

**TOWN OF KEARNY**

**Financial Statements With  
Supplementary Information**

**December 31, 2012**

**(With Independent Auditors' Reports Thereon)**

**TOWN OF KEARNY**

**TABLE OF CONTENTS**

**PART I**

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1
	 <u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	5
A-1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	7
A-2	Statement of Revenues - Regulatory Basis	8
A-3	Statement of Expenditures - Regulatory Basis	11
	 <u>TRUST FUNDS</u>	
B	Comparative Balance Sheet - Regulatory Basis	18
B-1	Schedule of Fund Balance - Regulatory Basis	20
	 <u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	21
C-1	Statement of Changes in Fund Balance - Regulatory Basis	22
	 <u>WATER UTILITY FUND</u>	
D	Comparative Balance Sheet - Regulatory Basis	23
D-1	Statement of Operations and Changes in Fund Balance - Regulatory Basis	25
D-2	Schedule of Fund Balance - Regulatory Basis	26
D-3	Statement of Revenues - Regulatory Basis	27
D-4	Statement of Expenditures - Regulatory Basis	28
	 <u>PUBLIC ASSISTANCE TRUST FUND</u>	
E	Comparative Balance Sheets - Regulatory Basis	29
	 <u>PAYROLL ACCOUNT</u>	
F	Comparative Balance Sheet - Regulatory Basis	30
	 <u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
G	Statement of General Fixed Assets - Regulatory Basis	31
	Notes to Financial Statements	32
	Supplementary Data and Schedules	55

**TOWN OF KEARNY**

**TABLE OF CONTENTS**  
**(continued)**

<u>Exhibit</u>		<u>Page</u>
	<b><u>SUPPLEMENTARY SCHEDULES</u></b>	
	<b><u>CURRENT FUND</u></b>	
A-4	Cash Receipts and Disbursements - Treasurer	58
A-5	Schedule of Cash - Change Fund	59
A-6	Schedule of Cash - Petty Cash	59
A-7	Schedule of Amount Due from/(to) State of New Jersey for Senior Citizens' and Veterans' Deductions - Ch. 129 P.L. 1976	60
A-8	Schedule of Taxes Receivable and Analysis of Property Tax Levy	61
A-9	Schedule of Tax Title Liens Receivable	62
A-10	Schedule of Property Acquired for Taxes	62
A-11	Schedule of Revenue Accounts Receivable	63
A-12	Schedule of Grants Receivable	64
A-13	Schedule of Appropriation Reserves	66
A-14	Schedule of Reserve for Library Expenditures - State Aid	68
A-15	Schedule of Tax Overpayments	69
A-16	Schedule of Interfunds Due from/(to) Various Funds	70
A-17	Schedule of County Taxes Payable	71
A-18	Schedule of Local District School Taxes Payable	71
A-19	Schedule of Prepaid Taxes	72
A-20	Schedule of Due to State - DCA Fees	73
A-21	Schedule of Reserve for Due to Library	74
A-22	Schedule of Interfunds Due from/(to) Various Funds	75
A-23	Schedule of Appropriated Reserves for Grants	76
A-24	Schedule of Due from State of New Jersey - State Aid	78
A-25	Schedule of Reserve for Encumbrances	79
A-26	Schedule of Reserve for Urban Enterprise Zone	79
A-27	Schedule of Deferred Charges N.J.S.A. 40A:4-53, Special Emergency Authorization	80
A-28	Schedule of Special Emergency Notes Payable	81
A-29	Schedule of Tax Anticipation Notes	82
	<b><u>TRUST FUND</u></b>	
B-2	Schedule of Cash	83
B-3	Schedule of Assessments Receivable - Unpledged	84
B-4	Schedule of Assessments Liens Receivable - Unpledged	84
B-5	Schedule of Due to State of New Jersey	85
B-6	Schedule of Other Accounts Receivable	86
B-7	Schedule of Community Development Receivables	87
B-8	Schedule of Reserve for Animal Trust Fund Expenditures	88

## TOWN OF KEARNY

### TABLE OF CONTENTS (continued)

<u>Exhibit</u>		<u>Page</u>
	<b><u>TRUST FUND (continued)</u></b>	
B-9	Schedule of Reserves	89
B-10	Schedule of Reserve for Community Development Block Grants	90
B-11	Schedule of Reserve for Self-Insurance Trust Fund Expenditures	91
B-12	Schedule of Reserve for Urban Development Action Grant Trust Fund	92
B-13	Schedule of Reserve for Assessments and Liens	93
B-14	Schedule of Interfunds Due from/(to) Various Funds - Other Trust Fund	94
B-15	Schedule of Intrafunds Due from/to Various Trust Funds- Other Trust Fund	95
	<b><u>GENERAL CAPITAL FUND</u></b>	
C-2	Schedule of Cash	96
C-3	Analysis of Cash	97
C-4	Schedule of Grants Receivable	98
C-5	Schedule of Loans Receivable	99
C-6	Schedule of Deferred Charges to Future Taxation - Funded	100
C-7	Schedule of Deferred Charges to Future Taxation - Unfunded	101
C-8	Schedule of Interfund Due from/(to) Various Funds	102
C-9	Schedule of General Serial Bonds Payable	103
C-10	Schedule of New Jersey Wastewater Loan Payable	106
C-11	Schedule of Green Acres Trust Loans Payable	109
C-12	Schedule of Improvement Authorizations	113
C-13	Schedule of Reserve for Payment of Debt	114
C-14	Schedule of Capital Improvement Fund	115
C-15	Schedule of Bond Anticipation Notes Payable	116
C-16	Schedule of Bonds and Notes Authorized But Not Issued	117
	<b><u>WATER UTILITY FUND</u></b>	
D-5	Schedule of Cash - Treasurer	118
D-6	Analysis of Cash	119
D-7	Schedule of Consumers' Accounts Receivable - Operating Fund	120
D-8	Schedule of 2011 Appropriation Reserves	121
D-9	Schedule of Loans Receivable	122
D-10	Schedule of Interfunds Due from/(to) Various Funds - Water Utility Operating Fund	123
D-11	Schedule of Fixed Capital	124
D-12	Schedule of Fixed Capital Authorized and Uncompleted	125
D-13	Schedule of Accrued Interest on Bonds and Notes	126
D-14	Schedule of Improvement Authorizations	127

## **TOWN OF KEARNY**

### **TABLE OF CONTENTS** **(continued)**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	<b><u>WATER UTILITY FUND (continued)</u></b>	
D-15	Schedule of Capital Improvement Fund	128
D-16	Schedule of Reserve for Amortization	128
D-17	Schedule of Reserve for Payment of Debt, Ord. 2010-05	129
D-18	Schedule of Water Utility Serial Bonds	130
D-19	Schedule of New Jersey Wastewater Loan Payable	131
D-20	Schedule of Interfunds Due from/(to) Various Funds - Water Utility Capital Fund	135
D-21	Schedule of Bond Anticipation Notes Payable	136
D-22	Schedule of Bonds and Notes Authorized But Not Issued	137
	<b><u>PUBLIC ASSISTANCE TRUST FUND</u></b>	
E-1	Schedule of Cash	138
E-2	Schedule of Reserve for Public Assistance Expenditures	138

## **PART II**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	139
Independent Auditor's 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	141
Schedule of Expenditures of Federal Awards	144
Schedule of Expenditures of State Financial Assistance	146
Notes to the Schedules of Expenditures of Federal and State Awards	150
Schedule of Findings and Questioned Costs	152
General Comments	155
Other Comments	159
Recommendations	160
Status of Prior Year Audit Findings/Recommendations	162

# Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Town of Kearny in the County of Hudson, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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



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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Town of Kearny as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kearny's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

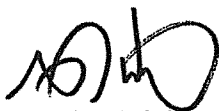
The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of federal financial awards and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

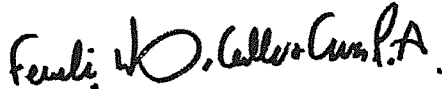


**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 on our consideration of the Town of Kearny's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kearny's internal control over financial reporting and compliance.



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



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

June 25, 2013

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Current Fund

December 31, 2012 and 2011

	<u>Assets</u>	<u>Ref.</u>	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
Regular Fund:				
Current Assets:				
Cash - Operating Accounts	A-4	\$	9,723,527	1,816,830
Cash - Change Fund	A-5		<u>800</u>	<u>800</u>
			9,724,327	1,817,630
Due from State of New Jersey per				
Ch. 129, P.L. 1976	A-7		2,931	3,931
State Aid	A-24		<u>6,608,247</u>	<u>6,464,263</u>
			6,611,178	6,468,194
			<u>16,335,505</u>	<u>8,285,824</u>
Receivables and Other Assets with Full Reserves:				
Delinquent Property Taxes	A-8		2,120,827	1,687,914
Tax Title Liens	A-9		5,880,630	5,621,975
Property Acquired for Taxes -				
Assessed Valuation	A-10		2,943,200	2,943,200
Revenue Accounts Receivable	A-11		73,335	71,031
Interfunds Receivable:				
Water Utility Capital Fund	A-16			86,985
Escrow Trust Fund	A-16		775	
TTL Premium Trust Fund	A-16		<u>14,000</u>	<u>567</u>
			11,032,767	10,411,672
Deferred Charges:				
Special Emergency Authorization	A-27		<u>1,100,000</u>	
			1,100,000	
			<u>28,468,272</u>	<u>18,697,496</u>
Federal and State Grant Fund:				
Cash - Operating Accounts	A-4		3,274,490	5,112,698
Grants Receivable	A-12		<u>3,191,893</u>	<u>5,052,083</u>
			6,466,383	10,164,781
		\$	<u>34,934,655</u>	<u>28,862,277</u>

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Current Fund

December 31, 2012 and 2011

	<u>Ref.</u>	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
Liabilities, Reserves and Fund Balance			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3/A-13 \$	314,100	206,710
Unencumbered	A-3/A-13	213,000	765,263
Reserve for:			
Maintenance of Free Public Library w/ State Aid	A-14	92,822	87,470
Tax Overpayments	A-15	148,484	136,034
Due to Library	A-21	300,044	216,622
County Taxes Payable	A-17	74,826	
Prepaid Taxes	A-19	353,338	355,155
Interfunds Payable	A-16	1,066	
Special Emergency Note Payable	A-28	1,100,000	
Tax Anticipation Note Payable	A-29	10,000,000	355,155
		<u>12,597,680</u>	<u>2,122,409</u>
Reserve for Receivables	Contra	11,032,767	10,411,672
Fund Balance	A-1	<u>4,837,825</u>	<u>6,518,570</u>
		<u>28,468,272</u>	<u>19,052,651</u>
Federal and State Grant Fund			
Reserve for:			
Encumbrances	A-27	792,950	2,357,666
Appropriated Grants	A-24	2,000,741	2,769,439
Urban Enterprise Zone	A-28	3,672,692	5,037,676
		<u>6,466,383</u>	<u>10,164,781</u>
	\$	<u>34,934,655</u>	<u>29,217,432</u>

See accompanying notes to financial statements.

## TOWN OF KEARNY, N.J.

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

## Current Fund

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and Other Income:		
Fund Balance Utilized	\$ 5,000,000	5,000,000
Miscellaneous Revenue Anticipated	31,307,934	32,672,316
Receipts from Delinquent Taxes	1,689,180	2,013,178
Receipts from Current Taxes	100,232,936	98,760,974
Non-Budget Revenue	1,115,583	482,167
Other Credits to Income:		
Grants Canceled	1,528,217	633,763
Prior Years Interfunds Returned	86,985	247,622
Cancellation of Reserves		1,500,000
Unexpended Balance of Appropriation Reserves	<u>338,788</u>	<u>912,824</u>
Total Revenues and Other Income	<u>141,299,623</u>	<u>142,222,844</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	31,306,000	29,774,783
Other Expenses	27,309,759	27,684,670
Municipal Debt Service	7,512,271	7,715,765
Deferred Charges	441,587	463,982
Statutory Expenditures	<u>7,024,367</u>	<u>7,936,578</u>
	<u>73,593,984</u>	<u>73,575,778</u>
Prior Year Tax Court Judgement Refunds		158,711
Grants Receivable Canceled	1,528,217	595,730
Prior Year Revenue Refunded	1,750	2,771
County Taxes	18,024,912	17,333,217
Local District School Tax	<u>45,931,505</u>	<u>46,002,380</u>
Total Expenditures	<u>139,080,368</u>	<u>137,668,587</u>
Excess (Deficit) Revenue Over Expenditures	2,219,255	4,554,257
Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are By Statute Deferred		
Charges to Budget of Succeeding Year	<u>1,100,000</u>	
Statutory Excess to Fund Balance	3,319,255	4,554,257
Fund Balance, January 1,	<u>6,518,570</u>	<u>6,964,313</u>
	9,837,825	11,518,570
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>5,000,000</u>	<u>5,000,000</u>
Fund Balance, December 31,	<u>\$ 4,837,825</u>	<u>6,518,570</u>

See accompanying notes to the financial statements.

## TOWN OF KEARNY, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 5,000,000	5,000,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	\$ 50,000	51,009	1,009
Other	89,000	87,726	(1,274)
Fees and Permits	156,000	159,433	3,433
Fines and Costs:			
Municipal Court	1,020,000	982,149	(37,851)
Interest and Costs on Taxes	373,000	407,923	34,923
Parking Meters	200,000	221,755	21,755
Interest on Investments and Deposits	6,000	60,167	54,167
Hackensack Meadowlands Development Corporation - Tax Sharing	3,863,000	3,863,134	134
Hartz Mountain Lease Agreement	122,000	122,736	736
Energy Receipts Tax	18,465,489	18,465,489	
Uniform Construction Code Fees	500,000	516,425	16,425
State and Federal Revenues Offset w/ Appropriations:			
KUEZ Barszcewski Street Road Improvement	68,000	68,000	
KUEZ Public Safety Project Yr. 4	263,180	263,180	
Kuez Sellers Street, Phase III	422,925	422,925	
FY 2013 KUEZ Administration 13-3	123,608	123,608	
KUEZ Business Development Revolving Loan Phase V	250,000	250,000	
KUEZ Clean Project Year 4	108,000	108,000	
2012 Municipal Alliance	42,197	42,197	
2011 Over the Limit Under Arrest	5,000	5,000	
FY'10 Port Security Grant (Fire Boat)	344,653	344,653	
2012 Clean Communities Grant	44,340	44,340	
2012 Office on Aging Grant	50,000	50,000	
Hazardous Discharge Site Remediation Fund	47,258	47,258	
FY'11 Emergency Management Assistance	10,000	10,000	
2012 Justice Assistance Grant	10,191	10,191	
2012 Drive Sober or Get Pulled Over	4,400	4,400	
2010 Recycling Tonnage Grant	64,428	64,428	
2012 Body Armor Replacement Fund	9,519	9,519	

**TOWN OF KEARNY, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Other Special Items:			
Uniform Fire Safety Act	118,000	103,221	(14,779)
Kearny Municipal Utilities Authority Sludge Removal	860,000	860,000	
Franchise Feds - Comcast & Verizon	337,000	337,111	111
Recycling Revenue	225,000	199,247	(25,753)
Police Private Duty Fees	99,000	119,710	20,710
PVSC User Fees	43,000	10,420	(32,580)
Clean Earth	68,000	38,454	(29,546)
General Capital Surplus	460,000	460,000	
Reserve for Payment of Debt	1,269,000	1,269,560	560
New Jersey Meadowlands Lease Agreements	925,000	1,034,607	109,607
PILOT Payments	64,000	69,959	5,959
Total Miscellaneous Revenues	31,180,188	31,307,934	127,746
Receipts from Delinquent Taxes	<u>1,500,000</u>	<u>1,689,180</u>	<u>189,180</u>
Subtotal General Revenues	<u>37,680,188</u>	<u>37,997,114</u>	<u>316,926</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>38,285,444</u>	<u>38,776,519</u>	<u>491,075</u>
Budget Totals	75,965,632	76,773,633	808,001
Non-Budget Revenue	<u>                    </u>	<u>1,115,583</u>	<u>1,115,583</u>
	<u>\$ 75,965,632</u>	<u>77,889,216</u>	<u>1,923,584</u>
Adopted Budget	74,602,123		
Added by N.J.S.A. 40A:4-87	<u>1,363,509</u>		
	<u>\$ 75,965,632</u>		

**TOWN OF KEARNY, N.J.**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**Year Ended December 31, 2012**

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 100,232,936
Allocated to County of Hudson	\$ 18,024,912
Local School District	<u>45,931,505</u>
	<u>63,956,417</u>
Balance for Support of Municipal Budget Appropriations	36,276,519
Add : Appropriation - Reserve for Uncollected Taxes	<u>2,500,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 38,776,519</u>
Receipts from Delinquent Taxes:	
Delinquent Taxes	1,659,085
Tax Title Liens	<u>30,095</u>
	<u>\$ 1,689,180</u>

Analysis of Non-budget Revenues

Miscellaneous Revenue Not Anticipated

County and State Reimbursements	\$ 214,915
Landfill Closure Fund	351,031
Health Services	15,000
Medical and Dental Reimbursements	231,329
Access Agreement - Occidental Chemical	25,500
Response Calls - NJ Turnpike Authority	2,680
Auction and Sale of Assets	10,592
Motor Vehicle Inspection Fines	801
Insurance and Worker's Comp Reimbursement	177,811
Rentals and Lease	1,820
NSF Bounced Check Fees	215
Tax Sale Costs	5,848
SC/Vet Deductions - Administrative Fees	5,115
Marriage and Civil Union Ceremony Fees	3,225
Premium on Tax and Emergency Notes	59,366
Unclaimed Bail	3,852
Premium on Redeemed Tax Liens	5,100
Miscellaneous and Other	<u>1,383</u>
	<u>\$ 1,115,583</u>

See accompanying notes to the financial statements.

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administration:					
Salaries and Wages	\$ 116,600	117,600	117,226	374	
Other Expenses	60,000	46,000	45,399	601	
Mayor and Council					
Salaries and Wages	106,600	108,100	107,868	232	
Other Expenses	5,000	4,500	4,245	255	
Town Clerk					
Salaries and Wages	188,400	186,900	186,702	198	
Other Expenses	25,000	25,000	24,985	15	
Elections:					
Salaries and Wages	5,000	5,000	4,599	401	
Other Expenses	30,000	28,500	28,125	375	
Legal:					
Other Expenses	650,000	657,000	654,959	2,041	
Salaries and Wages					
Other Expenses	50,000	45,000	44,275	725	
Auditor:					
Other Expenses	88,500	74,500	74,500		
Engineering:					
Other Expenses	85,000	127,000	126,794	206	
Public and Industrial Development:					
Other Expenses	3,230	230	145	85	
Insurance:					
Life Insurance for Employees	57,500	54,500	54,204	296	
Employee Hospitalization	10,500,000	10,460,000	10,374,993	85,007	
Other Insurance	32,500	28,500	27,625	875	
Dedicated Insurance Fund	1,260,000	1,272,500	1,272,196	304	
Municipal Court					
Salaries and Wages	415,500	407,000	406,577	423	
Other Expenses	40,000	28,000	27,479	521	



## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public Defender:					
Salaries and Wages	30,000	30,000	29,379	621	
Financial Administration:					
Treasurer:					
Salaries and Wages	329,200	326,700	326,510	190	
Other Expenses	175,000	232,000	231,384	616	
Assessment of Taxes:					
Salaries and Wages	142,100	141,100	140,990	110	
Other Expenses	65,000	59,000	58,555	445	
Collection of Taxes:					
Salaries and Wages	107,500	108,500	108,365	135	
Other Expenses	25,000	14,000	12,868	1,132	
Public Safety:					
Police:					
Salaries and Wages	14,665,000	15,370,000	15,187,791	209	182,000
Other Expenses	350,000	360,000	357,720	2,280	
Uniform Fire Safety Act: (P.L. 1983 Chap. 383)					
Fire:					
Salaries and Wages	10,350,000	10,745,000	10,726,649	351	18,000
Other Expenses	175,000	217,000	212,905	4,095	
Fire Prevention					
Salaries and Wages	133,000	123,000	122,948	52	
Health and Welfare					
Board of Health					
Salaries and Wages	450,800	450,800	363,207	93	87,500
Other Expenses	60,000	42,500	42,500		
Intercountry Council on Drugs	6,000	6,000		6,000	
Board of Health-Contractual agreement	80,000	75,500	75,271	229	
Meals on Wheels Program					
Other Expenses	350,000	34,000	33,716	284	
Animal License					
Other Expenses	75,000	75,000	75,000		

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

Current Fund					
Year Ended December 31, 2012					
	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Shelter Workshop for Handicapped					
Other Expenses	22,000	22,000	22,000		
Department of Public Works					
Streets and Roads:					
Salaries and Wages	1,380,200	1,370,200	1,268,383	1,817	100,000
Other Expenses	400,000	400,000	386,242	13,758	
Shade Tree:					
Salaries and Wages	611,900	597,900	597,112	788	
Other Expenses	200,000	325,000	312,747	12,253	
Public Buildings and Grounds:					
Salaries and Wages	208,700	175,700	175,288	412	
Other Expenses	400,000	455,000	448,458	6,542	
Vehicle Maintenance:					
Salaries and Wages	216,400	212,400	212,148	252	
Other Expenses	175,000	175,000	169,967	5,033	
Recreation and Parks:					
Recreation:					
Unified Recreation Committee	192,200	184,700	184,232	468	
Other Expenses	60,000	50,000	49,996	4	
Parks and Playgrounds:					
Other Expenses:	45,000	45,000	43,748	1,252	
Celebration of Public Events:					
Other Expenses:	35,000	36,500	36,408	92	
Senior Citizen Center					
Salaries and Wages	167,500	168,000	167,577	423	
Other Expenses	15,000	12,000	11,776	224	
Construction Code Enforcement					
Salaries and Wages	552,100	560,600	560,403	197	
Other Expenses	50,000	38,000	36,499	1,501	
Zoning Commission					
Salaries and Wages	3,000	3,000	3,000		
Other Expenses	15,000	18,000	14,218	3,782	

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Board of Appeals					
Salaries and Wages	1,000				
Other Expenses	2,500	500	94	406	
Planning Board					
Salaries and Wages	3,000	3,500	3,401	99	
Other Expenses	15,000	27,000	25,160	1,840	
Parking Lot Lease Payment	55,000	53,000	52,696	304	
Management Information					
Salaries and Wages	92,300	47,800	47,764	36	
Other Expenses	100,000	115,000	110,876	4,124	
Unclassified:					
Electricity and Gas	500,000	500,000	373,989	26,011	100,000
Street Lighting	700,000	670,000	667,789	2,211	
Communications	300,000	295,000	289,703	5,297	
Gasoline	350,000	342,500	342,071	429	
Postage	50,000	41,500	41,415	85	
North Hudson Community Action Council	10,000	10,000	10,000		
Rental of Pumps	10,000	10,000	3,769	6,231	
Landfill and Solid Waste Disposal Costs					
Garbage and Trash Removal:					
Contractual	1,250,000	1,250,000	1,250,000		
Bailer Fees	1,800,000	1,778,000	1,772,190	5,810	
Total Operations within "CAPS"	51,275,230	52,078,730	51,379,773	211,457	487,500
B. Contingent	2,000	2,000			2,000
Total Operations Including Contingent-within "CAPS"	51,277,230	52,080,730	51,379,773	211,457	489,500
Detail:					
Salaries & Wages	30,468,000	31,443,500	31,048,119	7,881	387,500
Other Expenses (Including Contingent)	20,809,230	20,637,230	20,331,654	203,576	102,000

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

Current Fund					
Year Ended December 31, 2012					
	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"					
Deferred Charges					
Anticipated Deficit in Water Utility Budget	665,000	665,000	441,587		223,413
Statutory Expenditures					
Contribution to:					
Public Employees' Retirement System	906,325	906,325	835,783		70,542
Social Security System (O.A.S.I.)	825,000	825,000	810,039		14,961
Consolidated Police and Firemen's Pension	125,000	125,000	123,475		1,525
Police and Firemen's Retirement System	5,084,365	5,109,365	5,109,070		295
Unemployment Insurance	190,000	146,000	145,726	274	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	7,795,690	7,776,690	7,465,680	274	310,736
Total General Appropriations for Municipal Purposes within "CAPS"	59,072,920	59,857,420	58,845,453	211,731	800,236
Maintenance of Free Public Library (Ch. 82 & 541, P.L. 1985)	1,130,800	1,130,800	1,129,531	1,269	
Passaic Valley Sewer Commission: Share of Costs	4,026,300	4,026,300	4,026,030		270
Total Other Operations - Excluded from "CAPS"	5,157,100	5,157,100	5,155,561	1,269	270
Public and Private Programs Offset by Revenues					
Over the Limit Under Arrest (1)	5,000	5,000	5,000		
Clean Communities	44,340	44,340	44,340		
Municipal Alliance	42,197	42,197	42,197		
Port Security Grant - Fire	344,653	344,653	344,653		
UEZ - Barszcewski Street	68,000	68,000	68,000		
Hazardous Discharge Site Remediation	47,258	47,258	47,258		
Public and Private Programs Offset					

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
by Revenues (Cont....)					
Office of Aging Grant	50,000	50,000	50,000		
Emergency Management Assistance Grant	10,000	10,000	10,000		
Justice Assistance Grant	10,191	10,191	10,191		
Drive Sober or Get Pulled Over Grant	4,400	4,400	4,400		
Body Armor Grant	9,519	9,519	9,519		
Recycling Tonnage Grant	64,428	64,428	64,428		
UEZ FY-2013 Administrative Budget	123,608	123,608	123,608		
UEZ Sellers Street Phase III Improvement	422,925	422,925	422,925		
UEZ Business Develop. Revolving Loan Grant	250,000	250,000	250,000		
UEZ Clean Project Year 4	108,000	108,000	108,000		
UEZ Public Safety Project Year 4	263,180	263,180	263,180		
Total Public and Private Programs Offset by Revenues	<u>1,867,699</u>	<u>1,867,699</u>	<u>1,867,699</u>		
Total Operations-Excluded from "CAPS"	<u>7,024,799</u>	<u>7,024,799</u>	<u>7,023,260</u>	<u>1,269</u>	<u>270</u>
Detail:					
Salaries and Wages	250,000	250,000	250,000		
Other Expenses	6,774,799	6,774,799	6,773,260	1,269	270
Municipal Debt Service - Excluded from "CAPS"					
Green Trust Loan Program	57,467	57,967	57,918		49
Loan Repayments for Principal and Interest					
N.J. Wastewater Treatment Trust	725,282	725,282	709,790		15,492
Loan Repayments for Principal and Interest	5,270,000	5,270,000	5,270,000		
Payment of Bond Principal	1,563,601	1,563,601	1,408,001		155,600
Interest on Bonds	66,563	66,563	66,562		1
Interest on Notes					
Total Municipal Debt Service-Excluded from "CAPS"	<u>7,682,913</u>	<u>7,683,413</u>	<u>7,512,271</u>		<u>171,142</u>
Total General Appropriations for					

## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Municipal Purposes Excluded from "CAPS"	14,707,712	14,708,212	14,535,531	1,269	171,412
Subtotal General Appropriations	73,780,632	74,565,632	73,380,984	213,000	971,648
Reserve for Uncollected Taxes	2,500,000	2,500,000	2,500,000		
Total General Appropriations	\$ 76,280,632	77,065,632	75,880,984	213,000	971,648
Adopted Budget		74,602,123			
Emergency Appropriations		1,100,000			
Added by N.J.S.A. 40A:4-87		1,363,509			
		\$ 77,065,632			
Reserve for Uncollected Taxes			2,500,000		
Grants			1,867,699		
Encumbrances			314,100		
Cash			71,199,185		
			\$ 75,880,984		

See accompanying notes to the financial statements.

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2012 and December 31, 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Assessment Trust Fund:			
Assessment Receivable - Unpledged	B-3	\$	1,136
Assessment Liens Receivable - Unpledged	B-4		292
			<u>1,428</u>
Animal Trust Fund:			
Cash	B-2	<u>12,336</u>	<u>1,150</u>
		<u>12,336</u>	<u>1,150</u>
Other Trust Funds:			
Cash	B-2	2,779,695	3,116,480
Other Accounts Receivable	B-6		47,443
Intrafund Accounts Receivable			
Due from Escrow Trust Fund	B-15	216,871	216,871
Interfund Accounts Receivable		<u>1,066</u>	
		<u>2,997,632</u>	<u>3,380,794</u>
Community Development Trust Fund:			
Community Development Grants Receivable	B-7	<u>737,119</u>	<u>931,443</u>
		<u>737,119</u>	<u>931,443</u>
Self-Insurance Trust Fund:			
Cash	B-2		<u>127,291</u>
			<u>127,291</u>
Urban Development Action Grant Trust Fund:			
Cash	B-2	1,018,382	904,992
Intrafund Accounts Receivable:			
Community Development Trust Fund	B-15	<u>15,510</u>	<u>128,900</u>
		<u>1,033,892</u>	<u>1,033,892</u>
		<u>\$ 4,780,979</u>	<u>5,475,998</u>

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2012 and December 31, 2011

<u>Liabilities, Reserves &amp; Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Assessment Trust Fund:			
Reserve for Assessments and Liens	B-13	\$	1,334
Fund Balance	B-1		94
			<u>1,428</u>
Animal Trust Fund:			
Due to State of New Jersey	B-5	6	6
Reserve for Animal Control Expenditures	B-8	<u>12,330</u>	<u>1,144</u>
		<u>12,336</u>	<u>1,150</u>
Other Trust Fund:			
Reserves for:			
Other Expenditures	B-9	2,765,986	3,163,356
Interfunds Accounts Payable:			
Due to Current Fund	B-14	14,775	567
Intrafund Accounts Payable:			
Due to Affordable Housing Trust Fund	B-15	98,357	98,357
Due to Other Trust Fund	B-15	<u>118,514</u>	<u>118,514</u>
		<u>2,997,632</u>	<u>3,380,794</u>
Community Development Trust Fund:			
Intrafund Accounts Payable:			
Due to Urban Development Action Grant Trust Fund	B-15	15,510	128,900
Reserve for Community Development Block Grants	B-10	<u>721,609</u>	<u>802,543</u>
		<u>737,119</u>	<u>931,443</u>
Self-Insurance Trust Fund:			
Reserve for Self-Insurance	B-11		<u>127,291</u>
Urban Development Action Grant Trust Fund:			
Reserve for Urban Development Action Grants	B-12	<u>1,033,892</u>	<u>1,033,892</u>
		<u>\$ 4,780,979</u>	<u>5,475,998</u>

See accompanying notes to financial statements.



**TOWN OF KEARNY, N.J.**

**Schedule of Fund Balance-Regulatory Basis**

**Assessment Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011	\$ <u>94</u>
-----------------------------	--------------

Decreased by:

Cancelled by resolution	\$ <u><u>94</u></u>
-------------------------	---------------------

See accompanying notes to financial statements.

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31, 2012 and 2011

	<u>Ref.</u>	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
<u>Assets</u>			
Cash - Checking Accounts	C-2/C-3	\$ 1,274,822	662
Accounts Receivable:			
Department of Transportation Grants	C-4	705,337	414,237
Green Acres Grants	C-4	500,000	1,509,500
Loans Receivable:			
Environmental Infrastructure Loans	C-5	858,918	858,918
Deferred Charges to Future Taxation:			
Funded	C-6	41,526,863	46,822,717
Unfunded	C-7	<u>12,427,477</u>	<u>8,828,977</u>
		\$ <u>57,293,417</u>	<u>58,435,011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-9	32,665,000	37,935,000
Bond Anticipation Notes Payable	C-15	9,550,000	5,325,000
New Jersey Wastewater Loan Payable	C-10	7,599,875	8,205,777
Green Acres Trust Loan Payable	C-11	1,261,988	681,940
Improvement Authorizations:			
Funded	C-12	347,284	234,728
Unfunded	C-12	5,579,516	3,434,763
Interfund Payable - Water Utility Capital Fund	C-8		700,000
Capital Improvement Fund	C-14	5,947	180,947
Schedule of Reserves	C-13	254,205	1,273,764
Fund Balance	C-1	<u>29,602</u>	<u>463,092</u>
		\$ <u>57,293,417</u>	<u>58,435,011</u>

There were \$2,877,477 and \$3,503,977 of Bonds and Notes Authorized but Not Issued on December 31, 2012 and December 31, 2011 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

Year Ended December 31, 2012

Balance, December 31, 2011	\$	463,092
Increased by:		
Bond Anticipation Note Premium		<u>26,510</u>
		489,602
Decreased by Disbursements:		
Appropriated as Budget Revenue		<u>460,000</u>
Balance, December 31, 2012	\$	<u><u>29,602</u></u>

See accompanying notes to the financial statements.

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Water Utility Fund

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 265,583	159,068
Deficit in Operations	D-1		130,015
		<u>265,583</u>	<u>289,083</u>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-7	<u>953,113</u>	<u>1,256,893</u>
		<u>953,113</u>	<u>1,256,893</u>
Total Water Utility Operating Fund		<u>1,218,696</u>	<u>1,545,976</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	2,002,074	1,249,938
Loans Receivable			
Environmental Infrastructure Loans	D-9	1,384,240	568,628
Due from General Capital Fund	D-20		700,000
Fixed Capital	D-11	24,651,385	23,651,385
Fixed Capital Authorized and Uncompleted	D-12	<u>7,000,000</u>	<u>6,500,000</u>
Total Capital Fund		<u>35,037,699</u>	<u>32,669,951</u>
		<u>\$ 36,256,395</u>	<u>34,215,927</u>

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Water Utility Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-8	96,783	
Reserve for Encumbrances	D-4	6,862	40,624
Interfund Accounts Payable:			
Due to Current Fund	D-10		86,985
Accrued Interest on Bonds and Notes	D-13	<u>161,938</u>	<u>161,474</u>
		265,583	289,083
Reserve for Receivables	Contra	953,113	1,256,893
Fund Balance	D-1	<u>          </u>	<u>          </u>
Total Water Utility Operating Fund		<u>1,218,696</u>	<u>1,545,976</u>
Capital Fund:			
Bond Anticipation Notes Payable	D-21	6,800,000	5,300,000
Serial Bonds Payable	D-18	6,498,000	6,798,000
NJ Environmental Infrastructure Loan Payable	D-19	2,175,248	1,366,275
Improvement authorization:			
Funded	D-14	557,667	559,274
Unfunded	D-14	2,802,503	2,790,529
Capital Improvement Fund	D-15	57,750	57,750
Reserve for:			
Amortization	D-16	15,833,944	15,462,485
Payment of Debt, Ord. 2010-5	D-17	293,859	240,000
Fund Balance	D-2	<u>18,728</u>	<u>95,638</u>
Total Capital Fund		<u>35,037,699</u>	<u>32,669,951</u>
		<u>\$ 36,256,395</u>	<u>34,215,927</u>

There were \$344,193 and \$1,224,625 of Bonds and Notes Authorized But Not Issued on December 31, 2012 and December 31, 2011 respectively (Exhibit D-22).

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

Year Ended December 31, 2012 and

	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
Revenue and other income:		
Operating Surplus Anticipated	\$	142,531
Water rents	5,086,605	4,865,129
Water bulk - Nutley & Cedar Grove	479,758	488,013
Water Capital Surplus	95,638	18,294
Deficit (General Budget)	441,587	463,982
Miscellaneous Revenue	7,050	440
Unexpended balance appropriation reserve	<u>3,000</u>	
Total revenue and other income	<u>6,113,638</u>	<u>5,978,389</u>
Expenditures:		
Operating	5,202,000	5,064,090
Debt service	731,469	784,376
Deferred charges and statutory expenditures	50,154	129,923
Deficit in Operations in Prior Years	130,015	43,030
Interfund Advanced	<u></u>	<u>86,985</u>
Total expenditures	<u>6,113,638</u>	<u>6,108,404</u>
Operating Deficit to be Raised in Budget of Succeeding Year	<u></u>	<u>(130,015)</u>
Fund balance, January 1	<u></u>	<u>142,531</u>
		142,531
Decreased by utilization by water operating budget	<u></u>	<u>142,531</u>
Balance, December 31	\$ <u></u>	<u></u>

See accompanying notes to financial statements.

**TOWN OF KEARNY, N.J.**

**Schedule of Fund Balance - Regulatory Basis**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$	95,638
Increased by:		
Premium on Bond Anticipation Notes		<u>18,728</u>
		114,366
Decreased by:		
Utilized as Budget Revenue - Operating Fund		<u>95,638</u>
Balance, December 31, 2012	\$	<u><u>18,728</u></u>

See accompanying notes to financial statements.

## TOWN OF KEARNY, N.J.

## Statement of Revenues - Regulatory Basis

## Water Utility Operating Fund

Year Ended December 31, 2012

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Rents	\$ 4,865,000	5,086,605	221,605
Water Bulk Sales - Nutley & Cedar Grove	488,000	479,758	(8,242)
Utility Capital Surplus	95,638	95,638	
Miscellaneous		7,050	7,050
Deficit (General Budget)	<u>665,000</u>	<u>441,587</u>	<u>(223,413)</u>
	<u>\$ 6,113,638</u>	<u>6,110,638</u>	<u>(3,000)</u>

Analysis of Realized Revenue

Rents	\$ 5,086,605
Water Bulk Sales - Nutley & Cedar Grove	479,758
Utility Capital Surplus	95,638
Miscellaneous	7,050
Deficit (General Budget)	<u>441,587</u>
	<u>6,110,638</u>

Analysis of Miscellaneous Revenue Not Anticipated

Stand Pipe Permit	225
Hydrant Permit	190
Recycling Scrap Metal	1,220
Meter Charge	1,015
Connection Fee	<u>4,400</u>
	<u>\$ 7,050</u>

See accompanying notes to financial statements.



## TOWN OF KEARNY, N.J.

## Statement of Expenditures - Regulatory Basis

## Water Utility Operating Fund

Twelve Month Period Ended December 31, 2012

	<u>Appropriations</u>			
	<u>Budget</u>	<u>Budget after modification</u>	<u>Paid or charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 630,000	630,000	624,724	5,276
Other Expenses	750,000	750,000	661,681	88,319
North Jersey Water District Supply	<u>3,822,000</u>	<u>3,822,000</u>	<u>3,821,289</u>	<u>711</u>
Total Operating	<u>5,202,000</u>	<u>5,202,000</u>	<u>5,107,694</u>	<u>94,306</u>
Debt Service:				
General Serial Bonds:				
Payment of Principal	300,000	300,000	300,000	
Interest on Bonds	272,052	272,052	272,052	
Interest on Notes	67,125	67,125	67,125	
NJEIT Loans	<u>92,292</u>	<u>92,292</u>	<u>92,292</u>	
	<u>731,469</u>	<u>731,469</u>	<u>731,469</u>	
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Social Security	<u>50,154</u>	<u>50,154</u>	<u>47,677</u>	<u>2,477</u>
Total Deferred Charges and Statutory Expenditures	<u>50,154</u>	<u>50,154</u>	<u>47,677</u>	<u>2,477</u>
Deficit in Operations in Prior Years	<u>130,015</u>	<u>130,015</u>	<u>130,015</u>	
	<u>\$ 6,113,638</u>	<u>6,113,638</u>	<u>6,016,855</u>	<u>96,783</u>

Cash Disbursed \$	5,519,969
Accrued Interest on Bonds and Notes	360,009
Encumbrances	6,862
Deficit in Operations	<u>130,015</u>
	<u>\$ 6,016,855</u>

See accompanying notes to financial statements.

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheets-Regulatory Basis

## Public Assistance Trust Fund

December 31, 2012 and 2011

	<u>Ref.</u>	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
<u>Assets</u>			
<u>Goodwill Account</u>			
Cash	E-1	\$ <u>27,650</u>	<u>27,650</u>
		\$ <u>27,650</u>	<u>27,650</u>
<u>Liabilities</u>			
<u>Goodwill Account</u>			
Reserve for Public Assistance Expenditures	E-2	\$ <u>27,650</u>	<u>27,650</u>
		\$ <u>27,650</u>	<u>27,650</u>

See accompanying notes to the financial statements.

## TOWN OF KEARNY, N.J.

## Comparative Balance Sheets-Regulatory Basis

## Payroll Account

December 31, 2012 and 2011

	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
<u>Assets</u>		
Cash	\$ <u>315,060</u>	<u>512,512</u>
	\$ <u><u>315,060</u></u>	<u><u>512,512</u></u>
<u>Liabilities</u>		
Withholdings Payable	\$ 312,287	509,739
Reserve for Net Payroll	<u>2,773</u>	<u>2,778</u>
	\$ <u><u>315,060</u></u>	<u><u>512,517</u></u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2012 and 2011

	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
General Fixed Assets:		
Land	\$ 55,925,900	55,925,900
Buildings	7,906,400	7,906,400
Machinery and equipment	<u>10,867,510</u>	<u>11,745,985</u>
	<u>74,699,810</u>	<u>75,578,285</u>
Investment in General Fixed Assets	\$ <u>74,699,810</u>	<u>75,578,285</u>

See accompanying notes to financial statements.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**

**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**  
**Years Ended December 31, 2012 and 2011**  
**(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. The Town transferred administration of the assistance program to the Hudson County Board of Social Services.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(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

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

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

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

**Basis of Accounting, (continued)**

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.

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**  
**Years Ended December 31, 2012 and 2011**  
**(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 year ended December 31, 2012, the governing body approved additional revenues and appropriations of \$1,363,509 in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body. The Mayor and Council also approved \$1,100,000 of special emergency appropriations for accumulated sick and vacation payments.

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.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

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

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

**Basis of Accounting, (continued)**

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.

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.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

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

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

**Basis of Accounting, (continued)**

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.

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.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**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, 2012, \$-0- of the Town's bank balance of \$22,859,050 was exposed to custodial credit risk.

**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.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT**

Long-term debt as of December 31, 2012 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
General Obligation Debt	\$37,935,000	\$	\$5,270,000	\$32,665,000	\$5,531,000
Water Utility Obligation Debt	<u>6,798,000</u>	<u>          </u>	<u>300,000</u>	<u>6,498,000</u>	<u>325,000</u>
Total Bonds Payable	<u>44,733,000</u>	<u>0</u>	<u>5,570,000</u>	<u>39,163,000</u>	<u>5,856,000</u>
Other Liabilities:					
New Jersey Wastewater Loans - Current	8,205,777		605,902	7,599,875	618,546
New Jersey Wastewater Loans - Water	1,366,275	880,433	71,460	2,175,248	116,568
Green Acres Trust Loans	681,940	626,500	46,452	1,261,988	62,222
Compensated Absences Payable	<u>6,654,077</u>	<u>963,980</u>	<u>1,227,690</u>	<u>6,390,367</u>	<u>          </u>
Total Other Liabilities	<u>16,908,069</u>	<u>2,470,913</u>	<u>1,951,504</u>	<u>17,427,478</u>	<u>797,336</u>
	<u>\$61,641,069</u>	<u>\$2,470,913</u>	<u>\$7,521,504</u>	<u>\$56,590,478</u>	<u>\$6,653,336</u>

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:

	<u>Year Ended Dec. 31, 2012</u>	<u>Year Ended Dec. 31, 2011</u>	<u>Year Ended Dec. 31, 2010</u>
Issued:			
General Bonds, Notes and Loans	\$51,076,863	\$52,147,717	\$55,798,728
Municipal Utility Authority*	16,937,495	17,619,671	
Water Utility Bonds, Notes and Loans	<u>15,473,248</u>	<u>13,464,275</u>	<u>12,810,735</u>
Net Debt Issued	<u>83,487,606</u>	<u>83,231,663</u>	<u>68,609,463</u>
Authorized But Not Issued:			
General Bonds and Notes	2,877,477	3,503,977	3,663,977
Water Utility Bonds and Notes	<u>344,193</u>	<u>1,224,625</u>	<u>1,224,625</u>
Total Authorized But Not Issued	<u>3,221,670</u>	<u>4,728,602</u>	<u>4,888,602</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$86,709,276</u>	<u>\$87,960,265</u>	<u>\$73,498,065</u>

\* Guaranteed by the Town of Kearny

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

**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 1.505%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$12,120,000	\$12,120,000	\$0
General Debt	70,891,835	19,527,700	51,364,135
Utility Debt	<u>15,817,440</u>	<u>15,817,440</u>	<u>0</u>
	<u>\$98,829,275</u>	<u>\$47,465,140</u>	<u>\$51,364,135</u>

Net Debt \$51,364,135 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$3,411,303,063 equals 1.505%.

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

3 ½% of equalized valuation basis (municipal)	\$119,395,607
Net Debt	<u>51,364,135</u>
Remaining borrowing power	<u>\$68,031,472</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		\$6,110,638
Deductions:		
Operating and Maintenance Cost	\$5,252,154	
Debt Service per Water Utility	<u>731,469</u>	
Total Deductions		<u>5,983,623</u>
Excess in Revenue		<u>\$127,015</u>

The Water Utility is Self-Liquidating

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

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

The Town's long term debt consisted of the following at December 31, 2012:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds - Paid by Current Fund</u>	
\$14,140,000 Refunding Bonds - with an interest rate from 2.00% to 4.25% issued January 15, 2003 through January 15, 2016	\$525,000
\$8,875,000 Pension Refunding Bonds (Taxable) - with an interest rate of 3.28% to 5.92% issued January 15, 2003 through February 1, 2021	5,395,000
\$7,480,000 Refunding Bonds - with an interest rate from 4.5% to 5.00% issued February 1, 2007, due through February 1, 2016	4,165,000
\$8,875,000 Refunding Bonds (Taxable) - with an interest rate from 4.98% to 5.16% issued February 1, 2007, due through February 1, 2016	3,480,000
\$10,305,000 General Improvement Bonds - with an interest rate from 3.50% to 4.00% issued January 15, 2008, due through January 15, 2021	10,145,000
\$7,915,000 Refunding Bonds, Series 2011 - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	7,880,000
\$1,080,000 Fiscal Year Adjustment Refunding Bonds Series 2011 - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	<u>1,075,000</u>
	<u>\$32,665,000</u>
<u>Green Acres Loan - Paid by Current Fund</u>	
The Town has six outstanding loan agreements with New Jersey Green Acres Bond Act of 1983 for the Harvey Field Project, the Riverbank Park Project, the Gunnel Oval Skateboard Park Project, the Bell Playground Project, the Waterfront Acquisition Project, and the Harvey Field Soccer Improvement Project.	
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	
	\$132,260
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	
	159,001
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	
	230,430
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	
	113,797
The 2012 Waterfront Acquisition Project award is at a rate of 2% in the amount of \$191,500 with semi-annual loan payments of various amounts made on February 17 and August 17 through February 17, 2032	
	191,500
The 2012 Harvey Field Soccer Improvements Project award is at a rate of 2% in the amount of \$435,000 with semi-annual loan payments of various amounts made on January 9, August 28 and February 28 through August 28, 2032	
	<u>435,000</u>
	<u>\$1,261,988</u>

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

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

**Wastewater Treatment Loans - Paid by Current Fund**

The Town has outstanding three loan agreements with the New Jersey Environmental Infrastructure Trust for financing relating to improvement to the Wastewater Treatment Plants.

	<u>Amount Outstanding</u>
\$1,575,000 Trust Bonds Series 1998A - Trust Share - with an interest rate of 4.0%-4.5% issued November 1, 1998, due through August 1, 2018	\$645,000
\$1,025,000 Trust Bonds Series 1998A - Fund Share - at a zero rate of interest issued November 1, 1998, due through August 1, 2018	485,432
\$1,255,000 Trust Bonds Series 2004A - Trust Share - with an interest rate of 3.0%-5.0% issued November 4, 2004, due through August 1, 2024	745,000
\$1,507,371 Trust Bonds Series 2004A - Fund Share - at a zero rate of interest issued November 4, 2004, due through August 1, 2024	1,874,918
\$3,047,070 Trust Bonds Series 2007A - Trust Share - with an interest rate of 3.4%-5.0% issued November 8, 2007, due through August 1, 2027	1,065,000
\$3,623,250 Trust Bonds Series 2007A - Fund Share - at a zero rate of interest issued November 8, 2007, due through August 1, 2027	<u>2,784,525</u>
	<u>\$7,599,875</u>

**Water Utility Bonds - Paid by Water Utility Fund**

**Water and Sewer Utility Serial Bonds**

The Town pledges revenue from operations to pay debt service on bonds issued. Water utility bonds outstanding at December 31, 2012 are as follows:

\$735,000 Water Utility Bonds - with an interest rate of 5.10% issued November 15, 1997, due through August 1, 2016	\$165,000
\$1,463,000 Water Utility Bonds (Taxable) - with an interest rate of 5.00% to 5.50% issued January 15, 2003, due through January 15, 2016	573,000
\$5,925,000 Water Utility Bonds - with an interest rate of 3.50% to 5.25% issued January 15, 2008, due through January 15, 2027	5,655,000
\$105,000 Water Utility Refunding Bonds - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	<u>105,000</u>
	<u>\$6,498,000</u>



**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

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

**Water and Sewer Utility Serial Bonds**

The Town has outstanding two loan agreement with the New Jersey Environmental Infrastructure Trust for financing relating to improvement to Central Ave Water Improvements.

\$365,000 Trust Bonds Series 2010A - Trust Share - with an interest rate of 4.00% to 5.00% issued March 10, 2010, due through August 1, 2029	\$335,000
\$1,110,375 Trust Bonds Series 2010A - Fund Share - at a zero rate of interest issued March 10, 2010, due through August 1, 2029	959,815
\$227,554 Trust Bonds Series 2012A - Trust Share - with an interest rate of 0.22% to 3.14% issued May 16, 2012, due through August 1, 2031	227,554
\$652,878 Trust Bonds Series 2012A - Fund Share - at a zero rate of interest issued May 16, 2012, due through August 1, 2031	<u>652,879</u>
	<u><u>\$2,175,248</u></u>

The Town's principal and interest for bonds and loans issued and outstanding as of December 31, 2012 is as follows:

Serial/Refunding Bonds					
<u>Dec.31.</u>	<u>General Capital Debt</u>		<u>Water Utility Capital Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$5,531,000	\$1,227,965	\$325,000	\$271,648	\$7,355,613
2014	5,728,000	2,790,288	340,000	255,128	9,113,416
2015	6,000,000	765,778	350,000	237,648	7,353,426
2016	4,846,000	553,827	373,000	219,573	5,992,400
2017	2,375,000	414,884	350,000	201,525	3,341,409
2018-2022	8,185,000	697,786	2,250,000	739,500	11,872,286
2023-2027	<u>2,510,000</u>	<u>251,800</u>	<u>2,510,000</u>	<u>251,800</u>	<u>2,761,800</u>
	<u><u>\$32,665,000</u></u>	<u><u>\$6,450,528</u></u>	<u><u>\$6,498,000</u></u>	<u><u>\$2,176,822</u></u>	<u><u>\$47,790,350</u></u>

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

New Jersey Environmental Infrastructure Trust Loans					
	General Capital Fund		Water Utility Capital Fund		
<u>Dec.31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$618,546	\$111,380	\$116,568	\$18,367	\$864,861
2014	630,360	102,855	116,591	17,593	867,399
2015	642,664	94,375	116,629	16,805	870,473
2016	652,884	84,700	116,681	16,003	870,268
2017	648,130	74,550	116,744	15,190	854,614
2018-2022	2,579,683	235,375	605,500	62,419	3,482,977
2023-2027	1,827,608	69,100	630,755	36,939	2,564,402
2028-2031			355,780	7,334	363,114
	<u>\$7,599,875</u>	<u>\$772,335</u>	<u>\$2,175,248</u>	<u>\$190,650</u>	<u>\$10,738,108</u>

Green Acres Trust Loan			
	General Capital Fund		
<u>Dec.31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$62,222	\$18,385	\$80,607
2014	72,596	21,536	94,132
2015	73,912	20,220	94,132
2016	75,255	18,877	94,132
2017	76,625	17,507	94,132
2018-2022	404,651	66,008	470,659
2023-2027	310,515	32,441	342,956
2028-2031	186,213	9,734	195,947
	<u>\$1,261,989</u>	<u>\$204,708</u>	<u>\$1,466,697</u>

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(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, 2012, the Town had \$9,550,000 in outstanding General Capital bond anticipation notes; \$5,325,000 due on July 15, 2013 at 1.50%, \$3,325,000 due on August 15, 2013 at 1.50%, and \$900,000 due on December 20, 2013 at 1.50%. The Town also had \$6,800,000 in outstanding Water Utility Capital bond anticipation notes; \$5,300,000 due on January 15, 2013 at 1.50% and \$1,500,000 due on August 15, 2013 at 1.50%.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes Payable:				
TD Securities, LLC	\$5,325,000	\$5,325,000	\$5,325,000	\$5,325,000
Jefferies & Company		<u>4,225,000</u>		<u>4,225,000</u>
	<u>5,325,000</u>	<u>9,550,000</u>	<u>5,325,000</u>	<u>9,550,000</u>
Water Utility Capital Notes Payable:				
TD Securities, LLC	5,300,000	5,300,000	5,300,000	5,300,000
Jefferies & Company		<u>1,500,000</u>		<u>1,500,000</u>
	<u>5,300,000</u>	<u>6,800,000</u>	<u>5,300,000</u>	<u>6,800,000</u>
	<u>\$10,625,000</u>	<u>\$16,350,000</u>	<u>\$10,625,000</u>	<u>\$16,350,000</u>

**NOTE 5. 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 Firemen's 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 Firemen's 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**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 5. 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 certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. 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 1/55th 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. 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.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 5. PENSION PLANS, (continued)**

Description of Systems, (continued)

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

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

*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 compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. 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.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 5. PENSION PLANS, (continued)**

Description of Systems, (continued)

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.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds 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>Year</u>	<u>PERS</u>	<u>PFRS</u>
2012	\$906,325	\$5,084,365
2011	828,936	5,992,617
2010	685,953	5,170,506

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 \$1,500.00 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.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 5. PENSION PLANS, (continued)**

Defined Contribution Retirement Program, (continued)

If the eligible elected or appointed official will earn less than \$5,000.00 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 join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 6. 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, 2012 was \$6,390,367.

**NOTE 7. FIXED ASSETS**

The following is a summary of General Fixed Assets Account Group as of December 31, 2012:

	<u>Balance</u> <u>Dec.31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec.31, 2012</u>
Land	\$55,925,900	\$	\$	\$55,925,900
Building	7,906,400			7,906,400
Machinery and Equipment	<u>11,745,985</u>	<u>1,363,562</u>	<u>2,242,037</u>	<u>10,867,510</u>
	<u>\$75,578,285</u>	<u>\$1,363,562</u>	<u>\$2,242,037</u>	<u>\$74,699,810</u>

**NOTE 8. DUE TO/FROM OTHER FUNDS**

Balances due from/to other funds at December 31, 2012 consist of the following:

\$775	Due to the Current Fund from the Escrow Trust Fund for interest earnings.
14,000	Due to the Current Fund from the Tax Premium Trust Fund for unallocated basis.
1,066	Due to the Tax Redemption Trust Fund from the Current Fund for reimbursement of expenses paid.
<u>15,510</u>	Due to the UDAG Trust Fund from the CDBG Trust Fund for reimbursement of expenses paid.
<u>\$31,351</u>	

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



**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 9. 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 - December 31, 2011	\$127,291
Increases:	
Reimbursements	<u>50,520</u>
	<u>\$177,811</u>
Decreases:	
Cancelled by Resolution	<u>\$177,881</u>

Claims were tested only to the extent of amounts of payment. Accuracy of the claims are necessarily placed on the reliance of Town personnel.

There has been no provisions included in the financial statements for claims incurred but not reported as of December 31, 2012.

**NOTE 10. 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:

	<u>Balance</u> <u>Dec.31, 2012</u>	<u>Balance</u> <u>Dec.31, 2011</u>
Prepaid Taxes	<u>\$353,338</u>	<u>\$355,155</u>
Cash Liability for Taxes Collected in Advance	<u>\$353,338</u>	<u>\$355,155</u>

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 11. 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.

**NOTE 12. FUND BALANCE APPROPRIATED**

The fund balance at December 31, 2012 which has been appropriated as revenue in the 2013 budget is as follows:

Current Fund	<u>\$4,800,000</u>
--------------	--------------------

**NOTE 13. 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.

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-july2011.pdf>.

**TOWN OF KEARNY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2012 and 2011**  
**(continued)**

**NOTE 13. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**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 charges by the system for the years ended December 31, 2012 and 2011 were as follows:

The Town of Kearny contributions to SHBP for post-retirement benefits for the years ended December 31, 2012 and 2011 were \$3,940,411 and \$3,585,428, respectively, which equaled the required contribution for each period.

**NOTE 14. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through June 25, 2013, the date which the financial statements were available to be issued and no other items were noted for disclosure.

## **SUPPLEMENTARY DATA AND SCHEDULES**

# TOWN OF KEARNY

## Supplementary data

### Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax rate	<u>9.618</u>	<u>9.467</u>	<u>9.171</u>
Apportionment of tax rate:			
Municipal	3.603	3.514	3.387
County	1.691	1.630	1.522
School	<u>4.324</u>	<u>4.323</u>	<u>4.262</u>

### Assessed Value

2012	\$ 1,020,167,036
2011	1,060,844,100
2010	1,066,596,554

### Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Currently</u> Percentage of Collection
2012	\$ 102,174,779	100,232,936	98.10%
2011	100,761,784	98,760,974	98.01%
2010	97,910,575	95,519,098	97.56%

### Delinquent Taxes and Tax Title Liens

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

<u>Dec. 31</u>		<u>Amount of delinquent taxes</u>	<u>Tax title liens</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2012	\$	2,120,827	5,880,630	8,001,457	7.83%
2011		1,687,914	5,621,975	7,309,889	7.25%
2010		1,782,982	8,232,556	10,015,538	10.23%

## TOWN OF KEARNY

### Supplementary data

#### Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2012 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>		<u>Amount</u>
2012	\$	2,943,200
2011		2,943,200
2010		1,593,100

#### Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Dec. 31</u>	Utilized in budget of succeeding <u>year</u>
Current Fund	Dec. 31, 2012	\$ 4,837,825	4,800,000
	Dec. 31, 2011	6,518,570	5,000,000
	Dec. 31, 2010	6,964,313	5,000,000
	Dec. 31, 2009	8,949,654	6,792,348
	June 30, 2009	5,405,909	
Water Utility Operating Fund	Dec. 31, 2012		
	Dec. 31, 2011		
	Dec. 31, 2010	142,531	142,531
	Dec. 31, 2009	142,531	
	June 30, 2009	430,685	288,154

## TOWN OF KEARNY

### Supplementary Data

#### Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>
Alberto Santos	Mayor	
Alexa Arce	Councilmember	
Albino Cardoso	Councilmember	
Carol Jean Doyle	Councilmember	
Eileen Eckel	Councilmember	
Michael Landy	Councilmember	
Susan McCurrie	Councilmember	
Laura Cifelli-Pettigrew	Councilmember	
Madelin Peyko	Councilmember	
Michael Martello	Business Administrator	(A)
Patricia Carpenter	Town Clerk	(A)
Shuaib Firozvi	Chief Financial Officer/Tax Collector	(A)
Gregory Castano	Town Attorney	(A)
Norman A. Doyle	Magistrate	(A)
Melissa Murray	Court Administrator	(A)
Theresa McGuire	Prosecutor	(A)
Joseph Neglia	Engineer	(A)

(A) - Statutory positions are covered under the Middlesex County Municipal Joint Insurance Fund (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy - Public Employee Bond - \$950,000)

## TOWN OF KEARNY, N.J.

## Cash Receipts and Disbursements -Treasurer

## Current Fund

Year Ended December 31, 2012

	Current Fund	Federal and State Grant Fund
Balance, December 31, 2011	\$ 1,816,830	5,112,698
Increased by Receipts:		
Tax Collector	101,359,792	
Miscellaneous Revenue Not Anticipated	1,115,583	
Due From State of New Jersey	172,250	
Petty Cash	1,700	
Tax Title Lien Redemptions	30,095	
Revenue Accounts Receivable	10,974,746	
State and Federal Grants Receivable		2,199,672
Interfunds	6,300,000	650,000
Reserve for Maintenance of Free Public Library with State Aid	18,005	
Tax Overpayments	65,540	
Prepaid Taxes	353,338	
Due to State - DCA Fees	35,415	
State Aid Receivable	18,321,505	
Special Emergency Notes	1,100,000	
Tax Anticipation Notes	10,000,000	
Reserve for Urban Enterprise Zone		144,430
	<u>149,847,969</u>	<u>2,994,102</u>
	151,664,799	8,106,800
Decreased by:		
Current Year Budget Appropriations	71,199,185	
Petty Cash	1,700	
Appropriation Reserves	520,185	
Reserve for Maintenance of Free Public Library with State Aid	12,653	
Due to State - DCA Fees	35,415	
Interfunds	6,241,527	650,000
Encumbrances Payable		2,357,666
Tax Overpayments	47,266	
County Taxes Payable	17,950,086	
Local District School Taxes	45,931,505	
Prior Year Revenues Refund	1,750	
Reserve for Urban Enterprise Zone		1,509,414
Appropriated Reserves for Grants		315,230
	<u>141,941,272</u>	<u>4,832,310</u>
Balance, December 31, 2012	\$ <u><u>9,723,527</u></u>	<u><u>3,274,490</u></u>



**Exhibit A-5****TOWN OF KEARNY, N.J.****Schedule of Cash - Change Fund****Current Fund****Year Ended December 31, 2012**

Balance, December 31, 2011	\$ <u>800</u>
Balance, December 31, 2012	\$ <u><u>800</u></u>

**Exhibit A-6****Schedule of Cash - Petty Cash****Current Fund****Year Ended December 31, 2012**

	<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

## Year Ended December 31, 2012

Balance, December 31, 2011		\$	3,931
Increased by:			
Senior Citizens' Deductions Per Tax Billing	\$	36,750	
Veterans' Deductions Per Tax Billing		135,500	
Senior Citizen's, Veteran's, and Disabled Allowed		<u>750</u>	
			<u>173,000</u>
			176,931
Decreased by:			
Senior Citizen Deductions Disallowed - 2011		1,750	
State Share of Senior Citizens and Veteran			
Deductions Received in Cash		<u>172,250</u>	
			<u>174,000</u>
Balance, December 31, 2012		\$	<u><u>2,931</u></u>

## TOWN OF KEARNY, N.J.

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

## Current Fund

Year Ended December 31, 2012

Year	Balance, Dec. 31, 2011	Levy	Collected 2011	Collected 2012	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2012
2008	6,630			4,789				1,841
2009	9,744			2,229				7,515
2010	3,039			3,039				
2010	15,325			7,621				7,704
2011	1,653,176			1,643,157	(1,750)		3,813	7,956
	1,687,914			1,660,835	(1,750)		3,813	25,016
2012		102,600,624	355,155	99,704,781	173,000	268,313	3,564	2,095,811
	\$ 1,687,914	102,600,624	355,155	101,365,616	171,250	268,313	7,377	2,120,827

Overpayments Applied 5,824  
Cash Receipts 101,359,792  
\$ 101,365,616

## Analysis of Tax Levy

Tax yield:  
General Purpose Tax \$ 102,174,779  
Added/Omitted Taxes 425,846  
\$ 102,600,625

Tax Levy:  
Local District School Tax \$ 45,931,505  
County Tax \$ 17,950,086  
County Added and Omitted Taxes 74,826  
18,024,912  
63,956,417

Local Tax for Municipal Purposes 38,285,444  
Additional Taxes 358,764  
38,644,208  
\$ 102,600,625

**Exhibit A-9****TOWN OF KEARNY, N.J.****Schedule of Tax Title Liens Receivable****Current Fund****Year Ended December 31, 2012**

Balance, December 31, 2011		\$	5,621,975
Increased by:			
Interest and Costs of Tax Sale	\$	3,347	
6% Year End Penalty Assessed		17,090	
Transfers from 2012 Taxes Receivable		<u>268,313</u>	
			<u>288,750</u>
			5,910,725
Decreased by:			
Redemptions			<u>30,095</u>
Balance, December 31, 2012		\$	<u><u>5,880,630</u></u>

**Exhibit A-10****Schedule of Property Aquired for Taxes****Current Fund****Year Ended December 31, 2012**

Balance, December 31, 2011	\$	<u>2,943,200</u>
Balance, December 31, 2012	\$	<u><u>2,943,200</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Revenue Accounts Receivable

## Current Fund

Year Ended December 31, 2012

<u>Source</u>	<u>Balance Dec. 31, 2011</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance Dec. 31, 2012</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	51,009	51,009	
Other		87,726	87,726	
Fees and Permits		159,433	159,433	
Construction Code Official:				
Fees and Permits		516,425	516,425	
Municipal Court:				
Fines and Costs	71,031	984,453	982,149	73,335
Interest and Costs on Taxes		407,923	407,923	
Parking Meters		221,755	221,755	
Interest on Investments and Deposits		60,167	60,167	
Hackensack Meadowlands - Tax Sharing		3,863,134	3,863,134	
Hartz Mountain Lease Agreement		122,736	122,736	
Energy Receipts Tax		18,465,489	18,465,489	
Life Hazard Use Fees - Uniform Fire Safety Act		103,221	103,221	
Kearny Municipal Utilities Authority Sludge Removal		860,000	860,000	
Franchise Fees - Comcast & Verizon		337,111	337,111	
Recycling Revenue		199,247	199,247	
Police Private Duty Fees		119,710	119,710	
PVSC User Fees		10,420	10,420	
Clean Earth		38,454	38,454	
General Capital Surplus		460,000	460,000	
Reserve for Payment Debt		1,269,560	1,269,560	
New Jersey Meadowlands Lease Agreement		1,034,607	1,034,607	
PILOT Payments		69,959	69,959	
	<u>\$ 71,031</u>	<u>29,442,539</u>	<u>29,440,235</u>	<u>73,335</u>

Cash	\$ 10,974,746
Accounts Receivable:	
State Aid	<u>18,465,489</u>
	<u>\$ 29,440,235</u>

## TOWN OF KEARNY, N.J.

## Schedule of Grants Receivable

## Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	2012 Budget Revenue <u>Realized</u>	<u>Collections</u>	<u>Canceled</u>	Balance, Dec. 31, <u>2012</u>
<b>FY 2009 Grants:</b>					
UEZ Jacobus Avenue Phase III	\$ 349,545		38,581	310,964	
Veterans Field House Construction-2007	50,420		46,079		4,341
Veterans Field House Construction-2008	97,000		92,923		4,077
Library Reading Park Construction	50,000				50,000
<b>FY 2010 Grants:</b>					
KUEZ - Marketing and Zone Promotion	149,744		134,131		15,613
KUEZ - Business Development Revolving Loan	592,753		279,050		313,703
2009 Justice Assistance Grant	17,118		17,118		
2009 Justice Assistance Grant - ARRA	2,945		2,945		
Energy Efficiency & Conservation Block Grant	158,600				158,600
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	183,312		183,312		
<b>2010 Grants:</b>					
KUEZ - Marketing and Promotion II Add'l Funds	49,800		6,572		43,228
KUEZ - Clean Project Year 2	1,650			1,650	
2009 COPS Technology Program Grant	200,000				200,000
FY'08 Port Security Grant	56,250				56,250
2010 Justice Assistance Grant (JAG)	16,586				16,586
<b>2011 Grants:</b>					
KUEZ Sellers Street, Phase II - 11-192	889,476		407,852	481,624	
KUEZ Streetscape, Phase V - 11-270	469,962		250,737		219,225
KUEZ Kearny Avenue Resurfacing - 11-269	251,950		15,171	236,779	
KUEZ Public Safety Project Yr. 3 - 11-441	59,142		47,995	11,147	
KUEZ FY2011 Administration - 12-13	84,366		46,577	37,789	
KUEZ Kearny Clean Project, Yr. 3	101,144		86,482	14,662	
2011 Municipal Alliance	14,993		14,981	12	
Assistance to Firefighters FY2010	139,163		139,163		
2011 Office on Aging Grant	25,480		18,804	6,676	
Surface at Veteran's Field	100,000				100,000
2010 Hudson County Open Space - Magullian					
Property Riverbank Park Development	292,355		11,212		281,143
2007 Hudson County Open Space - Veteran's Field					
House Construction	110,000				110,000
2011 Justice Assistance Grant	13,329				13,329
<b>2012 Grants:</b>					
KUEZ Barszcewski Street Road Improvement		68,000	68,000		
KUEZ Public Safety Project Yr. 4		263,180	109,646		153,534
Kuez Sellers Street, Phase III		422,925		422,925	
FY 2013 KUEZ Administration 13-3		123,608	18,622		104,986
KUEZ Business Development Revolving Loan Phase V		250,000			250,000
KUEZ Clean Project Year 4		108,000			108,000

## TOWN OF KEARNY, N.J.

## Schedule of Grants Receivable

## Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	2012 Budget Revenue <u>Realized</u>	<u>Collections</u>	<u>Canceled</u>	Balance, Dec. 31, <u>2012</u>
2012 Municipal Alliance		42,197	24,380		17,817
2011 Over the Limit Under Arrest		5,000	4,737	263	
FY'10 Port Security Grant (Fire Boat)		344,653	3,050		341,603
2012 Clean Communities Grant		44,340	43,555		785
2012 Office on Aging Grant		50,000		3,376	46,624
Hazardous Discharge Site Remediation Fund		47,258			47,258
FY'11 Emergency Management Assistance		10,000	10,000		
2012 Justice Assistance Grant		10,191			10,191
2012 Drive Sober or Get Pulled Over		4,400	4,050	350	
2010 Recycling Tonnage Grant		64,428	64,428		
2012 Body Armor Replacement Fund		9,519	9,519		
	<u>\$ 5,052,083</u>	<u>1,867,699</u>	<u>2,199,672</u>	<u>1,528,217</u>	<u>3,191,893</u>

## TOWN OF KEARNY, N.J.

## Schedule of Appropriation Reserves

## Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Balance after Transfers and <u>Encumbrances</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages:				
Administration	67	67		67
Mayor and Council	313	313		313
Town Clerk	96	96		96
Elections	670	670		670
Municipal Court	672	672		672
Treasurer	91	91		91
Assessment of Taxes	234	234		234
Collection of Taxes	40,345	40,345	39,063	1,282
Police	978	18,978	16,281	2,697
Fire	166	166		166
Board of Health	371	371		371
Department of Public Works	8,505	37,505	37,495	10
Shade Tree	477	477		477
Public Building and Grounds	998	998		998
Vehicle Maintenance	437	437		437
Recreation	212	212		212
Senior Citizen Center	330	7,329	7,138	191
Construction Code Enforcement	569	569		569
Zoning Commission	100	100		100
Board of Appeals	1,000	1,000		1,000
Planning Board	300	300		300
Management Information	2,085	2,085	(22,308)	24,393
Other Expenses:				
Administrative	3,261	4,191	778	3,413
Mayor and Council	1,139	1,269		1,269
Town Clerk	4,706	5,644	1,008	4,636
Elections	475	475		475
Legal	84,179	14,179	12,944	1,235
Prosecutor	894	894		894
Auditor	88,500	88,500		88,500
Engineering	399	28,480	25,496	2,984
Public and Industrial Development	2,610	2,610		2,610
Life Insurance for Employees	372	372		372
Employee Hospitalization	153,496	130,496	79,196	51,300
Other Insurance	496	496		496
Municipal Court	2,256	3,593	560	3,033
Treasurer	1,933	3,422	1,493	1,929
Assessment of Taxes	3,032	3,554	522	3,032
Collection of Taxes	1,481	1,488	456	1,032
Police	10,498	14,475	4,409	10,066
Fire	1,505	48,004	47,302	702



## TOWN OF KEARNY, N.J.

## Schedule of Appropriation Reserves

## Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Balance after Transfers and <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Board of Health		3,053	2,698	355
Board of Health- Intercounty Council on Drugs	6,000	6,000		6,000
Board of Health-Contractual Agreement	229	229		229
Meals on Wheels	1,284	1,284		1,284
Department of Public Works	11,446	30,919	6,757	24,162
Shade Tree	3,001	9,019	1,968	7,051
Public Buildings and Grounds	3,548	20,147	15,144	5,003
Vehicle Maintenance	1,389	18,231	17,148	1,083
Recreation	2,832	3,082	250	2,832
Parks and Playgrounds	1,230	4,230	4,140	90
Celebration of Public Events	9,611	10,461		10,461
Senior Citizen Center	3,455	3,455		3,455
Construction Code Enforcement	856	13,011	12,505	506
Zoning Commission	1,556	7,742	6,919	823
Planning Board	5,986	10,905	10,905	
Parking Lot Lease Payment	8,215	8,215	6,407	1,808
Managemnet Information	3,606	4,020	339	3,681
Electricity and Gas	67,131	67,131	33,296	33,835
Street Lighting	62,768	81,768	81,021	747
Communications	9,629	9,629	3,172	6,457
Gasoline	8,805	30,214	28,973	1,241
Postage	356	410	13	397
Rental of Pumps	297	297		297
Garbage and Trash Removal - Bailer Fees	9,238	9,238		9,238
Contingent	2,000	2,000		2,000
Social Security System (O.A.S.I.)	151	151	(1,704)	1,855
Unemployment Insurance	11,753	11,753	11,179	574
Maintenance of Public Library (Ch. 82 & 541, P.L. 1985) Contribution	108,643	140,222	140,222	
TOTAL	\$ 765,263	971,973	633,185	338,788

Encumbrances	\$ 206,710
Appropriation Reserves	765,263
	<u>\$ 971,973</u>

Reallocation of Expenses	29,578
Cash Disbursements	520,185
Transferred to Due to Library	83,422
	<u>\$ 633,185</u>

**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Library Expenditures - State Aid**

**Current Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 87,470
Increased by:	
State Library Aid	<u>18,005</u>
	105,475
Decreased by:	
Library Aid Expenditures	<u>12,653</u>
Balance, December 31, 2012	\$ <u><u>92,822</u></u>

TOWN OF KEARNY, N.J.

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2012

Balance, December 31, 2011	\$	136,034	
Increased by:			
Collections		<u>65,540</u>	
			201,574
Decreased by:			
Refunds	\$	47,266	
Applied		<u>5,824</u>	
			<u>53,090</u>
Balance, December 31, 2012	\$	<u><u>148,484</u></u>	

## TOWN OF KEARNY, N.J.

## Schedule of Interfunds Due from/(to) Various Funds

## Current Fund

Year Ended December 31, 2012

<u>Fund</u>	Balance Dec. 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2012</u>
Federal and State Grant Fund	\$	650,000	650,000	
Water Utility Operating Fund	86,985	2,500,000	2,586,985	
General Capital Fund		3,150,000	3,150,000	
Trust Funds:				
Escrow Trust	567	208		775
TTL Premium Trust		14,000		14,000
TTL Redemption Trust			1,066	(1,066)
	<u>\$ 87,552</u>	<u>6,314,208</u>	<u>6,388,051</u>	<u>13,709</u>

Analysis of Changes

Interest	\$	208	
Cash Receipts		6,300,000	
Cash Disbursements			6,241,527
Reimbursement for Expenses Paid			146,524
Excess TTL Premium Balance		14,000	
	\$	<u>6,314,208</u>	<u>6,388,051</u>

**TOWN OF KEARNY, N.J.****Schedule of County Taxes Payable****Current Fund****Year Ended December 31, 2012**

## Increased by:

Levy	\$ 17,950,086
Added Assessments	<u>74,826</u>

18,024,912

18,024,912

## Decreased by:

Payments	<u>17,950,086</u>
----------	-------------------

Balance, December 31, 2012

\$ 74,826**Schedule of Local District School Taxes Payable****Current Fund****Year Ended December 31, 2012**

## Increased by:

Levy	\$ <u>45,931,505</u>
------	----------------------

## Decreased by:

Payments	\$ <u><u>45,931,505</u></u>
----------	-----------------------------

**TOWN OF KEARNY, N.J.**

**Schedule of Prepaid Taxes**

**Current Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 355,155
Increased by:	
Collections	<u>353,338</u>
	708,493
Decreased by:	
Applied to 2012 Taxes Receivable	<u>355,155</u>
Balance, December 31, 2012	\$ <u><u>353,338</u></u>

**TOWN OF KEARNY, N.J.**

**Schedule of Due to State - DCA Fees**

**Current Fund**

**Year Ended December 31, 2012**

Increased by:

Collections

\$ 35,415

Decreased by:

Disbursements

\$ 35,415

**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Due to Library**

**Current Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 216,622
Increased By:	
Transferred from Appropriation Reserves	<u>83,422</u>
Balance, December 31, 2012	<u><u>\$ 300,044</u></u>



**TOWN OF KEARNY, N.J.**

**Schedule of Interfunds Due from/(to) Various Funds**

**Federal and State Grant Fund**

**Year Ended December 31, 2012**

	<u>Increases</u>	<u>Decreases</u>
Current Fund	\$ <u>650,000</u>	<u>650,000</u>
	\$ <u><u>650,000</u></u>	<u><u>650,000</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Appropriated Reserves for Grants

## Current Fund

Year Ended December 31, 2012

<u>Grant</u>	Balance, Dec. 31, 2011	2012 Grants <u>Budgeted</u>	<u>Expenditures</u>	<u>Canceled</u>	Balance, Dec. 31, 2012
Body Armor Grant	\$ 8,577		8,577		
Veterans Field House Construction-2007	421		421		
Veterans Field House Construction-2008					
Library Reading Park Construction	50,000				50,000
Emergency Management Grant	1,047		1,047		
UEZ Jacobus Avenue Phase III	226,816		(84,148)	310,964	
Clean Communities 2009	11,314		11,314		
KUEZ - Marketing and Zone Promotion	105,961		105,959		2
KUEZ - Business Development Revolving Loan	248,565		4,928		243,637
2009 Justice Assistance Grant	15,725		15,725		
FY 2009 Drunk Driving Enforcement Fund	4,036		921		3,115
Energy Efficiency & Conservation Block Grant					
2009 Hudson County Open Space:					
LEED Impr. at Veteran's Field			(42,480)		42,480
All Season Multipurpose Veteran's Field	196,400		46,400		150,000
Brighton Avenue Playground					
FY'10 Recycling Tonnage Grant	22,357		22,357		
KUEZ - Marketing and Zone Promotion II Add'l Funds	49,800		8,852		40,948
KUEZ Clean Project Year 2			(1,650)	1,650	
2009 Jersey Fresh Grant	1,482				1,482
FY'09 Emergency Management Assistance	10,000		8,547		1,453
2009 COPS Technology Program Grant	200,000				200,000
2009 Body Armor Replacement Fund	3,406		3,406		
2010 Clean Communities Grant	46,584		46,584		
2010 NJ Transit Reforestation Plan	68,400				68,400
FY'08 Port Security Grant	75,000		75,000		
2010 Justice Assistance Grant	16,586		16,586		
2010 Body Armor Replacement Fund	9,804		9,804		
KUEZ Sellers Street, Phase II - 11-192	422,880		(58,744)	481,624	
KUEZ Streetscape, Phase V - 11-270	108		(387)		495
KUEZ Kearny Avenue Resurfacing - 11-269	92,083		(144,696)	236,779	
KUEZ Public Safety Project Yr. 3 - 11-441	59,142		47,995	11,147	
KUEZ FY2011 Administration - 12-13	72,360		34,571	37,789	
KUEZ Kearny Clean Project, Yr. 3	101,144		86,482	14,662	
2011 Municipal Alliance	12			12	
Assistance to Firefighters FY2010	79,211		79,211		
Assistance to Firefighters FY2010 - Match	8,800		8,800		
2008 Recycling Tonnage Grant	37,663		37,663		
2011 Office on Aging Grant	25,480		18,804	6,676	
2011 Clean Communities	44,209		44,209		
2010 Hudson County Open Space - All Season					
Surface at Veteran's Field	100,000				100,000
2010 Hudson County Open Space - Magullian					
Property Riverbank Park Development	279,515		4,928		274,587
2007 Hudson County Open Space - Veteran's Field					
House Construction					
2009 Recycling Tonnage Grant	54,337		25,977		28,360
FY2010 Emergency Management Assistance	10,000		3,833		6,167
2010 Body Armor Replacement Fund	10,214				10,214
KUEZ Barszcewski Street Road Improvement		68,000	68,000		

## TOWN OF KEARNY, N.J.

## Schedule of Appropriated Reserves for Grants

## Current Fund

Year Ended December 31, 2012

<u>Grant</u>	Balance, Dec. 31, <u>2011</u>	2012 Grants <u>Budgeted</u>	<u>Expenditures</u>	<u>Canceled</u>	Balance, Dec. 31, <u>2012</u>
KUEZ Public Safety Project Yr. 4		263,180	109,646		153,534
Kuez Sellers Street, Phase III		422,925		422,925	
FY 2013 KUEZ Administration 13-3		123,608	45,065		78,543
KUEZ Business Development Revolving Loan Phase V		250,000			250,000
KUEZ Clean Project Year 4		108,000			108,000
2012 Municipal Alliance		42,197	42,159		38
2011 Over the Limit Under Arrest		5,000	4,737	263	
FY'10 Port Security Grant (Fire Boat)		344,653	308,318		36,335
2012 Clean Communities Grant		44,340	32,785		11,555
2012 Office on Aging Grant		50,000	46,624	3,376	
Hazardous Discharge Site Remediation Fund		47,258			47,258
FY'11 Emergency Management Assistance		10,000			10,000
2012 Justice Assistance Grant		10,191			10,191
2012 Drive Sober or Get Pulled Over		4,400	4,050	350	
2010 Recycling Tonnage Grant		64,428			64,428
2012 Body Armor Replacement Fund		9,519			9,519
	<u>\$ 2,769,439</u>	<u>1,867,699</u>	<u>1,108,180</u>	<u>1,528,217</u>	<u>2,000,741</u>

Budget Appropriations \$ 504,190  
Appropriations by 40a:4-87 1,363,509

\$ 1,867,699

Cash \$ 315,230  
Encumbrances 792,950

\$ 1,108,180

**TOWN OF KEARNY, N.J.**

**Due from State of New Jersey -  
State Aid**

**Current Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 6,464,263
Increased By:	
Revenue Accounts Receivable	<u>18,465,489</u>
	24,929,752
Decreased By:	
Cash Receipts	<u>18,321,505</u>
Balance, December 31, 2012	\$ <u><u>6,608,247</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Reserve for Encumbrances

## Federal and State Grant Fund

Year Ended December 31, 2012

Balance, December 31, 2011	\$	2,357,666
Increased By:		
Transferred from Budget Appropriations		<u>792,950</u>
		3,150,616
Decreased By:		
Cash Disbursements		<u>2,357,666</u>
Balance, December 31, 2012	\$	<u><u>792,950</u></u>

## Schedule of Reserve for Urban Enterprise Zone

## Federal and State Grant Fund

Year Ended December 31, 2012

Balance, December 31, 2011	\$	5,037,676
Increased By:		
Cash Receipts	\$	118,672
Interest Earned on Investments		<u>25,758</u>
		<u>144,430</u>
		5,182,106
Decreased By:		
Cash Disbursements		<u>1,509,414</u>
Balance, December 31, 2012	\$	<u><u>3,672,692</u></u>

<u>Analysis of Balance</u>	
Revolving Loan Fund	1,413,859
Fundraiser Account	30,001
Second Generation	93,131
State Reimbursement	<u>2,135,701</u>
	<u><u>\$ 3,672,692</u></u>

TOWN OF KEARNY, N.J.

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

Current Fund

Year Ended December 31, 2012

<u>Purpose</u>	<u>Date</u>	Amount <u>Authorized</u>	Not Less Than 1/5 of Amount <u>Authorized</u>	Added in 2012	Balance, Dec. 31, 2012
Accumulated Sick/Terminal Pay	September 2012	1,100,000	220,000	\$ 1,100,000	\$ 1,100,000
				\$ 1,100,000	\$ 1,100,000

**TOWN OF KEARNY, N.J.**  
**Schedule of Special Emergency Notes Payable**

**Current Fund**

**Year Ended December 31, 2012**

<u>Improvement description</u>	<u>Date of original issue</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Increased</u>	<u>Balance, Dec. 31, 2012</u>
Special Emergency - Terminal Leave 2012	December 21, 2012	12/21/12	12/20/13	1.50%	\$ 1,100,000	\$ 1,100,000
					<u>\$ 1,100,000</u>	<u>1,100,000</u>

## TOWN OF KEARNY, N.J.

## Schedule of Tax Anticipation Notes

## Current Fund

## Year Ended December 31, 2012

<u>Improvement description</u>	<u>Date of original issue</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Increased</u>	<u>Balance, Dec. 31, 2012</u>
Tax Anticipation Notes	July 2, 2012	7/2/12	4/30/13	2.00%	\$ 10,000,000	\$ 10,000,000
					<u>\$ 10,000,000</u>	<u>10,000,000</u>



## TOWN OF KEARNY, N.J.

## Schedule of Cash

## Trust Funds

Year Ended December 31, 2012

	Animal Trust <u>Fund</u>	Other Trust <u>Fund</u>	Self- Insurance Trust <u>Fund</u>	Urban Development Action Grant <u>Trust Fund</u>
Balance - December 31, 2011	\$ 1,150	3,116,480	127,291	904,992
Increased by Receipts:				
Animal License Fees Collected	103,942			
Amount Due to the State of New Jersey	3,605			
Community Development				594,324
Interfunds		208		
Other Trust Funds		2,414,312		
Refunds			50,520	
Total Receipts	107,547	2,414,520	50,520	594,324
	108,697	5,531,000	177,811	1,499,316
Decreased by Disbursements:				
Reserve for Animal Trust Expenditures	92,756			
Amount Due to the State of New Jersey	3,605			
Other Trust Funds		2,751,305		
Community Development				480,934
Self-Insurance Liability			177,811	
Total Disbursements	96,361	2,751,305	177,811	480,934
Balance - December 31, 2012	\$ 12,336	2,779,695		1,018,382

**Exhibit B-3**

**TOWN OF KEARNY, N.J.**

**Schedule of Assessments Receivable - Unpledged**

**Assessment Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011 \$ 1,136

Decreased by:  
Cancelled by resolution \$ 1,136

**Exhibit B-4**

**Schedule of Assessments Liens Receivable - Unpledged**

**Assessment Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011 \$ 292

Decreased by:  
Cancelled by resolution \$ 292

**Exhibit B-5**

**TOWN OF KEARNY, N.J.**

**Schedule of Due to State of New Jersey**

**Animal Trust Fund**

**Year Ended December 31, 2012**

	Dog License <u>Fees</u>
Balance - December 31, 2011	\$ 6
Increased by:	
Dog License Fees	3,605
Decreased by:	
Payments	<u>3,605</u>
Balance - December 31, 2012	\$ <u><u>6</u></u>

**TOWN OF KEARNY, N.J.**

**Schedule of Other Accounts Receivable**

**Other Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011	\$ <u>47,443</u>
-----------------------------	------------------

Decreased by:	
Cancelled by resolution	\$ <u><u>47,443</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Community Development Receivables

## Other Trust Fund

Year Ended December 31, 2012

	Balance Dec. 31, <u>2011</u>	<u>Awards</u>	<u>Receipts</u>	Balance Dec. 31, <u>2012</u>
1999-				
Facade Imp Program	5,572		5,572	
2003-				
Facade Imp Program	2,023		2,023	
2007				
Harvey Field House-Bathroom	38,121		38,121	
2008				
Woodland Avenue Reconstruction	6,715		6,715	
2010-				
Sellers Street Reconstruction - Phase II	336,762		191,893	144,869
Town Hall ADA Compliance	100,000		100,000	
2011 -				
Town Hall ADA Compliance	82,250			82,250
ADA Veteran's Field	110,000			110,000
Bergen Avenue Paving & Water Improvements	250,000		250,000	
2012 -				
Road Reconstruction		400,000		400,000
	<u>\$ 931,443</u>	<u>400,000</u>	<u>594,324</u>	<u>737,119</u>

## TOWN OF KEARNY, N.J.

## Schedule of Reserve for Animal Trust Fund Expenditures

## Animal Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$	1,144
Increased by:		
Budget Appropriation	\$	75,000
Dog License Fees		26,746
Cat License Fees		1,076
Late Fees		<u>1,120</u>
		<u>103,942</u>
		105,086
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>92,756</u>
Balance - December 31, 2012	\$	<u><u>12,330</u></u>

License fees collected

<u>Year</u>	<u>Amount</u>
2010	\$ 26,834
2011	<u>26,277</u>
	<u>\$ 53,111</u>

## TOWN OF KEARNY, N.J.

## Schedule of Reserves

## Other Trust Fund

Year Ended December 31, 2012

	Balance Dec. 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, <u>2012</u>
Recreation	\$ 164,554	205,024	216,788	152,790
Swim Pool	81,409	14,440	16,448	79,401
Landfill Closure	398,474		398,474	
Public Defender Files	5,768	3,861		9,629
Dedicated Fire Penalties	66,266	3,500	38,892	30,874
Performance Deposits	273,412			273,412
Escrow Bonds	10,200			10,200
Developer's Contribution	15,625	15,625		31,250
DARE Program	4,583	1,201	4,537	1,247
Various Donations	27,581	16,040	1,664	41,957
Miscellaneous	2,405			2,405
Domestic Violence	1,500			1,500
Police Outside Duty	222,397	532,222	573,542	181,077
Escrow Deposits	478,956	98,412	111,433	465,935
Tax Title Lien Premiums	603,800	398,000	302,400	699,400
Recreation Umpire	50	39,125	35,195	3,980
Affordable Housing	599,148	1,635		600,783
POAA	93,535	17,313	10,703	100,145
Tax Collector Trust	63,876	1,038,448	1,083,387	18,937
Law Enforcement Trust Fund	37,779	11,623	18,329	31,073
Public Library Trust				
Donations - Reserved Principal	10,000			10,000
Donations - Unreserved Interest	6			6
Donations - Unreserved	309			309
Bureau of Combustible		18,898		18,898
DEA Fund	<u>1,723</u>	<u>11</u>	<u>958</u>	<u>776</u>
	<u>\$ 3,163,356</u>	<u>2,415,378</u>	<u>2,812,750</u>	<u>2,765,984</u>
		Cash \$ 2,414,312	2,751,305	
		Interfunds 1,066	14,000	
Other Accounts Receivable			<u>147,445</u>	
		<u>\$ 2,415,378</u>	<u>2,912,750</u>	

## TOWN OF KEARNY, N.J.

## Schedule of Reserve for Community Development Block Grants

## Other Trust Fund

Year Ended December 31, 2012

	Balance Dec. 31, <u>2011</u>	<u>Awards</u>	<u>Decreases</u>	Balance Dec. 31, <u>2012</u>
1999-				
Façade Imp Program	5,572		5,572	
2003-				
Façade Imp Program	2,023		2,023	
2008-				
Woodland Avenue Reconstruction	6,715		6,715	
2010-				
Sellers Street Reconstruction - Phase II	336,762		207,403	129,359
Town Hall ADA Compliance	9,221	14,310	23,531	
2011 -				
Town Hall ADA Compliance	82,250			82,250
ADA Improvements - Veteran's Field	110,000			110,000
Bergen Avenue Paving & Water Improvements	250,000		250,000	
2012 -				
Road Reconstruction		400,000		400,000
	<u>\$ 802,543</u>	<u>414,310</u>	<u>495,244</u>	<u>721,609</u>
	Awards	400,000		
	Reallocation	<u>14,310</u>		

CDBG Expenditures \$	480,934
Reallocation	<u>14,310</u>
\$	<u>495,244</u>

Schedule of IntraFunds	\$ <u>334,324</u>
------------------------	-------------------



**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Self-  
Insurance Trust Fund Expenditures**

**Self-Insurance Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011	\$	127,291
Increased by:		
Reimbursements		<u>50,520</u>
		177,811
Decreased by:		
Cash Disbursements	\$	<u><u>177,811</u></u>

**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Urban Development Action Grant Trust Fund**

**Urban Development Action Grant Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011	\$ <u>1,033,892</u>
Balance - December 31, 2012	\$ <u><u>1,033,892</u></u>

**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Assessments and Liens**

**Assessment Trust Fund**

**Year Ended December 31, 2012**

Balance - December 31, 2011	\$ <u>1,334</u>
Decreased by:	
Cancelled by resolution	\$ <u><u>1,334</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Interfunds Due from/(to) Various Funds

## Other Trust Fund

Year Ended December 31, 2012

<u>Fund</u>	Balance Dec. 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2012</u>
Current Fund:				
Escrow Trust Fund	\$ (567)	208		(775)
TTL Premium Trust		14,000		(14,000)
TTL Redemption Trust			1,066	1,066
	<u>\$ (567)</u>	<u>14,208</u>	<u>1,066</u>	<u>(13,709)</u>
Due from	\$		1,066	1,066
Due (to)	<u>(567)</u>	<u>14,208</u>		<u>(14,775)</u>
	<u>\$ (567)</u>	<u>14,208</u>	<u>1,066</u>	<u>(13,709)</u>

Analysis of Changes

Interest	\$	208	
Unallocated Balance		14,000	
Reimbursement for expenses			1,066
	\$	<u>14,208</u>	<u>1,066</u>

## TOWN OF KEARNY, N.J.

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

## Other Trust Fund

Year Ended December 31, 2012

<u>Fund</u>	Balance Dec. 31, 2011	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, 2012
Other Trust Fund:				
Escrow Trust Fund	\$ 118,514			118,514
Affordable Housing Trust Fund:				
Escrow Trust Fund	98,357			98,357
Community Development Trust Fund:				
Urban Development Action Grant Trust Fund	(128,900)	594,324	480,934	(15,510)
Urban Development Action Grant Trust Fund:				
Community Development Trust Fund	128,900	480,934	594,324	15,510
Escrow Trust Fund:				
Other Trust Fund	(118,514)			(118,514)
Affordable Housing Trust Fund	(98,357)			(98,357)
	\$	<u>1,075,258</u>	<u>1,075,258</u>	
Due from	\$ 345,771	480,934	594,324	232,381
Due (to)	<u>(345,771)</u>	<u>594,324</u>	<u>480,934</u>	<u>(232,381)</u>

## TOWN OF KEARNY, N.J.

## Schedule of Cash

## General Capital Fund

Year Ended December 31, 2012

Balance, December 31, 2011		\$	662
Increased by Receipts:			
Grants	\$	1,009,500	
Unappropriated Grants		626,500	
Interfunds		3,750,000	
Bond Anticipation Note		4,225,000	
Bond Anticipation Note - Premium		26,510	
Schedule of Reserves		<u>250,000</u>	
			<u>9,887,510</u>
			9,888,172
Decreased by Disbursements:			
Schedule of Reserves		1,269,559	
Fund Balance realized as Budget Revenue		460,000	
Interfunds		4,450,000	
Improvement Authorizations		<u>2,433,791</u>	
			<u>8,613,350</u>
Balance, December 31, 2012		\$	<u><u>1,274,822</u></u>

## TOWN OF KEARNY, N.J.

## Analysis of Cash

## General Capital Fund

Year Ended December 31, 2012

Reserve for Payment of Notes	\$	254,205
Capital Improvement Fund		5,947
Fund Balance		29,602
Department of Transportation Grants		(705,337)
Green Acres Grants		(500,000)
Due to Water Utility Capital Fund		
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)
2008-34	Various Road and Sewer Improvements	
2008-35	Various Capital Improvements	8,363
2008-36	Multi-Park Improvements	117,605
2009-42	Harvey Field Improvements	
2010-06	Various Improvements	236,057
2010-07	Road Improvements and Traffic Signals to Belgrove Dr./Woodland Ave and Seeley Ave/Elm St.	47,767
2010-40	Waterfront Property Acquisition (Magullian Property)	
2011-13	Various Improvements	31,357
2011-43	Imprs. to Parks, Playgrounds and Municipal Bldg	37,987
2012-27	Various Road and Sewer Improvements	1,723,102
2012-47	Various Capital Improvements	1,520,732
2012-48	Tax Appeal Refunding	15,106
2012-59	Tax Appeal Refunding	5,589
		<hr/>
		\$ 1,274,822
		<hr/>

**TOWN OF KEARNY, N.J.**  
**Schedule of Grants Receivable**  
**General Capital Fund**  
**Year Ended December 31, 2012**

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance, Dec. 31, 2011</u>	<u>Awarded</u>	<u>Reduced</u>	<u>Balance, Dec. 31, 2012</u>
<u>State of New Jersey, Department of Transportation:</u>					
2010-07	Road Improvements and Traffic Signals to Belgrove Dr./Woodland Ave and Seeley Ave/Elm St.	\$ 206,456			206,456
2011-13	Various Road/Sewer Imps./Intersection Imps.	207,781			207,781
2012-27	Various Road Improvements		291,100		291,100
		<u>414,237</u>	<u>291,100</u>		<u>705,337</u>
<u>State of New Jersey, Department of Environmental Protection:</u>					
Green Acres Grants:					
2008-36	Multi-Park Improvements	500,000			500,000
2009-42	Harvey Field Soccer Improvements	435,000		435,000	
2010-40	Waterfront Property Acquisition (Magullina Property)	574,500		574,500	
		<u>1,509,500</u>		<u>1,009,500</u>	<u>500,000</u>



## TOWN OF KEARNY, N.J.

## Schedule of Loans Receivable

## General Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Description</u>	Balance, Dec. 31, <u>2011</u>	Balance, Dec. 31, <u>2012</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

Year Ended December 31, 2012

Balance, December 31, 2011	\$	46,822,717
Increased by:		
Improvement Costs		
Funded by Green Acres Loan Issued		<u>626,500</u>
		47,449,217
Decreased by:		
Current Year Budget Appropriations:		
Serial Bonds	\$	5,270,000
N.J. Wastewater Loans		605,902
Green Acres Loans		<u>46,452</u>
		<u>5,922,354</u>
Balance, December 31, 2012	\$	<u><u>41,526,863</u></u>

## TOWN OF KEARNY, N.J.

Schedule of Deferred Charges to  
Future Taxation - Unfunded

## General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	Authorizations	Decreased by	Analysis of Balance - December 31, 2012		
					Balance Dec. 31, 2012	Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
<b>General Improvements:</b>							
2004-25	Improvements to Solids and Floatables Facility	\$ 1,777,477			1,777,477	694,342	1,083,135
2008-34	Various Road and Sewer Improvements	1,500,000			1,500,000		
2008-35	Various Capital Improvements	835,000			835,000		
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			
2010-06	Various Improvements	950,000			950,000		
2010-40	Waterfront Property Acquisition (Magallian Property)	191,500		191,500			
2011-13	Various Improvements	950,000			950,000		
2011-26	Refunding Bond Ordinance	1,100,000			1,100,000		1,100,000
2011-43	Imprts. to Parks, Playgrounds and Municipal Bldg	115,000			115,000		
2012-27	Various Road Improvements	1,425,000	1,425,000		1,425,000		
2012-47	Various Capital Improvements	1,900,000	1,900,000		1,900,000		
2012-48	Tax Appeal Refunding	750,000	750,000		750,000		
2012-59	Tax Appeal Refunding		150,000		150,000		
		<u>\$ 8,828,977</u>	<u>4,225,000</u>	<u>626,500</u>	<u>12,427,477</u>	<u>9,550,000</u>	<u>2,183,135</u>
Transferred to Deferred Charges - Funded							
				<u>626,500</u>			
					<u>\$ 626,500</u>		
					Improvement Authorizations - Unfunded		
					Less: Unexpended proceeds		
					of Bond Anticipation Notes		
					Ordinance:		
					2008-35	8,363	
					2008-36	117,605	
					2010-06	236,057	
					2011-13	29,942	
					2011-43	37,987	
					2012-27	1,425,000	
					2012-47	1,520,732	
					2012-48	15,106	
					2012-59	5,589	
						<u>3,396,381</u>	
							<u>\$ 2,183,135</u>

## TOWN OF KEARNY, N.J.

## Schedule of Interfund Due from/(to) Various Funds

## General Capital Fund

Year Ended December 31, 2012

	Balance Dec. 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>
Current Fund	\$	3,150,000	3,150,000
Water Utility Capital Fund	<u>(700,000)</u>	<u>1,300,000</u>	<u>600,000</u>
	\$ <u>(700,000)</u>	<u>4,450,000</u>	<u>3,750,000</u>

## TOWN OF KEARNY, N.J.

## Schedule of General Serial Bonds Payable

General Capital Fund									
Year Ended December 31, 2012									
Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012	
			Date	Amount					
General Improvements	Jan. 15, 2003	13,844,000				1,700,000	1,700,000		
Refunding Bonds Series 2003A	Jan. 15, 2003	14,140,000	1/15/2013	216,000	4.00%	1,305,000	780,000	525,000	
			1/15/2014	93,000	4.00%				
			1/15/2015	40,000	4.125%				
			1/15/2016	176,000	4.25%				
Refunding Bonds Series 2003B	Jan. 15, 2003	8,875,000	2/1/2013	730,000	5.00%	6,035,000	640,000	5,395,000	
			2/1/2014	825,000	5.10%				
			2/1/2015	935,000	5.20%				
			2/1/2016	1,050,000	5.25%				
			2/1/2017	1,175,000	5.35%				
			2/1/2018	140,000	5.80%				
			2/1/2019	160,000	5.80%				
			2/1/2020	180,000	5.80%				
Refunding Bonds Series 2006A	Feb. 1, 2007	7,480,000	2/1/2021	200,000	5.80%				
			2/1/2013	1,195,000	4.00%	5,220,000	1,055,000	4,165,000	
			2/1/2014	1,500,000	4.75%				
			2/1/2015	1,170,000	5.00%				
			2/1/2016	300,000	5.00%				

## TOWN OF KEARNY, N.J.

## Schedule of General Serial Bonds Payable

## General Capital Fund

Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
Refunding Bonds Series 2006B	Feb. 1, 2007	5,100,000	2/1/2013	1,000,000	5.05%	4,480,000	1,000,000	3,480,000
			2/1/2014	1,150,000	5.08%			
			2/1/2015	1,100,000	5.11%			
			2/1/2016	230,000	5.16%			
General Improvement Bonds	Jan. 1, 2008	10,305,000	1/15/2013	65,000	3.50%	10,200,000	55,000	10,145,000
			1/15/2014	75,000	3.50%			
			1/15/2015	650,000	3.50%			
			1/15/2016	650,000	3.50%			
			1/15/2017	1,200,000	3.50%			
			1/15/2018	1,825,000	5.25%			
			1/15/2019	1,900,000	4.00%			
Refunding Bonds, Series 2011	Aug. 5, 2011	7,915,000	1/15/2020	1,950,000	4.00%			
			1/15/2021	1,830,000	4.00%			
			1/15/2013	1,940,000	2.00%	7,915,000	35,000	7,880,000
			1/15/2014	1,920,000	3.00%			
			1/15/2015	2,005,000	3.00%			
			1/15/2016	815,000	2.00%			
			1/15/2016	1,200,000	3.00%			

## TOWN OF KEARNY, N.J.

## Schedule of General Serial Bonds Payable

## General Capital Fund

Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
Fiscal Year Adjustment Refunding Bonds, Series 2011	Aug. 5, 2011	1,080,000	1/15/2013	385,000	2.00%	1,080,000	5,000	1,075,000
			1/15/2014	165,000	3.00%			
			1/15/2015	100,000	3.00%			
			1/15/2016	425,000	2.00%			
					\$ 37,935,000	5,270,000	32,665,000	

## TOWN OF KEARNY, N.J.

## Schedule of New Jersey Wastewater Loan Payable

## General Capital Fund

Year Ended December 31, 2012

	Original Issue		Maturities of Loans Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
	Date	Amount	Date	Amount				
Trust Share	11/05/98	\$ 1,575,000	08/01/13	95,000	4.50%	\$ 735,000	90,000	645,000
			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	08/01/13	50,000	5.00%	790,000	45,000	745,000
			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	08/01/13	50,000	3.50%	1,115,000	50,000	1,065,000
			08/01/14	55,000	3.60%			
			08/01/15	55,000	5.00%			
			08/01/16	60,000	5.00%			
			08/01/17	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%			
			08/01/21	75,000	5.00%			
			08/01/22	75,000	5.00%			
			08/01/23	80,000	4.25%			
			08/01/24	85,000	4.50%			
			08/01/25	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

Year Ended December 31, 2012

	Original Issue		Maturities of Loans Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
Fund Share	11/05/98	\$ 1,507,371	02/01/13	9,387	*	565,038	79,603	485,435
			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	02/01/13	32,778	*	2,030,028	155,113	1,874,915
			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

Year Ended December 31, 2012

	Original Issue		Maturities of Loans Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31,	Decreased	Balance Dec. 31,
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>		<u>2011</u>		<u>2012</u>
Fund Share	11/08/07	3,623,250	02/01/13	44,706	*	2,970,711	186,186	2,784,525
			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	14,729	*			
			08/01/24	173,834	*			
			02/01/25	11,149	*			
			08/01/25	170,254	*			
			02/01/26	7,569	*			
			08/01/26	176,034	*			
			02/01/27	3,779	*			
			08/01/27	181,603	*			
						<u>\$ 8,205,777</u>	<u>605,902</u>	<u>7,599,875</u>

\* Interest Free

## TOWN OF KEARNY, N.J.

## Schedule of Green Acres Trust Loans Payable

## General Capital Fund

Year Ended December 31, 2012

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities of Loans Outstanding, December 31, 2012</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
		<u>Date</u>	<u>Amount</u>					
F. J. Vincent Marina	\$ 73,725				\$ 2,270		2,270	
Harvey Field	235,731	01/11/13	6,007	2.00%	144,093		11,834	132,259
		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	02/28/13	6,183	2.00%	171,186		12,183	159,003
		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					
Bell Playground	275,000	01/09/13	6,624	2.00%	243,482		13,053	230,429
		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					

## TOWN OF KEARNY, N.J.

## Schedule of Green Acres Trust Loans Payable

## General Capital Fund

Year Ended December 31, 2012

<u>Purpose</u>	<u>Original Issue</u>	Maturities of Loans Outstanding, December 31, 2012		<u>Interest Rate</u>	Balance Dec. 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, <u>2012</u>
		<u>Date</u>	<u>Amount</u>					
Bell Playground (cont.),		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					
Gunnel Oval Skateboard Park	138,690	05/26/13	3,556	0%	120,909			
		11/26/13	3,556					
		05/26/14	3,556					
		11/26/14	3,556					
		05/26/15	3,556					
		11/26/15	3,556					
		05/26/16	3,556					
		11/26/16	3,556					
		05/26/17	3,556					
		11/26/17	3,556					
		05/26/18	3,556					
		11/26/18	3,556					
		05/26/19	3,556					
		11/26/19	3,556					
		05/26/20	3,556					
		11/26/20	3,556					
		05/26/21	3,556					
		11/26/21	3,556					
		05/26/22	3,556					
		11/26/22	3,556					
		05/26/23	3,556					
		11/26/23	3,556					
		05/26/24	3,556					
		11/26/24	3,556					
		05/26/25	3,556					
		11/26/25	3,556					
		05/26/26	3,556					
		11/26/26	3,556					
		05/26/27	3,556					
		11/26/27	3,556					
		05/26/28	3,556					
		11/26/28	3,560					

## TOWN OF KEARNY, N.J.

## Schedule of Green Acres Trust Loans Payable

## General Capital Fund

Year Ended December 31, 2012

Purpose	Original Issue	Maturities of Loans Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
		Date	Amount					
Waterfront Acquisition	191,500	02/17/13	4,039	2.00%		191,500		191,500
		08/17/13	4,079					
		02/17/14	4,120					
		08/17/14	4,161					
		02/17/15	4,203					
		08/17/15	4,245					
		02/17/16	4,288					
		08/17/16	4,330					
		02/17/17	4,374					
		08/17/17	4,417					
		02/17/18	4,462					
		08/17/18	4,506					
		02/17/19	4,551					
		08/17/19	4,597					
		02/17/20	4,643					
		08/17/20	4,689					
		02/17/21	4,736					
		08/17/21	4,783					
		02/17/22	4,831					
		08/17/22	4,880					
		02/17/23	4,928					
		08/17/23	4,978					
		02/17/24	5,027					
		08/17/24	5,078					
		02/17/25	5,129					
		08/17/25	5,180					
		02/17/26	5,232					
		08/17/26	5,284					
		02/17/27	5,337					
		08/17/27	5,390					
		02/17/28	5,444					
		08/17/28	5,499					
		02/17/29	5,553					
		08/17/29	5,609					
		02/17/30	5,665					
		08/17/30	5,722					
		02/17/31	5,779					
		08/17/31	5,837					
		02/17/32	5,895					
Harvey Field Soccer Impr.	435,000	08/28/13	9,175	2.00%		435,000		435,000
		02/28/14	9,267					
		08/28/14	9,359					
		02/28/15	9,453					
		08/28/15	9,547					
		02/28/16	9,643					
		08/28/16	9,739					
		02/28/17	9,837					
		08/28/17	9,935					
		02/28/18	10,034					
		08/28/18	10,135					
		02/28/19	10,236					
		08/28/19	10,338					
		02/28/20	10,442					
		08/28/20	10,546					

## TOWN OF KEARNY, N.J.

## Schedule of Green Acres Trust Loans Payable

## General Capital Fund

Year Ended December 31, 2012

<u>Purpose</u>	Original <u>Issue</u>	Maturities of Loans Outstanding, December 31, 2012		Interest <u>Rate</u>	Balance Dec. 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, <u>2012</u>
		<u>Date</u>	<u>Amount</u>					
Harvey Field Soccer Impr. (cont.),		02/28/21	10,652					
		08/28/21	10,758					
		02/28/22	10,866					
		08/28/22	10,975					
		02/28/23	11,084					
		08/28/23	11,195					
		02/28/24	11,307					
		08/28/24	11,420					
		02/28/25	11,534					
		08/28/25	11,650					
		02/28/26	11,766					
		08/28/26	11,884					
		02/28/27	12,003					
		08/28/27	12,123					
		02/28/28	12,244					
		08/28/28	12,366					
		02/28/29	12,490					
		08/28/29	12,615					
		02/28/30	12,741					
		08/28/30	12,868					
		02/28/31	12,997					
		08/28/31	13,127					
		02/28/32	13,258					
		08/28/32	13,391					
					\$ 681,940	626,500	46,452	1,261,988

## TOWN OF KEARNY, N.J.

## Schedule of Improvement Authorizations

## General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Ordinance Amount	Balance December 31, 2011		Paid or Charged	Balance December 31, 2012	
			Funded	Unfunded		Funded	Unfunded
General Improvements:							
2004-25	Improvements to Solids and Floatables Facility	11,000,000		1,083,135			1,083,135
2008-34	Various Road and Sewer Improvements	1,810,000		3,000	3,000		
2008-35	Various Capital Improvements	1,000,000		43,495	35,132		8,363
2008-36	Multi-Park Improvements	1,000,000		117,605			117,605
2010-06	Various Improvements	1,000,000		442,286	206,229		236,057
2010-07	Road Improvements and Traffic Signals to Belgrove Dr./Woodland Ave and Seeley Ave/Elm St.	400,805	47,897		130	47,767	
2011-13	Various Improvements	1,207,781	186,831	535,783	691,257	1,415	29,942
2011-26	Refunding Bond Ordinance	10,095,000		1,100,000			1,100,000
2011-43	Imprs. to Parks, Playgrounds and Municipal Bldg	115,000		109,459	71,472		37,987
2012-27	Road & Sewer Improvements	1,791,100			67,998	298,102	1,425,000
2012-47	Various Capital Improvements	2,000,000			479,268		1,520,732
2012-48	Tax Appeal Refunding	750,000			734,894		15,106
2012-59	Tax Appeal Refunding	150,000			144,411		5,589
			\$ 234,728	3,434,763	2,433,791	347,284	5,579,516
			Deferred Charges Unfunded				
			Capital Improvement Fund		4,225,000		
			Grants		175,000		
					291,100		
					\$ 4,691,100		

## TOWN OF KEARNY, N.J.

## Schedule of Reserve for Payment of Debt

## General Capital Fund

Year Ended December 31, 2012

	Balance Dec. 31, <u>2011</u>	<u>Increases</u>	<u>Decreased by:</u> Utilized as Budget <u>Revenue</u>	Balance Dec. 31, <u>2012</u>
Reserve for: Payment of Debt	\$ <u>1,273,764</u>	<u>250,000</u>	<u>1,269,559</u>	<u>254,205</u>
<u>Analysis of Balance</u>				
Reserve for Payment of Notes - Ord. 2008-51/2009-12				4,205
Reserve for Payment of Debt				<u>250,000</u>
				\$ <u>254,205</u>



**TOWN OF KEARNY, N.J.**

**Schedule of Capital Improvement Fund**

**General Capital Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 180,947
Decreased by:	
Appropriated to Finance	
Improvement Authorizations	<u>175,000</u>
Balance, December 31, 2012	\$ <u><u>5,947</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Bond Anticipation Notes Payable

## General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
2008-34	Road/Sewer Improvements	June 29, 2010	June 15, 2012	January 15, 2013	1.50%	1,500,000	1,500,000	1,500,000	1,500,000
2008-35	Various Capital Improvements	June 29, 2010	June 15, 2012	January 15, 2013	1.50%	835,000	835,000	835,000	835,000
2011-43	Impr. to Parks, Playgrounds and Municipal Bldg	June 29, 2010	June 15, 2012	January 15, 2013	1.50%	115,000	115,000	115,000	115,000
2008-36	Multi-Park Improvements	June 29, 2010	June 15, 2012	January 15, 2013	1.50%	500,000	500,000	500,000	500,000
2009-12	Various Capital Improvements	June 29, 2010	June 15, 2012	January 15, 2013	1.50%	475,000	475,000	475,000	475,000
2010-06	Various Capital Improvements	June 28, 2011	June 15, 2012	January 15, 2013	1.50%	950,000	950,000	950,000	950,000
2011-13	Various Capital Improvements	June 28, 2011	June 15, 2012	January 15, 2013	1.50%	950,000	950,000	950,000	950,000
2012-27	Various Road Improvements	Dec. 21, 2012	Dec. 21, 2012	August 15, 2013	1.50%		1,425,000		1,425,000
2012-47	Various Capital Improvements	Dec. 21, 2012	Dec. 21, 2012	August 15, 2013	1.50%		1,900,000		1,900,000
2012-48	Tax Appeal Refunding	Dec. 21, 2012	Dec. 21, 2012	Dec. 20, 2013	1.50%		750,000		750,000
2012-59	Tax Appeal Refunding	Dec. 21, 2012	Dec. 21, 2012	Dec. 20, 2013	1.50%		150,000		150,000
						<u>\$ 5,325,000</u>	<u>9,550,000</u>	<u>5,325,000</u>	<u>9,550,000</u>
						Cash	4,225,000		
						Renewed	<u>5,325,000</u>	<u>5,325,000</u>	
						\$	<u>5,325,000</u>	<u>5,325,000</u>	

## TOWN OF KEARNY, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## General Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance December 31, 2011	<u>Authorizations</u>	<u>Decreased</u>	Balance December 31, 2012
<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
2009-42	Harvey Field Soccer Improvements	435,000		435,000	
2010-40	Waterfront Propert Axquisition (Magullian Property)	191,500		191,500	
2011-26	Refunding Bond Ordinance	1,100,000			1,100,000
2012-27	Various Road Improvements		1,425,000	1,425,000	
2012-47	Various Capital Improvements		1,900,000	1,900,000	
2012-48	Tax Appeal Refunding		750,000	750,000	
2012-59	Tax Appeal Refunding		150,000	150,000	
			<u>4,225,000</u>	<u>4,851,500</u>	<u>2,877,477</u>

## TOWN OF KEARNY, N.J.

## Schedule of Cash - Treasurer

## Water Utility Fund

Year Ended December 31, 2012

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2011	\$ <u>159,068</u>	<u>1,249,938</u>
Increased by Receipts:		
Water Collector	\$ 6,110,638	
Infrastructure Trust Fund Loans		64,820
Bond Anticipation Notes Payable		1,500,000
Premium on Bond Anticipation Notes		18,728
Reserve for Payment of Debt		53,859
Interfunds	<u>3,000,000</u>	<u>1,800,000</u>
	<u>9,110,638</u>	<u>3,437,407</u>
	9,269,706	4,687,345
Decreased by Disbursements:		
2012 Appropriations	5,519,969	
2011 Appropriation Reserves	37,624	
Interest on Bonds and Notes	359,545	
Fund Balance due to Operating Fund		95,638
Interfunds	3,086,985	1,100,000
Improvement Authorizations	<u>                    </u>	<u>1,489,633</u>
	<u>9,004,123</u>	<u>2,685,271</u>
Balance, December 31, 2012	\$ <u><u>265,583</u></u>	<u><u>2,002,074</u></u>

**TOWN OF KEARNY, N.J.**

**Analysis of Cash**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

		Balance, Dec. 31, <u>2012</u>
Due from General Capital Fund		\$
NJ Infrastructure Trust Fund Loans Receivable		(1,384,240)
Capital Improvement Fund		57,750
Reserve for Payment of Debt, Ord. 2010-05		293,859
Capital fund Balance		18,728
Improvement Authorizations:		
Ordinance		
<u>number</u>	<u>General improvements</u>	
2008-32	Various Water Utility Improvements	44,884
2008-50	Various Water Utility Improvements	103,758
2009-31	Central Ave Water Improvements	557,667
2011-14	Water Utility Infrastructure Improvements	809,668
2012-26	Various Water Utility Improvements	<u>1,500,000</u>
		\$ <u><u>2,002,074</u></u>

**TOWN OF KEARNY, N.J.**

**Schedule of Consumers' Accounts Receivable -  
Operating Fund**

**Water Utility Operating Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 1,256,893
Increased by:	
2012 Levy	<u>4,782,824</u>
	6,039,717
Decreased by:	
Cash receipts	<u>5,086,604</u>
Balance, December 31, 2012	\$ <u><u>953,113</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of 2011 Appropriation Reserves

## Water Utility Operating Fund

Year Ended December 31, 2012

	Balance, December 31, <u>2011</u>	Balance after transfers and <u>encumbrances</u>	<u>Paid or charged</u>	Balance <u>Lapsed</u>
Operating:				
Other Expenses	\$ _____	40,624	37,624	3,000
	\$ _____	40,624	37,624	3,000
Encumbrances		40,624		
Appropriation Reserves		_____		
		\$ 40,624		

## TOWN OF KEARNY, N.J.

## Schedule of Loans Receivable

## Water Utility Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Description</u>	Balance, Dec. 31, <u>2011</u>	<u>Awarded</u>	<u>Reduced</u>	Balance, Dec. 31, <u>2012</u>
Environmental Infrastructure Loans:					
2009-31	Central Ave Water Improvements	\$ 568,628		10,961	557,667
2010-05	North Hackensack Ave and Stern Ave Water Improvements		880,432	53,859	826,573
		<u>\$ 568,628</u>	<u>880,432</u>	<u>64,820</u>	<u>1,384,240</u>
<u>Analysis of Balance</u>					
2009-31 Fund Loan					422,094
2009-31 Trust Loan					135,573
2010-05 Fund Loan					612,484
2010-05 Trust Loan					214,089
					<u>\$ 1,384,240</u>



## TOWN OF KEARNY, N.J.

## Schedule of Interfunds Due from/(to) Various Funds

## Water Utility Operating Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>
Water Utility Capital Fund	\$	500,000	500,000
Current Fund	<u>(86,985)</u>	<u>2,586,985</u>	<u>2,500,000</u>
	<u><u>(86,985)</u></u>	<u><u>3,086,985</u></u>	<u><u>3,000,000</u></u>
Receipts \$			3,000,000
Disbursements		<u>3,086,985</u>	<u></u>
	\$	<u><u>3,086,985</u></u>	<u><u>3,000,000</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Fixed Capital

## Water Utility Capital Fund

Year Ended December 31, 2012

<u>Account</u>	Balance, Dec. 31, <u>2011</u>	Transferred from Fixed Capital Authorized and <u>Uncompleted</u>	Balance, Dec. 31, <u>2012</u>
Mains and Accessories	\$ 8,760,411		8,760,411
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>4,219,310</u>	<u>1,000,000</u>	<u>5,219,310</u>
	<u>\$ 23,651,385</u>	<u>1,000,000</u>	<u>24,651,385</u>

## TOWN OF KEARNY, N.J.

## Schedule of Fixed Capital Authorized and Uncompleted

## Water Utility Capital Fund

Year Ended December 31, 2012

Ordinance number	Improvement description	Ordinance		Balance, Dec. 31, 2011	Authorized in 2012	Completed in 2012	Balance, Dec. 31, 2012
		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				
2008-50	Various Water Utility Improvements	Dec. 16, 2008	1,300,000	1,300,000			1,300,000
2009-31	Central Ave Water Improvements	July 21, 2009	1,700,000	1,700,000			1,700,000
2010-05	North Hackensack Ave and Stern Ave Water Improvements	Feb. 23, 2010	1,000,000	1,000,000			1,000,000
2011-14	Water Utility Infrastructure Improvements	May 24, 2011	1,000,000	1,000,000		1,000,000	
2012-26	Various Water Utility Improvements	Jun. 26, 2012	1,500,000		1,500,000		1,500,000
				\$ 6,500,000	1,500,000	1,000,000	7,000,000

## TOWN OF KEARNY, N.J.

## Schedule of Accrued Interest on Bonds, Notes and Loans

## Water Utility Fund

Year Ended December 31, 2012

Balance, December 31, 2011	\$ 161,474
Increased by:	
Budget Appropriation	<u>360,009</u>
	521,483
Decreased by:	
Payments	<u>359,545</u>
Balance, December 31, 2012	<u><u>\$ 161,938</u></u>

Analysis of Balance

	Principal Outstanding <u>December 31, 2012</u>	<u>Period</u>	Interest Rate	Required Amount
\$	165,000	5 months	5.10%	3,506
	573,000	5 1/2 months	Various	14,252
	5,655,000	5 1/2 months	Various	103,916
	105,000	5 1/2 months	Various	1,192
	5,300,000	125 days	1.500%	43,063
	1,500,000	10 days	1.50%	625
	335,000	5 months	Various	5,906
	227,554	5 months	Various	<u>1,746</u>
				<u><u>\$ 174,206</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Improvement Authorizations

## Water Utility Capital Fund

Year Ended December 31, 2012

Ordinance number	Improvement description	Ordinance Date	Amount	Balance, Dec. 31, 2011		2012 Authorizations	Expended	Balance, Dec. 31, 2012	
				Funded	Unfunded			Funded	Unfunded
2007-31	Various Water Utility Improvements	June 26, 2007	1,025,000						
2007-50	Various Water Utility Improvements	Sept. 25, 2007	1,025,000						
2008-32	Various Water Utility Improvements	Sept. 9, 2008	1,500,000		273,172		228,288		44,884
2008-50	Various Water Utility Improvements	Dec. 16, 2008	1,300,000		529,692		425,934		103,758
2009-31	Central Ave Water Improvements	July 21, 2009	1,700,000		224,625		1,607	557,667	224,625
2010-05	North Hackensack Ave and Stern Ave Water Improvements	Feb. 23, 2010	1,000,000		1,000,000		70,764		929,236
2011-14	Water Utility Infrastructure Improvements	May 24, 2011	1,000,000		763,040		763,040		
2012-26	Various Water Utility Improvements	Jun. 26, 2012	1,500,000			1,500,000			1,500,000
				\$ 559,274	2,790,529	1,500,000	1,489,633	557,667	2,802,503

**Exhibit D-15**

**TOWN OF KEARNY, N.J.**

**Schedule of Capital Improvement Fund**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ <u>57,750</u>
----------------------------	------------------

Balance, December 31, 2012	\$ <u><u>57,750</u></u>
----------------------------	-------------------------

**Exhibit D-16**

**Schedule of Reserve for Amortization**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 15,462,485
----------------------------	---------------

Increased by:

Payment of Serial Bond Principal	\$ 300,000
----------------------------------	------------

Payment of NJ Environmental Infrastructure	
--	--

Loan Principal	<u>71,460</u>
----------------	---------------

	<u>371,460</u>
--	----------------

Balance, December 31, 2012	\$ <u><u>15,833,945</u></u>
----------------------------	-----------------------------

**TOWN OF KEARNY, N.J.**

**Schedule of Reserve for Payment of Debt, Ord. 2010-05**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ 240,000
Increased by:	
Cash Receipts	<u>53,859</u>
Balance, December 31, 2012	\$ <u><u>293,859</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Water Utility Serial Bonds

## Water Utility Capital Fund

Year Ended December 31, 2012

Purpose	Date of issue	Original issue	Maturities of bonds outstanding, December 31, 2012		Interest rate	Balance, Dec. 31, 2011	Decreased	Balance, Dec. 31, 2012
			Date	Amount				
Water Bond Series 1997	November 15, 1997	735,000	Aug. 1, 2013-15 Aug. 1, 2016	40,000 45,000	5.10% 5.10%	205,000	40,000	165,000
Acquisition of Water Meters	January 15, 2003	1,463,000	Jan. 15, 2013 Jan. 15, 2014-15 Jan. 15, 2016	120,000 150,000 153,000	5.40% 5.40% 5.50%	693,000	120,000	573,000
Acquisition of Vehicles	January 15, 2003	300,000				25,000	25,000	
Water Improvements	January 15, 2008	5,925,000	Jan. 15, 2013 Jan. 15, 2014 Jan. 15, 2015 Jan. 15, 2016 Jan. 15, 2017 Jan. 15, 2018 Jan. 15, 2019 Jan. 15, 2020 Jan. 15, 2021 Jan. 15, 2022 - 26 Jan. 15, 2027	135,000 125,000 135,000 150,000 350,000 400,000 425,000 450,000 475,000 500,000 510,000	3.50% 3.50% 3.50% 3.50% 3.50% 5.25% 4.00% 4.00% 4.00% 4.00% 4.00%	5,770,000	115,000	5,655,000
Water Utility Refunding Bonds	Aug. 5, 2011	105,000	Jan. 15, 2013 Jan. 15, 2014 Jan. 15, 2015 Jan. 15, 2016	30,000 25,000 25,000 25,000	2.00% 3.00% 3.00% 2.00%	105,000		105,000
						\$ 6,798,000	300,000	6,498,000



## TOWN OF KEARNY, N.J.

## Schedule of New Jersey Wastewater Loan Payable

## Water Utility Capital Fund

Year Ended December 31, 2012

	Original Issue		Maturities of		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
	Date	Amount	Date	Amount					
Trust Share	03/10/10	\$ 365,000	08/01/13	15,000	5.00%	\$ 350,000		15,000	335,000
			08/01/14	15,000	5.00%				
			08/01/15	15,000	5.00%				
			08/01/16	15,000	5.00%				
			08/01/17	15,000	5.00%				
			08/01/18	15,000	5.00%				
			08/01/19	20,000	4.00%				
			08/01/20	20,000	5.00%				
			08/01/21	20,000	3.00%				
			08/01/22	20,000	4.00%				
			08/01/23	20,000	4.00%				
			08/01/24	20,000	4.00%				
			08/01/25	25,000	4.00%				
			08/01/26	25,000	3.50%				
			08/01/27	25,000	4.00%				
			08/01/28	25,000	4.00%				
			08/01/29	25,000	4.00%				
Fund Share	03/10/10	\$ 1,110,375	02/01/13	18,820	*	1,016,275		56,460	959,815
			08/01/13	37,640	*				
			02/01/14	18,820	*				
			08/01/14	37,640	*				
			02/01/15	18,820	*				
			08/01/15	37,640	*				
			02/01/16	18,820	*				
			08/01/16	37,640	*				
			02/01/17	18,820	*				
			08/01/17	37,640	*				
			02/01/18	18,820	*				
			08/01/18	37,640	*				
			02/01/19	18,820	*				

## TOWN OF KEARNY, N.J.

## Schedule of New Jersey Wastewater Loan Payable

## Water Utility Capital Fund

Year Ended December 31, 2012

	Original Issue		Maturities of		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
	Date	Amount	Date	Loans Outstanding, December 31, 2012 Amount					
Fund Share (cont.)	03/10/10		08/01/19	37,640	*				
			02/01/20	18,820	*				
			08/01/20	37,640	*				
			02/01/21	18,820	*				
			08/01/21	37,640	*				
			02/01/22	18,820	*				
			08/01/22	37,640	*				
			02/01/23	18,820	*				
			08/01/23	37,640	*				
			02/01/24	18,820	*				
			08/01/24	37,640	*				
			02/01/25	18,820	*				
			08/01/25	37,640	*				
			02/01/26	18,820	*				
			08/01/26	37,640	*				
			02/01/27	18,820	*				
			08/01/27	37,640	*				
			02/01/28	18,820	*				
			08/01/28	37,640	*				
			02/01/29	18,820	*				
			08/01/29	37,640	*				
Trust Share	05/16/12	\$ 227,554	08/01/13	10,746	0.22%	\$	227,554		227,554
			08/01/14	10,769	0.35%				
			08/01/15	10,807	0.48%				
			08/01/16	10,859	0.58%				
			08/01/17	10,922	0.77%				
			08/01/18	11,006	0.99%				
			08/01/19	11,115	1.21%				
			08/01/20	11,249	1.47%				
			08/01/21	11,415	1.68%				

## TOWN OF KEARNY, N.J.

## Schedule of New Jersey Wastewater Loan Payable

## Water Utility Capital Fund

Year Ended December 31, 2012

	Original Issue		Maturities of Loans Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
	Date	Amount	Date	Amount					
Trust Share (cont.)	05/16/12		08/01/22	11,606	1.84%				
			08/01/23	11,820	1.99%				
			08/01/24	12,055	2.11%				
			08/01/25	12,310	2.23%				
			08/01/26	12,584	2.33%				
			08/01/27	12,877	2.86%				
			08/01/28	13,246	2.95%				
			08/01/29	13,636	3.03%				
			08/01/30	14,050	3.08%				
			08/01/31	14,482	3.14%				
							652,879		652,879
Fund Share	05/16/12	\$ 652,878	02/01/13	11,454	*				
			08/01/13	22,908	*				
			02/01/14	11,454	*				
			08/01/14	22,908	*				
			02/01/15	11,454	*				
			08/01/15	22,908	*				
			02/01/16	11,454	*				
			08/01/16	22,908	*				
			02/01/17	11,454	*				
			08/01/17	22,908	*				
			02/01/18	11,454	*				
			08/01/18	22,908	*				
			02/01/19	11,454	*				
			08/01/19	22,908	*				
			02/01/20	11,454	*				
			08/01/20	22,908	*				
			02/01/21	11,454	*				
			08/01/21	22,908	*				
			02/01/22	11,454	*				
			08/01/22	22,908	*				

**\* Interest Free**

**TOWN OF KEARNY, N.J.**

**Schedule of Interfunds Due from/(to) Various Funds**

**Water Utility Capital Fund**

**Year Ended December 31, 2012**

	Balance, December 31, <u>2011</u>	Increased by: Cash <u>Disbursements</u>	Decreased by: Cash <u>Receipts</u>
Water Utility Operating Fund		500,000	500,000
General Capital Fund	\$ <u>700,000</u>	<u>600,000</u>	<u>1,300,000</u>
	\$ <u><u>700,000</u></u>	<u><u>1,100,000</u></u>	<u><u>1,800,000</u></u>

## TOWN OF KEARNY, N.J.

## Schedule of Bond Anticipation Notes Payable

## Water Utility Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
2008-32	Various Water Improvements	June 29, 2010	Jun. 15, 2012	Jan. 15, 2013	1.50%	\$ 1,500,000	1,500,000	1,500,000	1,500,000
2008-33	Water Meter Acquisition	June 29, 2010	Jun. 15, 2012	Jan. 15, 2013	1.50%	1,500,000	1,500,000	1,500,000	1,500,000
2008-50	Various Water Improvements	June 29, 2010	Jun. 15, 2012	Jan. 15, 2013	1.50%	1,300,000	1,300,000	1,300,000	1,300,000
2011-14	Water Utility Infrastructure Imp.	Jun. 28, 2011	Jun. 15, 2012	Jan. 15, 2013	1.50%	1,000,000	1,000,000	1,000,000	1,000,000
2012-26	Various Water Improvements	Dec. 21, 2012	Dec. 21, 2012	Aug. 15, 2013	1.50%		1,500,000		1,500,000
						<u>\$ 5,300,000</u>	<u>6,800,000</u>	<u>5,300,000</u>	<u>6,800,000</u>
						Cash	1,500,000		
						Renewed	5,300,000	5,300,000	
						\$	<u>6,800,000</u>	<u>5,300,000</u>	

## TOWN OF KEARNY, N.J.

## Schedule of Bonds and Notes Authorized But Not Issued

## Water Utility Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance, Dec. 31, <u>2011</u>	<u>Authorized</u>	<u>Issued</u>	Balance, Dec. 31, <u>2012</u>
2009-31	Central Ave Water Improvements	\$ 224,625			224,625
2010-05	North Hackensack Ave and Stern Ave Water Improvements	1,000,000		880,432	119,568
2012-26	Various Water Improvements		1,500,000	1,500,000	
		<u>\$ 1,224,625</u>	<u>1,500,000</u>	<u>2,380,432</u>	<u>344,193</u>

**Exhibit E-1**

**TOWN OF KEARNY, N.J.**

**Schedule of Cash**

**Public Assistance Trust Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ <u>27,650</u>
----------------------------	------------------

Balance, December 31, 2012	\$ <u><u>27,650</u></u>
----------------------------	-------------------------

**Exhibit E-2**

**Reserve for Public Assistance Expenditures**

**Public Assistance Trust Fund**

**Year Ended December 31, 2012**

Balance, December 31, 2011	\$ <u>27,650</u>
----------------------------	------------------

Balance December 31, 2012	\$ <u><u>27,650</u></u>
---------------------------	-------------------------



**TOWN OF KEARNY**

---

**Letters on Compliance and on Internal Control**

**General Comments and Recommendations**

**Year Ended December 31, 2012**

# Ferraioli, Wielkott, Cerullo & Cuva, P.A.

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

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

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

## **INDEPENDENT AUDITOR'S REPORT 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, 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, the financial statements-regulatory basis of the Town of Kearny in the County of Hudson as of and for the year ended December 31, 2012 and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements-regulatory basis, we considered the Town of Kearny's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of the Town of Kearny's internal control.

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



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

We did identify certain immaterial deficiencies in internal control that we have reported to management of the Town of Kearny in the accompanying comments and recommendations section of this report.

### **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*.

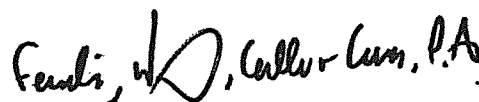
However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Kearny in the accompanying comments and recommendations section of this report.

### **Purpose of this Report**

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



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



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

June 25, 2013



# **Ferraioli, Wielkott, Cerullo & Cuva, P.A.**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04**

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

### **Report on Compliance for Each Major Federal and State Program**

We have audited the Town of Kearny in the County of Hudson compliance 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 could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012. 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.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Kearny's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 a major federal and state program 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Town of Kearny's compliance.

### **Opinion on Each Major Federal and State Program**

In our opinion, the Town of Kearny complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of the Town of Kearny is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kearny's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance with OMB Circular A-133 and N.J. OMB Circular 04-04, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

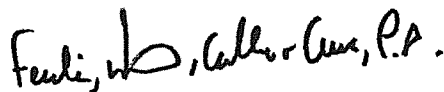
Honorable Mayor and  
Members of the Town Council  
Page 3.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and N.J. OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



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



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

June 25, 2013

## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Program	CFDA number	Grant period	Award Amount	Balance at December 31, 2011	Cash Received	Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<u>Federal and State Grant Fund:</u>									
<u>U.S. Department of Justice:</u>									
Department of Homeland Security Assistance to Firefighters Grant	97.044	2011-12	139,163	\$(59,952)	139,163	79,211		*	139,163
Agency - Match			15,462	8,800		8,800		*	15,462
FY'10 Port Security Grant - Fire Boat	97.056	2012	344,653		3,050	308,318		(305,268)	305,268
Emergency Management Assistance	97.042	FY09	10,000	1,047		1,047		*	10,000
Emergency Management Assistance	97.042	2010	10,000	10,000		8,547		1,453	8,547
Emergency Management Assistance	97.042	2011	10,000	10,000		3,833		6,167	
Emergency Management Assistance	97.042	2012	10,000		10,000			10,000	
<u>COPS Technology Program Grant</u>									
		2010	200,000					*	
Justice Assistance Grant	16.738	FY2010	17,118	(1,393)	17,118	15,725		*	17,118
Justice Assistance Grant - ARRA	16.804	FY2010	70,586	(2,945)	2,945			*	70,586
Justice Assistance Grant	16.738	2010	16,586			16,586		(16,586)	16,586
Justice Assistance Grant	16.738	2011	13,329	(13,329)				(13,329)	13,329
Justice Assistance Grant	16.738	2012	10,191					*	
<u>U.S. Department of Law and Public Safety:</u>									
Drive Sober or Get Pulled Over	20.601	2012	4,400		4,050	4,050		*	4,050
<u>U.S. Department of Energy:</u>									
Energy Efficiency & Conservation Block Grant	81.128	2009	158,600	(158,600)				(158,600)	158,600
Total Federal and State Grant Fund				(206,372)	176,326	446,117		(476,163)	758,709
<u>Current Fund:</u>									
U.S. Department of Law and Public Safety								*	
FEMA Reimbursement - Hurricane Irene	97.036	2012	144,412		144,412	144,412		*	144,412
FEMA Reimbursement - Hurricane Sandy	97.036	2012	50,055		50,055	50,055		*	50,055
Total Current Fund					194,467	194,467		*	194,467

## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Program	CFDA number	Grant period	Award Amount	Balance at December 31, 2011	Cash Received	Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<u>Water Utility Capital Fund:</u>									
Department of Environmental Protection - Office of Water Capitalization Grants for Drinking Water, State									
Revolving Funds - ARRA (Central Ave. Water Impr.)	66.468	2009	782,730	(5,254)			5,254		685,314
North Hackensack Ave and Stern Ave Water Impr.	66.468	2012	880,432		53,859	686,115		(632,256)	686,115
Total Water Utility Capital Fund					53,859	686,115		(632,256)	686,115
<u>Other Trust Fund:</u>									
Department of Housing and Urban Development									
(passed through County of Hudson):									
Community Development Block Grant:									
Street Reconstruction	14.219	1999	5,572		5,572		(5,572)		
Façade Improvement Program	14.219	2003	50,000		2,023		(2,023)		47,977
Harvey Field House-Bathroom	14.219	2007	300,000	(38,121)	38,121				300,000
Woodland Avenue Reconstruction	14.219	2008	200,000		6,715		(6,715)		193,285
Sellers Street Reconstruction - Phase II	14.219	2010	336,762		191,893	218,241		(26,348)	309,020
Town Hall ADA Compliance	14.219	2010	114,310	(90,779)	100,000	23,531	14,310		114,310
Bergen Avenue Paving/Water Improvements	14.219	2011	250,000		250,000	250,000			250,000
Town Hall ADA Compliance	14.219	2011	82,250						
ADA Impr. to Veteran's Field	14.219	2011	110,000						
Road Reconstruction	14.219	2012	400,000						
Total Trust Funds				(128,900)	594,324	491,772		(26,348)	1,214,592
Total Federal Awards				(335,272)	1,018,976	1,818,471		(1,134,767)	2,853,883

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



## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance December 31, 2011	Cash Received	Budgetary Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<b>Federal and State Grant Fund:</b>									
<b>Department of Commerce &amp; Economic Development:</b>									
<b>Urban Enterprise Zone Program:</b>									
Administration	2830-763-250120-50	FY2011	120,292	(12,006)	46,577	34,571			* 82,502
Business Development Revolving Loan	2830-763-250120-50	FY2010	600,000	(344,188)	279,050	4,928	1	(70,065)	* 356,363
Marketing and Zone Promotion - Phase II	2830-763-250120-50	2010	49,800		6,572	8,852		(2,280)	* 8,852
Marketing and Zone Promotion	2830-763-250120-50	FY2010	500,140	(43,782)	134,131	105,959	(1)	(15,611)	* 509,592
Jacobus Avenue Phase III	2830-763-250120-50	FY2009	820,290	(122,729)	38,581	(84,148)			* 509,326
Sellers Street Reconstruction, Phase II	2830-763-250120-50	FY2011	1,059,500	(466,596)	407,852	(58,744)			* 577,876
Kearny Avenue Streetscape, Phase V	2830-763-250120-50	FY2011	535,050	(470,354)	250,737	(387)	500	(218,730)	* 535,055
Kearny Avenue Resurfacing	2830-763-250120-50	FY2011	568,641	(159,367)	15,171	(144,696)	(500)		* 361,362
Clean Project Year 2	2830-763-250120-50	2010	271,696	(1,650)		(1,650)			* 117,301
Clean Project Year 3	2830-763-250120-50	FY2011	116,783		86,482	86,482			* 15,639
Public Safety Project-Year 3	2830-763-250120-50	FY2011	132,210		47,995	47,995			* 121,063
Barszewski Street Road Improvement	2830-763-250120-50	2012	68,000		68,000	68,000			* 68,000
Public Safety Project-Year 4	2830-763-250120-50	2012	263,180		109,646	109,646			* 109,646
Administration	2830-763-250120-50	2012	123,608		18,622	45,065		(26,443)	* 45,065
Business Dev. Revolving Loan Phase V	2830-763-250120-50	2012	250,000						* *
Clean Project Year 4	2830-763-250120-50	2012	108,000						* *
									* *
				(1,620,672)	1,509,416	221,873		(333,129)	* 3,408,642
<b>Department of Community Affairs</b>									
Municipal Alliance Program	2000-082-995120-44	2011	42,197	(14,981)	14,981				* 42,185
Municipal Alliance Program	2000-082-995120-44	2012	42,197		24,380	42,159		(17,779)	* 42,159
				(14,981)	39,361	42,159		(17,779)	* 84,344
<b>Department of Environmental Protection</b>									
Clean Communities Program	4900-765-178910-60	FY2009	44,739	11,314		11,314			* 44,739
Clean Communities Program	4900-765-178910-60	2008-09	46,584	46,584		46,584			* 46,584
Clean Communities Program	4900-765-178910-60	2011	44,209	44,209		44,209			* 44,209
Clean Communities Program	4900-765-178910-60	2012	44,340		43,555	32,785		10,770	* 32,785

## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance December 31, 2011	Cash Received	Budgetary Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<u>Dept. of Environmental Protection, cont.</u>									
Recycling Tonnage Grant	4900-752-178810-60	FY2010	28,172	22,357		22,357			*
Recycling Tonnage Grant	4900-752-178810-60	2011	37,663	37,663		37,663			*
Recycling Tonnage Grant	4900-752-178810-60	2011	54,337	54,337		25,977		28,360	*
Recycling Tonnage Grant	4900-752-178810-60	2012	64,428		64,428			64,428	*
									*
Hazardous Discharge Site Remediation Fund		2012	47,258						*
				216,464	107,983	220,889		103,558	*
									*
									*
<u>Department of Law and Public Safety:</u>									
Drunk Driving Enforcement Fund	4320-100-046-4750-241	FY10	14,755	4,036		921		3,115	*
									*
Over the Limit Under Arrest	1160-100-066-1160-111	2012	5,000		4,737	4,737			*
									*
Body Armor Grant	1020-718-001-066	FY2009	11,414	8,576		8,576			*
Body Armor Grant	1020-718-001-066	2010	3,406	3,406		3,406			*
Body Armor Grant	1020-718-001-066	2010	9,804	9,804		9,804			*
Body Armor Grant	1020-718-001-066	2011	10,214	10,214				10,214	*
Body Armor Grant	1020-718-001-066	2012	9,519		9,519			9,519	*
									*
				36,036	14,256	27,444		22,848	*
									*
				(1,383,153)	1,671,016	512,365		(224,502)	*
Total State Assistance									*

## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance December 31, 2011	Cash Received	Budgetary Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<u>Other Financial Assistance:</u>									
<u>Hudson County:</u>									
Hudson County Health Dept. - Office of the Aging		2011	55,000		18,804	18,804			48,324
Hudson County Health Dept. - Office of the Aging		2012	50,000			46,624		(46,624)	*
Open Space Trust Fund:									*
Veterans Field House Construction	N/A	FY2009	100,000	(50,000)	46,079	421	1	(4,341)	100,000
Veterans Field House Construction	N/A	FY2009	97,000	(97,000)	92,923			(4,077)	97,000
Library Reading Park Construction	N/A	FY2009	50,000						*
LEED Improvements at Veteran's Field	N/A	FY2010	175,000	(175,000)		(42,480)		(132,520)	132,520
All Season Multipurpose Veteran's Field	N/A	FY2010	350,000	(153,600)		46,400		(200,000)	200,000
Brighton Avenue Playground	N/A	FY2010	200,000	(183,311)	183,312		(1)		200,000
All Season Surface - Veteran's Field	PI-07-10	FY2010	100,000						*
Development of Riverbank Park	PI-09-10	FY2010	300,000	(12,839)	11,212	4,928	(1)	(6,556)	20,485
Veterans Field House Construction	OS-27-07	2007	110,000	(110,000)				(110,000)	110,000
Other Miscellaneous Local Assistance:									*
New Jersey Health Officers Association:									*
H1N1 Corrective Action	N/A								*
Jersey Fresh Grant	N/A	2010	1,482	1,482				1,482	*
NJ Transit Reforestation Plan	N/A	2010	68,400	68,400				68,400	*
Port Security Grant	N/A	2010	75,000	18,750		75,000		(56,250)	75,000
Total Other Financial Assistance				(693,118)	352,330	149,697	(1)	(490,486)	983,329
Total Federal and State Grant Fund				(2,076,271)	2,023,346	662,062	(1)	(714,988)	4,777,445
General Capital Fund:									*
Department of Transportation:									*
Road Improvements and Traffic Signals for Belgrove									*
Dr./Woodland Ave and Seely Ave/Elm St.	480-078-6320-AK-6010	2010-07	400,805				(158,559)	(158,559)	352,908
Various Road/Sewer/Intersection Imns. -									*
Wilson and Kearny Avenues - Ord. 2011-13	480-078-6320-AK-6010	2011-13	207,781			207,781		(207,781)	207,781
Various Road Improvements	480-078-6320-AK-6010	2012-27	291,100			291,100		(291,100)	291,100
						498,881	(158,559)	(657,440)	851,789

## TOWN OF KEARNY, N.J.

## Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance December 31, 2011	Cash Received	Budgetary Expenditures	Adjustments	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
<u>Green Acres Grant:</u>									
Multi-Park Improvements	4800-533-852000-60	2008-36	500,000	(500,000)				(500,000)	* 42,962
Harvey Field Soccer Field	4800-533-852000-60	2009-42	435,000	(435,000)	435,000				* 435,000
Waterfront Property Acquisition (Magullian Property)	4800-533-852000-60	2010-40	574,500	(574,500)	574,500				* 574,500
				(1,509,500)	1,009,500			(500,000)	* 1,052,462
Total General Capital Fund				(1,509,500)	1,009,500	498,881	(158,559)	(1,157,440)	* 1,904,251
Water Utility Capital Fund									*
Department of Environmental Protection									*
Central Avenue Water Improvements -									*
Infrastructure Trust Financing - Trust Portion		2009	260,910	(1,751)				(1,751)	* 228,438
Total Water Utility Capital Fund				(1,751)				(1,751)	* 228,438
				\$ (3,587,522)	3,032,846	1,160,943	(158,560)	(1,874,179)	* 6,910,134

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 YEAR ENDED DECEMBER 31, 2012**

**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	\$640,584	\$512,365	\$149,697	\$1,302,646
Community Development Grant Fund	491,772			491,772
General Capital Fund		498,881		498,881
Water Utility Capital Fund	<u>686,115</u>	<u></u>	<u></u>	<u>686,115</u>
	<u>\$1,818,471</u>	<u>\$1,011,246</u>	<u>\$149,697</u>	<u>\$2,979,414</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 YEAR ENDED DECEMBER 31, 2012**  
**(CONTINUED)**

**NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING**

The Town's federal and state loans outstanding at December 31, 2012, 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 - Capital Fund	\$7,599,875
State of New Jersey Environmental Infrastructure Trust Loan Program - Utility Capital Fund	2,175,247
State of New Jersey Green Acres Bond Act	<u>1,261,988</u>
	<u>\$11,037,110</u>

**TOWN OF KEARNY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*Section I - Summary of Auditor's Results*

**Financial Statements**

Type of auditor's report issued: adverse

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

**Federal Awards Section**

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

Auditee qualified as low-risk auditee?            yes       X       no

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

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 Section 510(a) of Circular A-133?            yes       X       no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.219</u>	<u>Community Development Block Grants</u>
<u>97.056</u>	<u>FY10 Port Security Grant - Fire Boat</u>

**TOWN OF KEARNY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*Section I - Summary of Auditor's Results, (continued)*

**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**

480-078-6320-AK-6010

Department of Transportation



**TOWN OF KEARNY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(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 \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000.

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:

Water Meter Reading, Billing, Collection and Service	Fire Boat
Roll off Truck for DPW	Miscellaneous Roadway Repairs
North Hackensack Ave Water Improvements	DPW Sweeper
Quick Attach Vehicle for Fire Department	Riverbank Park Improvements - Mulligan Site
Outdoor Advertisement Management	Midland Ave & Forest Street Storm Sewer Repair
Landscaping Services	Schuyler Ave and Hamilton St. Sewer Repair
Fireworks Display	East Midland Ave Force Main Improvements
Sellers Street Area Improvements - Phase III	Bergen Ave at Belgrove Drive Concrete Work
Fire Dept. Aided Dispatch and Records Management Software	Davis Avenue Striping

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.

## TOWN OF KEARNY

### GENERAL COMMENTS, (continued)

#### 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 5, 2012 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,

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 5, 2012 and was complete.

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

## TOWN OF KEARNY

### GENERAL COMMENTS, (continued)

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

<u>Year</u>	<u>Number of Liens</u>
2012	16
2011	17
2010	19

#### 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, 2012, 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.

**TOWN OF KEARNY**  
**OTHER COMMENTS**

**Finance:**

- 1.\* There is an unfunded ordinance over five years old for which expenditures have been made that has not been funded.
- 2.\* 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.
- 3.\* Intra-funds between the Escrow, Other Trust and Affordable Housing have not been rectified.
- 4.\* 1099's are not being issued to all vendors/individuals that were compensated in excess of \$600 in violation of IRS regulations.
5. Not all premiums held for tax title liens were refunded when the liens were redeemed.
6. There were instances in which the amount refunded for redeemed tax title liens did not agree to the amount deposited for the redemption.
7. There were instances in which the incorrect budget year was charged for expenditure which would have caused an over-expenditure of the appropriation reserve budget.
8. Not all activity that appears on the bank statements is being posted to the General Ledger for various accounts.
9. Payments made to Downes Tree Service Co., Inc. for emergency and non-emergency tree services were in excess of the bid threshold; however the requirements of Local Public Contracts Law were not followed.
10. There are stale dated checks being carried as reconciling items in the Net Payroll Account.
11. Monthly bank reconciliations are not being prepared for the following accounts:
  - Fire Department Inspection Account
  - Fire Department Permits Account
  - Board of Health Marriage Licenses Account
  - Board of Health Burial Permits Account
  - Police Records Account
12. Completed W-4's forms for selected individuals were unable to be located for review.
13. The temporary appropriations adopted under 40A:4-19 and 40A:4-20 for the Water Utility were not within the statutory maximums.
14. The Annual Debt Statement of 2012 contained deductions in excess of the actual amount.

**TOWN OF KEARNY**  
**OTHER COMMENTS (cont.).**

**Departments:**

**Municipal Clerk**

- 1.\* Minutes of Mayor and Council meetings are not being signed by the Town Clerk.
- 2.\* Minutes of Mayor and Council meetings are not being approved by Mayor and Council.
3. A review of various professional service contracts and award procedures revealed that the Borough did not properly utilize the "fair and open" process as set forth in the state's "Pay to Play" statute (P.L. 2005, c.51).

**Building Department**

1. Monthly revenue reports generated by the building department do not agree to actual cash collections due to receipts being collected at the time of application and permits being entered at time of issuance.

**Municipal Court**

- 1.\* The analysis of open bail per the ATS/ACS reports is not in agreement with the reconciled cash balance at year end.
- 2.\* Agency checks are not always being issued by the 15<sup>th</sup> of the following month of receipt.
3. According to the Municipal Court December Management report there are 137 tickets eligible for dismissal.

**RECOMMENDATIONS**

**Finance:**

- 1.\* Town officials take the necessary steps to fund ordinances for which expenditures have been made but that no permanent funding has been provided.
- 2.\* 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.
- 3.\* The various intra-funds between the Escrow, Other Trust and Affordable Housing be investigated and either liquidated, raised and/or cancelled via resolution.
- 4.\* A 1099 be issued to all vendors/individuals that were compensated in excess of \$600 in accordance with IRS regulations.
5. That more care be taken to ensure premiums on redeemed tax title liens are refunded in a timely manner.

**TOWN OF KEARNY**  
**RECOMMENDATIONS (cont.),**

**Finance (cont.)**

6. That more care be taken to ensure the amount refunded for redeemed tax title liens agrees to the redemption amount.
7. That more care be taken to ensure the proper budget year is charged for all expenditures.
8. That all activity be posted to the general ledgers.
9. That all contracts that are anticipated to exceed the bid threshold be advertised for public bid as required by Local Public Contracts Law N.J.S.A. 40A:11-1 et seq.
10. That all stale dated checks be reviewed and cancelled by resolution if necessary.
11. That all accounts be reconciled on a monthly basis.
12. That all completed W-4 forms be maintained and made available for review.
13. That more care be taken to ensure temporary appropriations adopted under 40A:4-19 and 40A:4-20 for the Water Utility are within the statutory maximums.
14. That an amended Annual Debt Statement be filed.

**Departments:**

**Municipal Clerk**

- 1.\* That official minutes of the Mayor and Council meetings be signed by the Town Clerk.
- 2.\* That official minutes of the Mayor and Council meetings be reviewed and approved at subsequent meetings.
3. Town officials develop and implement policies and procedures concerning the award of professional service contracts to ensure compliance with N.J.S.A. 19:4A-20.4.

**Building Department**

1. That cash be collected at the time permits are entered into the system.

**Municipal Court**

- 1.\* Court officials reconcile the Bail on Account per ATS/ACS to the reconciled cash balance at month end to ensure balances are in agreement.
- 2.\* Disbursements to the appropriate agencies be made by the 15<sup>th</sup> of the following month of collection.
3. Tickets eligible for dismissal be investigated and processed in a timely manner.



TOWN OF KEARNY

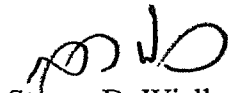
STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

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

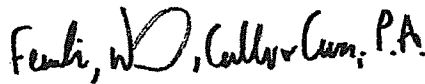
The problems and weaknesses noted in our audit were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

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

June 25, 2013