2008-33	(812,045)
2008-33	Acquisition and Installation of Meters
2008-50	(144,753)
2008-50	Various Water Utility Improvements
2007-31	(953)
2007-31	Various Water Utility Improvements
2207-50	16,782
2207-50	Various Water Utility Improvements
	<u>157,905</u>
	<u>\$ 33,433</u>

TOWN OF KEARNY, N.J.

Due from East Orange Water Commission

Water Utility Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 264,460
Decreased by:	
Raised in Budget	<u>88,154</u>
Balance, December 31, 2009	\$ <u>176,306</u>

TOWN OF KEARNY, N.J.

Schedule of Consumers' Accounts Receivable -
Operating Fund

Water Utility Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 634,968
Increased by:	
2009 Levy	<u>2,353,171</u>
	2,988,139
Decreased by:	
Cash receipts	<u>2,263,533</u>
Balance, December 31, 2009	\$ <u>724,606</u>

TOWN OF KEARNY, N.J.

Schedule of Municipal Liens

Water Utility Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ <u>37,804</u>
------------------------	------------------

Decreased by:

Lien Redemption	\$ <u>37,804</u>
-----------------	------------------

Schedule of Fixed Capital

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

<u>Account</u>	Balance, June 30, <u>2009</u>	Balance, December 31, <u>2009</u>
Mains and Accessories	\$ 8,755,411	\$ 8,755,411
Wanaque Project	+4,466,891	4,466,891
Ramapo Project	615,103	615,103
General	5,289,670	5,289,670
Acquisition of Vehicles	300,000	300,000
Acquisition of Water Meters	<u>2,719,310</u>	<u>2,719,310</u>
	\$ <u>22,146,385</u>	\$ <u>22,146,385</u>

TOWN OF KEARNY, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

Ordinance number	Improvement description	Ordinance		Balance, June 30, <u>2009</u>	Balance, December 31, <u>2009</u>
		Date	Amount		
2008-32	Various Water Utility Improvements	Sept. 9, 2008	1,500,000	\$ 1,500,000	1,500,000
2008-33	Acquisition and Installation of Water Meter	Sept. 9, 2008	1,500,000	1,500,000	1,500,000
2008-50	Various Water Utility Improvements	Dec. 16, 2008	1,300,000	<u>1,300,000</u>	<u>1,300,000</u>
				\$ 4,300,000	<u>4,300,000</u>

TOWN OF KEARNY, N.J.

Schedule of 2009 Appropriation Reserves

Water Utility Fund

Six Month Period Ended December 31, 2009

	Balance after <u>transfers and encumbrances</u>	Paid or <u>charged</u>	Balance <u>Lapsed</u>
Operating:			
Salaries and Wages	\$ 22	22	22
Other Expenses	18,662	24,376	3,279
Statutory Expenditures:			
Social Security	<u>283</u>	<u>283</u>	<u>283</u>
	<u>\$ 18,967</u>	<u>24,681</u>	<u>3,584</u>
Encumbrances	5,714		
Appropriation Reserves	<u>18,967</u>	<u>24,681</u>	

TOWN OF KEARNY, N.J.

Schedule of Accrued Interest on Bonds and Notes

Water Utility Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 132,794
Increased by:	
Budget Appropriation	<u>156,000</u>
	288,794
Decreased by:	
Payments	<u>155,726</u>
Balance, December 31, 2009	\$ <u>133,068</u>

Analysis of Balance

Principal Outstanding <u>December 31, 2009</u>	<u>Period</u>	Interest <u>Rate</u>	Required <u>Amount</u>
\$ 285,000	5 months	5.100%	6,056
933,000	5 1/2 months	Various	23,080
1,5,000	5 1/2 months	Various	3,237
5,900,000	5 1/2 months	Various	<u>108,246</u>
			\$ <u>140,619</u>

TOWN OF KEARNY, N.J.

Schedule of Improvement Authorizations

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

Ordinance number	Improvement description	Ordinance		Balance, June 30, 2009		Balance, December 31, 2009	
		Date	Amount	Funded	Unfunded	Expended	Funded
2007-31	Various Water Utility Improvements	June 26, 2007	1,025,000	18,852	247,844	2,070	16,782
2007-50	Various Water Utility Improvements	Sept. 25, 2007	1,025,000			89,939	157,905
2007-53	Various Water Utility Improvements	Sept. 25, 2007	1,250,000				
2008-32	Various Water Utility Improvements	Sept. 9, 2008	1,500,000	884,221	1,356,949	196,266	687,955
2008-33	Acquisition and Installation of Meters	Sept. 9, 2008	1,500,000			1,702	1,355,247
2008-50	Various Water Utility Improvements	Dec. 16, 2008	1,300,000		1,299,047		1,299,047
				\$ 266,696	3,540,217	289,977	174,687
							3,342,249

TOWN OF KEARNY, N.J.

Schedule of Capital Improvement Fund

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ <u>57,750</u>
Balance, December 31, 2009	\$ <u>57,750</u>

Schedule of Reserve for Amortization

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

Balance, June 30, 2009	\$ 14,783,385
Increased by:	
Payment of Serial Bond Principal	<u>70,000</u>
Balance, December 31, 2009	\$ <u>14,853,385</u>

TOWN OF KEARNY, N.J.

Scheduale of Wyeler Utility Serial Bonds

Walter Ullrich Capital Fund

Sitz. Maßnahmen und Ergebnisse des Deutschen Instituts für Erwachsenenbildung 31. Dezember 2009

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

	Balance, June 30, <u>2009</u>	Decreased	Balance, December 31, <u>2009</u>
General Capital Fund	\$ (500,000)	500,000	
Current Fund	<u> </u>	<u>750,000</u>	<u>(750,000)</u>
	<u>(500,000)</u>	<u>1,250,000</u>	<u>(750,000)</u>

TOWN OF KEARNY, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water Utility Capital Fund

Six Month Period Ended December 31, 2009

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, June 30, 2009</u>	<u>Balance, December 31, 2009</u>
2008-32	Various Water Utility Improvements	\$ 1,500,000	1,500,000
2008-33	Acquisition and Installation of Meters	1,500,000	1,500,000
2008-50	Various Water Utility Improvements	1,300,000	1,300,000
		<hr/>	<hr/>
		\$ <u>4,300,000</u>	<u>4,300,000</u>

TOWN OF KEARNY, N.J.

Schedule of Cash

Public Assistance Trust Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 17,880
Increased by:	
Current Fund - Budget Appropriation	<u>10,000</u>
Balance December 31, 2009	\$ <u>27,880</u>

Reserve for Public Assistance Expenditures

Public Assistance Trust Fund

Six Month Period Ended December 31, 2009

Balance June 30, 2009	\$ 17,880
Increased by:	
Current Fund - Budget Appropriation	<u>10,000</u>
Balance December 31, 2009	\$ <u>27,880</u>

TOWN OF KEARNY

Letters on Compliance and on Internal Control

General Comments and Recommendations

Six Month Period Ended December 31, 2009

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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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

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

We have audited the financial statements-regulatory basis of the Town of Kearny in the County of Hudson as of and for the six month period ended December 31, 2009, and have issued our report thereon dated May 6, 2010. Our report disclosed that, as described in Note 1 to the financial statements-regulatory basis, the Town of Kearny prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Kearny's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kearny's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Kearny's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Honorable Mayor and
Members of the Town Council
Page 2.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kearny's financial statements-regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Kearny in the accompanying schedule of findings and questioned costs and the accompanying comments and recommendations section of this report.

This report is intended solely for the information of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CROO413



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

May 6, 2010



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

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE PROGRAM AND INTERNAL CONTROL WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04 AS AMENDED

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

Compliance

We have audited the compliance of the Town of Kearny, County of Hudson, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement that are applicable to each of its major federal and state programs for the six month period ended December 31, 2009. The Town of Kearny's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Town of Kearny's management. Our responsibility is to express an opinion on the Town of Kearny's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; and the provisions of the New Jersey State Treasury Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Those standards and OMB Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Town of Kearny's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Kearny's compliance with those requirements.

In our opinion, the Town of Kearny complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the six month period ended December 31, 2009.



Internal Control Over Compliance

The management of the Town of Kearny is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Town of Kearny's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kearny's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Town of Kearny's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Kearny's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



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



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

May 6, 2010



TOWN OF KEARNY, N.J.

Schedule of Expenditures of Federal Awards

Six Month Period Ended December 31, 2009

<u>Program</u>	<u>CFDA number</u>	<u>Grant period</u>	<u>Award Amount</u>	<u>Balance at June 30, 2009</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2009</u>	<u>MEMO Cumulative Total Expenditures</u>
<u>Federal and State Grant Fund:</u>									
U.S. Department of Justice: Homeland Security	97.073	2003-04	125,000	(100,000)				(100,000) *	125,000
Justice Assistance Grant	16.738	2009	17,118					*	*
Justice Assistance Grant - ARRA	16.804	2009	70,586					(6,954) *	6,954
				<u>(100,000)</u>					
						<u>6,954</u>			
								<u>(106,954)</u> *	<u>131,954</u> *
<u>Federal Emergency Management Agency:</u>									
Emergency Management Assistance Recreation Trails Program	20.219	2003-04 2004-05	4,000 25,000	(4,000) 10,000				4,000	10,000 *
				<u>6,000</u>					
							<u>4,000</u>		<u>26,092</u> *
<u>Department of Energy:</u>									
Local Government Audit Program Energy Efficiency & Conservation Block Grant	81.128	2009	52,687 158,600					(52,687) *	52,687
						<u>52,687</u>			
								<u>(52,687)</u> *	<u>52,687</u>
Total Federal and State Grant Fund				<u>(94,000)</u>		<u>59,641</u>	<u>4,000</u>	<u>(149,641)</u> *	<u>210,753</u>

TOWN OF KEARNY, N.J.

Schedule of Expenditures of Federal Awards

Six Month Period Ending December 31 2009

Note: See accompanying notes to schedules of expenditures of federal and state awards.

TOWN OF ICEAUNY, N.J.

Schedule of Expenditures of State Financial Assistance

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TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Six Month Period Ended December 31, 2009

<u>Grant number</u>	<u>Grant period</u>	<u>Award Amount</u>	<u>Balance June 30, 2009</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Re-allocations</u>	<u>Adjustments</u>	<u>Deferred Expenditures</u>	<u>Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2009</u>	<u>MEMO Cumulative Total Expenditures</u>
Department of Community Affairs										
Municipal Alliance Program	2007-08	58,070								
Fiscal Year 2008	2008-09	41,489	(10,313)	12,542	29,319		(708)	(27,793)	*	43,555
Fiscal Year 2009										40,882
Recreation for Individuals with Disabilities	2007-08	12,000								12,000
			(10,313)	12,542	29,319		(708)	(27,793)	*	96,417
Department of Environmental Protection										
Clean Communities Program	2007-08	34,616	164		(94)		(258)			34,616
Clean Communities Program	2008-09	44,739	44,739		33,425			11,314	*	33,425
Recycling Tonnage Grant	2007-08	9,048	64				(64)			9,048
Recycling Tonnage Grant	2008-09	30,615	18,521		18,521					30,615
Recycling Tonnage Grant	2009	28,172			28,172			28,172	*	
Shade Tree Planting	2001-02		(7,500)				7,500			
Hazardous Discharge Site Remediation										
Bergen Avenue			296				(296)			
528 Elm Street Corporation			51,389				(51,389)			
199 Devon Avenue			6,300				(6,300)	*		
Belgrave Drive Property			1,930				(1,930)	*		778
50 Belgrave Drive			19,926				(19,926)	*		
Undisclosed			466				(466)			91,507
			136,295		28,172		51,852			199,989
							(73,129)			39,486 *
										199,989

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Six Month Period Ended December 31, 2009

	Grant number	Grant period	Award Amount	Balance June 30, 2009	Cash Received	Budgetary Expenditures	Re-allocations	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec 31, <u>2009</u>	
									MEMO Cumulative Total Expenditures	Deferred Revenue/ (Accounts Receivable) at Dec 31, <u>2009</u>
Department of Transportation										
New Jersey Transportation Trust Fund										
Authority Act of 1984*										
Fiscal Year 2001 - Wilson Avenue	6320-480-601385-61	2000-01	90,000	41,121					41,121	48,879
Fiscal Year 2001 - Devon Street	6320-480-601385-61	2000-01	150,000	34,589					34,589	147,665
New Jersey Department of Transportation										
Pothole Repair Program	6320-480-601385-61			680					(680)	
Discretionary Aid	6320-480-601385-61			19,623					(19,623)	
Kearny Ave Signal - Package E&F	6320-480-601385-61	2004-05	98,587	138,413					(138,413)	98,587
New Jersey Transit Grant		2007-08	19,574	287					(287)	19,574
New Jersey Transit Grant		2008-09	14,243	(2,197)					(2,197)	14,243
New Jersey Transit Grant		2009	10,000							
				232,516		6,888	2,517		(161,177)	75,710
										328,948
Health										
Public Health Priority Funding	4230-100-046-4602	2009	11,599			11,599				11,599
2009										
Tobacco Age of Sale Enforcement		2008-09	2,520							2,520
Senior Health Grant		2001-02	2,500		2,500				(2,500)	
New Jersey Preventive Smoking		1999-00	3,050		3,050				(3,050)	
Pandemic Influenza Preparedness Grant		2009	112,778			43,138				43,138
				5,550		54,737	11,599		(5,550)	42,138
										14,119

Schedule 2

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance
Six Month Period Ended December 31, 2009

	Grant number	Grant Period	Award Amount	Balance June 30, 2008	Cash Received	Budgetary Expenditures	Re-Allocations	Adjustments	Deferred Revenue/ (Accounts Receivable)	MEMO Cumulative Total Expenditures
									at Dec. 31, 2009	
Administrative Offices of the Courts										
Drunk Driving Enforcement Fund	1110-101-030000-129040	2007-08	41,675	18,084	14,755	15,440			2,644	39,031
	1110-101-030000-129040	2009	14,755						14,755	
Over the Limit Under Arrest										
Stop the Violence		2003-04	3,000	(3,000)			3,000			3,000
Housing Assistance		2008-09	45,000							45,241
OJIDP Police Vests	2003-04	8,831	3,868	(12,675)	12,675		(3,868)			13,583
OJIDP Police Vests	2005-06	12,675	(7,128)	7,125	2,610		3	(2,610)		12,675
OJIDP Police Vests	2006-07	9,735			11,733				(11,733)	9,735
OJIDP Police Vests	2008-09	11,733								11,733
Body Armor Grant										
Body Armor Grant		2007-08	13,121	13,121						13,121
Body Armor Grant		2006-07	11,011	4,345						4,345
Body Armor Grant		2008-09	11,414	11,414						11,414
Law and Public Safety										
Hudson County Law Enforcement Trust Fund- Prior Year										
NJ Department of Public Safety		2000-01	13,137	13,137					(4)	
Emergency Management Grant	2007-08	10,000	7,593	10,000	4,498					
Emergency Management Grant	2008-09	10,000	10,000							
Chemical Bufferzone Protection Program	066-1005-100-010	2008-09	1,219,310		198,412	922,703			(72,291)	1,037,646
					30,734	198,412	922,701			
Library and Archives:										
Slate Library Aid	5070-150-5110140-60	91	9						(2)	91
									(9)	91

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance
Six Month Period Ended December 31, 2009

	Grant number	Grant period	Award Amount	Balance June 30, 2009	Cash Received	Budgetary Expenditures	Re-allocations	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31		Total Expenditures	MEMO Cumulative Expenditures
									2009	2009		
Other State Agencies												*
MAP Grant	N/A	2008-09	100,000	(35,623)	35,587			36	(20,775)	*	100,000	
Veterans Field House Construction	N/A	2006-07	100,000	(20,775)						*	20,775	
Veterans Field House Construction	N/A	2007-08	97,000							*		
Library Reading Park Construction	N/A	2008-09	50,000							*		
Technology Program	N/A	2008-09	93,530	(86,853)		6,677			(25,530)	*	93,530	
				(143,251)	35,587	6,677		36	(114,305)	*	214,305	
				275,392	968,752	1,706,369		(672,131)	1,134,356	*	8,989,617	
Total State Assistance												*
Other Financial Assistance:												*
Hudson County												*
State Library Computer Security Grant		2008-09	5,300	5,300					(5,300)	*		
Hudson County Improvement Authority		2008-09	27,500	500					(500)	*		
Paris Grant		2009	38,351	12,233		27,434			(15,201)	*	27,500	
Paris Grant		2009	37,500							*	38,351	
Hudson County Health - Office of the Aging		2008-09	40,000	(7,382)	22,144	14,762						
Justice Assistance		2006-07	15,315	(2,143)		13,172						
Hudson County - OEM State Homeland Security		2007-08	16,000	(14,400)	14,400							
Museum Grant		2008-09	4,979		5,000	4,979						
Open Space-LEED Improvements at Veteran's Field		2009	175,000									
Open Space-All Season Multipurpose Veteran's Field		2009	350,000									
Open Space-Brighton Avenue Playground		2009	200,000									
												*
Other Miscellaneous Local Assistance												*
Library-Bill Gates-Computers		2007-08	985	965					(965)	*	985	
Hackensack Meadowlands Development Corporation		2009	4,500	37,978	4,500	4,500			(37,978)	*		
Kearny Federal Planters Grant										*	4,500	
Total Other Financial Assistance												*
Total Federal and State Grant Fund:												*

TOWN OF KEARNY, N.Y.

Schedule of Expenditures of State Financial Accounts

Six Month Period Ended December 31, 2009

Note: See accompanying notes to schedules of expenditures of federal and state awards

TOWN OF KEARNY
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31,2009

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards present the activity of all federal and state financial assistance programs of the Town of Kearny, County of Hudson. The Town is defined in Note 1A to the Town's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards are presented using the modified accrual basis of accounting as prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Town's financial statements.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Current Fund	\$59,641	\$1,706,369	\$64,847	\$1,830,857
Community Development Grant Fund	359,010			359,010
General Capital Fund		410,047		410,047
	<u>\$418,651</u>	<u>\$2,116,416</u>	<u>\$64,847</u>	<u>\$2,599,914</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respect, with the amounts reported in the related federal and state financial reports. However, we noted certain differences which are reported in the accompanying schedule of findings of noncompliance and questioned costs.

NOTE 5. ADJUSTMENTS

Amounts reported in the accompanying schedules were adjusted to report the financial assistance awards as described in Note 2 Basis of Accounting.

TOWN OF KEARNY
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31,2009
(CONTINUED)

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Town's federal and state loans outstanding at December 31, 2009, which are not required to be reported on the schedule of expenditures of federal and state awards, are as follows:

<u>Loan Program</u>	<u>Total</u>
State of New Jersey Environmental Infrastructure	
Trust Loan Program	\$9,405,588
State of New Jersey Green Acres Bond Act	<u>776,987</u>
	<u>\$10,182,575</u>

TOWN OF KEARNY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31,2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

2. Material weakness(es) identified? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

State Awards Section

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Type of auditors' report on compliance for major programs: unqualified

Internal Control over compliance:

1. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

2. Material weakness(es) identified? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? _____ yes X no

Identification of major programs:

GMIS Number(s)

Name of State Program

2830-763-250120-50

Urban Enterprise Zone Program

066-1005-100-010

Chemical Bufferzone Protection Program

TOWN OF KEARNY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31,2009
(continued)

Section II - Schedule of Financial Statement Findings

None

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

None

STATUS OF PRIOR YEAR FINDINGS

None

TOWN OF KEARNY

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-3 states:

- a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to 25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

Effective July 1, 2005, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$21,000 and with a qualified purchasing agent the threshold may be up to \$29,000. On May 13, 2008, the Town increased the bid threshold to \$29,000 as allowed by law for having a qualified purchasing agent.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Town's Counsel's opinion should be sought before a commitment is made.

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

Elm Street Resurfacing	Water Meter Reading, Billing & Customer Service
Woodland Avenue Improvements	Manor Playground Improvements
Woodland Avenue Water Improvements	Custom Fire Pumper
Video Security Equipment for Various Parks	Tappan Playground Improvements
Water Meter Replacement	3/4 Ton 4-Wheel Drive Pickup with Plow

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 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. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 7, 2009 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, taxes are payable in quarterly installments on February 1, May 1, August 1 and November 1 of each year and installments become delinquent if not paid on or before these dates,

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

THEREFORE, BE IT RESOLVED that Mayor and Council authorize an interest charge of 8% per annum, upon delinquent installments of taxes and assessments; and

BE IT FURTHER RESOLVED, that the Mayor and Council authorize an interest charge of 18% per annum upon delinquent installments of taxes in excess of \$1,500.00 and an additional penalty of 6% on delinquencies in excess of \$10,000.00 at the end of the calendar year and,

BE IT FURTHER RESOLVED, that the Mayor and Council provide a grace period of 10 days, within which an installment of taxes or assessment may be received without an additional charge of interest; and

BE IT FURTHER RESOLVED, that any installment received after the expiration of the grace period shall bear interest from the due date,

BE IT FURTHER RESOLVED, that the rate of interest to be charged upon tax liens is hereby set at 18% per annum, and a copy of this resolution is to be filed with the Tax Collector - Treasurer and the Tax Assessor of the Town of Kearny.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 30, 2009 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on the last three periods of audit:

	<u>Number of Liens</u>
Six Month Period Ended	
December 31, 2009	17
Year Ended June 30, 2009	16
Year Ended June 30, 2008	13

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The results of the test, which was made as of December 31, 2009, is not yet known, but a separate report will be rendered if any irregularities were developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

OTHER COMMENTS

U.E.Z. Department

- 1.* Deposits are not being made in a timely manner.

Fixed Assets

- 1.* The inventory of General Fixed Assets were not updated for 2009 as required by Technical Accounting Directive 85-2, Accounting for Fixed Assets.

Finance/Treasurer

- 1.* The portion of employees' unemployment withholdings for state unemployment insurance that are to be retained by the Town are not being received and/or deposited into the Unemployment Trust Fund as required under the Benefit Reimbursement Method.
- 2.* The Current Fund account has outstanding checks over one year old being carried as reconciling items.
3. Transfers were made in December 2009 but were not approved by Mayor and Council until February 2010.

Municipal Court

- 1.* The reconciled cash bail per the bank account does not agree to the Bail on Account per the ATS/ACS systems.
- 2.* The court is carrying outstanding checks over one year old as reconciling items in the Regular Bank Account.

TOWN OF KEARNY

RECOMMENDATIONS

U.E.Z. Department

- 1.* That all deposits be made within 48 hours of receipt.

Fixed Assets

- 1.* The inventory of general fixed assets be updated and maintained on a current basis.

Finance/Treasurer

- 1.* The percentage portion of the employees' unemployment withholdings due to the Unemployment Trust Fund be recouped from the payroll service provider and deposited into the Unemployment Trust Fund.
- 2.* That the outstanding checks over one year old be reviewed and cancelled by resolution.
3. That transfers be approved by Mayor and Council prior to being posted to the budget.

Municipal Court

- 1.* That Bail on Account should agree to the reconciled cash in the Bail Account on a monthly basis.
- 2.* That stale dated checks should be investigated and cancelled by resolution if necessary.

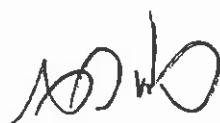
STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

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

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

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

Respectfully submitted,



Steven D. Wielkotz
Registered Municipal Accountant
No. CR00413



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

May 6, 2010