

BOROUGH OF NORTHVALE

**Financial Statements With
Supplementary Information
December 31, 2011
(With Independent Auditors' Report Thereon)**

BOROUGH OF NORTHVALE

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BOROUGH OF NORTHVALE

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PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Northvale
County of Bergen, New Jersey

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Borough of Northvale in the County of Bergen, as of and for the years ended December 31, 2011 and 2010, and the related statements 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, 2011. These financial statements are the responsibility of the Borough of Northvale's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

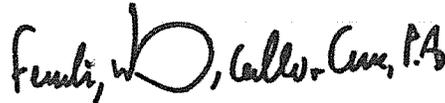
The Length of Service Awards Program of the Borough of Northvale has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

Honorable Mayor and
Members of the Borough Council
Page 3.

Our audit was for the purpose of forming an opinion on the financial statements of the Borough of Northvale, State of New Jersey taken as a whole. The accompanying schedules and exhibits listed in the table of contents are presented for purposes of additional analysis and are not required part of the financial statements of the Borough of Northvale, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



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



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

July 6, 2012

BOROUGH OF NORTHVALE

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund			
Cash	A-4	\$ 783,223	299,294
Cash - change funds	A-5	200	200
		<u>783,423</u>	<u>299,494</u>
Due from state:			
Senior citizens' and veterans' deductions	A-7		<u>452</u>
Receivables and other assets with full reserves:			
Delinquent property tax receivable	A-8	416,435	573,662
Tax title liens receivable	A-9	40,868	37,446
Foreclosed property - property acquired for taxes - assessed valuation	A-10	2,156,700	2,156,700
Revenue accounts receivable	A-11	2,320	4,517
Prepaid County Taxes	A-17		55
Interfunds Receivable:			
General Capital Fund	A-23		1,356
Animal License Trust Fund	A-23		2,486
Community Development Trust Fund	A-23	9,346	15,282
Other Trust Fund	A-23	4,411	4,431
		<u>2,630,080</u>	<u>2,795,935</u>
Deferred charges:			
Emergency Authorizations	A-12		195,500
Special emergency authorizations (40A:4-55)	A-13	118,000	80,000
		<u>118,000</u>	<u>275,500</u>
		<u>3,531,503</u>	<u>3,371,381</u>
Federal and State Grant Fund:			
Grants Receivable	A-26	6,923	12,622
Due from Current Fund	A-24	155,862	128,049
		<u>162,785</u>	<u>140,671</u>
		<u>\$ 3,694,288</u>	<u>3,512,052</u>

BOROUGH OF NORTHVALE

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

Current Fund

Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue and other income realized:		
Miscellaneous revenue anticipated	\$ 1,736,872	2,461,358
Receipts from delinquent taxes	576,428	480,135
Receipts from current taxes	20,421,452	19,221,597
Non-budget revenues	39,272	41,520
Other credits to income:		
Unexpended balance of appropriation reserves	80,586	13,096
Liabilities cancelled		10
Interfunds returned	18,579	9,758
Total income	<u>22,873,189</u>	<u>22,227,474</u>
Expenditures - budget appropriations:		
Appropriations		
Salaries and wages	2,748,245	2,903,348
Other expenses	3,398,347	3,737,063
Deferred charges and statutory expenditures	437,500	261,789
Municipal debt service	763,275	754,257
County taxes	1,939,293	2,008,319
Amount due County for added and omitted taxes	2,997	3,283
Local district school tax	8,239,794	8,065,605
Regional high school tax	4,954,458	4,561,461
Local open space tax	85,400	100,663
Other cancellations		1,324
Interfunds advanced	8,745	15,282
Tax Refunds		19,433
Total expenditures	<u>22,578,054</u>	<u>22,431,827</u>
Excess/(Deficit) in Revenues	<u>295,135</u>	<u>(204,353)</u>
Adjustments to Income before Surplus:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>78,000</u>	<u>245,500</u>
Statutory Excess to Surplus	373,135	41,147
Fund balance, January 1	<u>132,661</u>	<u>91,514</u>
Fund balance, December 31	<u>\$ 505,796</u>	<u>132,661</u>

See accompanying notes to financial statements.

BOROUGH OF NORTHVALE
Statement of Revenues-Regulatory Basis

Current Fund

Year ended December 31, 2011

	<u>Antici-</u> <u>pated</u>	<u>Realized</u>	Excess or <u>(deficit)</u>
Miscellaneous revenues:	\$		
Licenses:			
Alcoholic beverage	15,200	15,466	266
Other	11,700	10,850	(850)
Fees and permits:			
Construction code official	85,000	122,042	37,042
Other	24,700	29,049	4,349
Fines - Municipal Court	90,500	74,578	(15,922)
Interest and costs on taxes	71,899	117,006	45,107
Consolidated Municipal Property Tax Relief Act	66,347	66,347	
Energy Receipts Tax	494,958	494,958	
Interest on investments and deposits	3,800	3,049	(751)
Borough of Rockleigh - Police/Court Services	383,934	383,936	2
Public and Private Programs offset by appropriations:			
Clean Communities	7,720	7,720	
Recycling Tonnage Grant	31,564	31,564	
USDA Commodities	2,640	2,640	
Title III	13,522	13,522	
Click it or Ticket	4,000	4,000	
COPS in Shops - 2010	4,833	4,833	
COPS in Shops - 2011	4,000	4,000	
Alcohol Education Rehabilitation	647	647	
Body Armor Grant	1,522	1,522	
Drunk Driving Enforcement Fund	3,391	3,391	
Northvale Municipal Alliance	12,079	12,079	
Municipal Open Space Trust (Field Maintenance)	87,648	87,648	
Life Hazard Use Fees (Fire)	27,400	26,846	(554)
Recreation Fees	14,600		(14,600)
Donation - Senior Center	6,000	5,205	(795)
Cable TV Franchise Fees	51,907	51,908	1
Summer Recreation Fees	34,800	44,047	9,247
Senior Van Driver - Senior Financial Assoc	24,000	24,024	24
Compost Program - Hillsdale	44,739	44,739	
FEMA	14,247	36,203	21,956
General Capital Fund Balance	13,053	13,053	
	1,652,350	1,736,872	84,522

BOROUGH OF NORTHVALE
Statement of Revenues-Regulatory Basis

Current Fund

Year ended December 31, 2011

Analysis of non-budget revenues:

Miscellaneous revenue not anticipated:

Photocopies	\$	9,425
Zoning Books and Maps		42
Elections Polls		180
Tax Printouts		144
Property Owners Lists		155
Miscellaneous		12,962
Sewer Connection Fees		9,822
Metal Recycling		802
Duplicate Tax Bills		230
Insurance Refunds		625
Senior Van Rides		912
Medical and Dental Reimbursement		2,420
Administrative Fee-Senior Citizens and Veterans		<u>1,553</u>
	\$	<u><u>39,272</u></u>

See accompanying notes to financial statements.

Borough of Northvale

Statement of Expenditures-Regulatory Basis

Current Fund

Year ended December 31, 2011

	Appropriation		Expended 2011		Unexpended Balance Cancelled
	Budget	Total for 2011 as Modified by All Transfers	Paid or Charged	Reserved	
<u>General Appropriations</u>					
General Government:					
Administrative and executive:					
Salaries and wages	\$ 98,289	98,289	98,289		
Other expenses	75,000	81,000	74,616	6,384	
Financial administration:					
Salaries and wages	51,941	51,941	51,941		
Other expenses	20,000	18,000	17,440	560	
Annual Audit	35,500	36,100	36,100		
Collection of Taxes:					
Salaries and wages	50,707	50,707	50,707		
Other expenses	12,000	15,000	14,809	191	
Assessment of taxes:					
Salaries and wages	10,669	10,669	10,669		
Other expenses	3,000	15,000	14,777	223	
Legal services and costs:					
Other expenses	75,000	75,000	74,907	93	
Engineering services and costs:					
Other expenses	20,000	17,000	16,616	384	
Municipal Land Use Law NJSA (40:55D-1)					
Planning Board:					
Salaries and wages	3,963	3,963	3,963		
Other expenses	8,000	18,000	17,609	391	
Municipal Court					
Salaries and wages	69,457	69,457	69,084	373	
Other expenses	5,500	5,750	5,544	206	
Public Defender					
Salaries and wages	4,330	4,330	4,330		

Borough of Northvale

Statement of Expenditures-Regulatory Basis

Current Fund

Year ended December 31, 2011

	Appropriation		Expended 2011		Unexpended Balance Cancelled
	Budget	Total for 2011 as Modified by All Transfers	Paid or Charged	Reserved	
<u>General Appropriations</u>					
Public Works Function:					
Road Repairs and Maintenance:					
Salaries and wages	525,000	525,000	519,151	5,849	
Other expenses	40,000	58,000	55,989	2,011	
Sanitation:					
Garbage and Trash Removal					
Contractual	255,000	255,000	254,923	77	
Tipping Fees - BCUA	165,000	162,000	161,900	100	
Borough of Norwood - Contractual	14,000	14,000	14,000		
Ambulance Vehicle repair					
Recycling:					
Salaries and wages	5,575	5,575	5,575		
Other expenses	10,000	11,500	10,776	724	
Public Buildings and Grounds					
Other expenses	28,000	36,500	35,434	1,066	
Sewer Repairs and Maintenance:					
Other expenses	5,000	2,500	2,477	23	
Senior Van Repairs:					
Salaries and wages	21,000	20,373	20,373		
Other expenses	3,000	1,627	682	945	
Health and Welfare:					
Board of Health:					
Salaries and wages	22,335	22,335	22,335		
Other expenses	34,000	35,250	35,046	204	
Animal Control					
Other Expenses	7,000	7,000	6,825	175	

Borough of Northvale

Statement of Expenditures-Regulatory Basis

Current Fund

Year ended December 31, 2011

	Appropriation		Expended 2011		Unexpended Balance Cancelled
	Budget	Total for 2011 as Modified by All Transfers	Paid or Charged	Reserved	
<u>General Appropriations</u>					
Termination Pay		78,000	78,000		
Total operations within "CAPS"	4,527,237	4,624,038	4,569,180	54,858	
Contingent	500	500		500	
Total Operations Including Contingent-within "CAPS"	4,527,737	4,624,538	4,569,180	55,358	
Detail:					
Salaries and Wages	2,378,172	2,364,245	2,347,729	16,516	
Other Expenses	2,149,565	2,260,293	2,221,451	38,842	
	4,527,737	4,624,538	4,569,180	55,358	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (O.A.S.I.)	215,000	202,000	201,574	426	
Total Deferred and Statutory Expenditures - Municipal within "CAPS"	215,000	202,000	201,574	426	
Total General Appropriations for Municipal Purposes within "CAPS"	4,742,737	4,826,538	4,770,754	55,784	
Operations excluded from "CAPS":					
Sewer:					
Bergen County Utilities Authority	494,420	494,420	494,414	6	
Contribution to:					
Police and Firemen's Retirement System of NJ	420,302	420,302	420,302		
LOSAP	38,400	38,400	34,200	4,200	
Public Employees' Retirement System	99,014	99,014	99,014		
Health Benefits	5,801				
Total Other Operations - Excluded from "CAPS"	1,057,937	1,052,136	1,047,930	4,206	

Borough of Northvale

Statement of Expenditures-Regulatory Basis

Current Fund

Year ended December 31, 2011

	Appropriation		Expended 2011		Unexpended Balance Cancelled
	Budget	Total for 2011 as Modified by All Transfers	Paid or Charged	Reserved	
<u>General Appropriations</u>					
Total Operations Excluded from "CAPS"	1,527,855	1,522,054	1,517,848	4,206	
Detail:					
Salaries and Wages	384,000	384,000	384,000		
Other Expenses	1,143,855	1,138,054	1,133,848	4,206	
	1,527,855	1,522,054	1,517,848	4,206	
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Principal	635,000	635,000	635,000		
Interest on Bonds	127,519	127,519	127,519		
Interest on Notes	1,000	1,000	756		244
	763,519	763,519	763,275		244
Total Municipal Debt Service-Excluded from "CAPS"					
Deferred Charges:					
Emergency Authorization	195,500	195,500	195,500		
Special Emergency Authorization - 5 years (N.J.S. 40A:4-55)	40,000	40,000	40,000		
Total Deferred Charges - Municipal - Excluded from "CAPS"	235,500	235,500	235,500		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,526,874	2,521,073	2,516,623	4,206	244
Total General Appropriations - Excluded from "CAPS"	2,526,874	2,521,073	2,516,623	4,206	244

BOROUGH OF NORTHVALE

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Animal Trust Fund:			
Cash	B-1	\$ <u>5,495</u>	<u>8,000</u>
Other Trust Funds:			
Cash	B-1	<u>426,663</u>	<u>280,329</u>
Community Development Block Grant Fund:			
Grants receivable	B-6	<u>29,666</u>	<u>41,625</u>
Unemployment Trust Fund:			
Cash	B-1	55,343	55,187
Due from Payroll Account	F	<u>6,913</u>	<u>6,913</u>
		<u>62,256</u>	<u>62,100</u>
Open Space Trust Fund:			
Cash	B-1	<u>279,860</u>	<u>340,424</u>
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Cash in Plan	B-1	496,866	479,740
Service Award Contributions Receivable	B-12	<u>37,200</u>	<u>37,800</u>
		<u>534,066</u>	<u>517,540</u>
		\$ <u><u>1,338,006</u></u>	<u><u>1,250,018</u></u>

BOROUGH OF NORTHVALE

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2011

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	C-2/C-3	\$ 64,055	384,062
Deferred charges to future taxation:			
Funded	C-4	3,743,000	4,378,000
Unfunded	C-6	674,359	383,679
Due from Escrow Trust Fund	C-7	36,393	36,393
Grants receivable	C-8	501,467	623,036
Due from Federal and State Grant Fund	C-3	22,875	22,875
		\$ 5,042,149	5,828,045
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-10	3,743,000	4,378,000
Due to Current Fund	C-5		1,356
Improvement authorizations:			
Funded	C-9	324,844	1,085,264
Unfunded	C-9	394,769	327,800
Capital Improvement Fund	C-12	17,572	22,572
Fund balance	C-1	561,964	13,053
		\$ 5,042,149	5,828,045

There were bond anticipation notes authorized but not issued on December 31, 2011 and 2010 of \$674,359 and \$383,679 respectively.

See accompanying notes to financial statements.

BOROUGH OF NORTHVALE
Statement of Fund Balance-Regulatory Basis
General Capital Fund
Year ended December 31, 2011

Balance, December 31, 2010	\$	13,053
Increased by:		
Cash Receipts - Grants received for a previously cancelled project		43,998
Funded Improvement Authorizations Cancelled		<u>517,966</u>
		<u>561,964</u>
		575,017
Decreased by:		
Budget Revenue Realized		<u>13,053</u>
Balance, December 31, 2011	\$	<u><u>561,964</u></u>

See accompanying notes financial statements.

BOROUGH OF NORTHVALE

Comparative Balance Sheet-Regulatory Basis

Public Assistance Trust Fund

December 31, 2011 and 2010

	<u>Ref</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash - PATF I	E-1	\$ 108	108
Cash - PATF II	E-1	<u>8,084</u>	<u>8,059</u>
		<u>\$ 8,192</u>	<u>8,167</u>
 <u>Liabilities</u>			
Reserve for Expenditure - PATF I	E-4	\$ 1,108	1,108
Reserve for Expenditure - PATF II	E-4	<u>7,084</u>	<u>7,059</u>
		<u>\$ 8,192</u>	<u>8,167</u>

See accompanying notes to financial statements.

BOROUGH OF NORTHVALE

Balance Sheet-Regulatory Basis

Payroll and Agency Fund

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash	\$ 2,109	
Deficit in Reserve for Payroll	4,804	2,131
Payroll Withholdings Receivable		6,142
	<u>6,913</u>	<u>8,273</u>
<u>Liabilities</u>		
Cash Deficit	\$	1,360
Due to Unemployment Trust	6,913	6,913
	<u>6,913</u>	<u>8,273</u>

See accompanying notes to financial statements.

BOROUGH OF NORTHVALE

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>General Fixed Assets:</u>		
Land and Land Improvements	\$ 5,934,700	5,934,700
Buildings and Building Improvements	2,861,700	2,861,700
Vehicles and Equipment	<u>3,585,315</u>	<u>3,841,650</u>
	<u>\$ 12,381,715</u>	<u>12,638,050</u>
 Investment in Fixed Assets	 <u>\$ 12,381,715</u>	 <u>12,638,050</u>

See accompanying notes to financial statements.

BOROUGH OF NORTHVALE

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 Borough of Northvale 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 an other 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 Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

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

GASB 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 Borough do not include the volunteer fire department 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.

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

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

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

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

Payroll and Agency Fund - This fund is used to account for net payroll checks and payroll deductions.

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Northvale. 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 Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

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

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

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

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

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

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

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

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 fair value and are limited by N.J.S.A. 40A:5-15.1(a).

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

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

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

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 Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough'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, 2011, \$-0- of the Borough's bank balance of \$2,308,172 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2011 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$4,378,000	\$	\$635,000	\$3,743,000	\$533,000
Deferred PERS/PFRS Pension Contribution	187,146			187,146	187,146
Other Liabilities - Compensated Absences Payable	<u>872,833</u>	<u>81,560</u>	<u>77,744</u>	<u>876,649</u>	<u> </u>
	<u>\$5,437,979</u>	<u>\$81,560</u>	<u>\$712,744</u>	<u>\$4,806,795</u>	<u>\$720,146</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 Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Issued - general bonds and notes	<u>\$3,743,000</u>	<u>\$4,378,000</u>	<u>\$4,978,000</u>
Net debt issued	3,743,000	4,378,000	4,978,000
Authorized but not issued - general bonds and notes	<u>674,359</u>	<u>383,679</u>	<u>75,679</u>
	4,417,359	4,761,679	5,053,679
Less Deductions	_____	_____	_____
Net bonds and notes issued and authorized but not issued	<u>\$4,417,359</u>	<u>\$4,761,679</u>	<u>\$5,053,679</u>

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Aggregate debt service requirements for outstanding bonded debt for the next five years is:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$533,000	\$102,885	\$635,885
2013	340,000	88,600	428,600
2014	355,000	81,650	436,650
2015	370,000	73,475	443,475
2016	410,000	63,000	473,000
2017-2020	<u>1,735,000</u>	<u>120,088</u>	<u>1,855,088</u>
Total	<u>\$3,743,000</u>	<u>\$529,698</u>	<u>\$4,272,698</u>

General capital serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

At December 31, 2011, the Borough had authorized but not issued debt of \$674,359.

NOTE 4. PENSION PLANS

Description of Systems:

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

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

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 4. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS)

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.

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.

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.

BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 4. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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

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

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

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

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

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.

NOTE 5. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, the Borough 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.

**BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 7. FIXED ASSETS

The following is a summary of the General Fixed Assets Account Group as of December 31, 2011.

	Balance <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2011</u>
Land	\$5,934,700			\$5,934,700
Building and Building Improvements	2,861,700			2,861,700
Machinery and Equipment	<u>3,841,650</u>	<u>\$</u>	<u>\$256,335</u>	<u>3,585,315</u>
	<u>\$12,638,050</u>	<u>\$0</u>	<u>\$256,335</u>	<u>\$12,381,715</u>

NOTE 8. ACCRUED SICK AND VACATION BENEFITS

The Borough permits all employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation approximates \$876,649 as of December 31, 2011. The Division of Local Government Services, Department of Community Affairs, State of New Jersey does not allow this amount to be reported either as an expenditure or liability.

NOTE 9. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2011 consist of the following:

\$36,393	Due to the General Capital Fund from the Escrow Trust Fund to reimburse prior year expenses paid.
9,346	Due to the Current Fund from the Community Development Grant Fund to reimburse grant expenditures paid.
4,411	Due to the Current Fund from the Other Trust Fund for interest earned on investments and to reimburse expenses paid.
6,913	Due to the Unemployment Trust Fund from the Payroll Fund for employee share of SUI contributions.
22,875	Due to the General Capital Fund from the Federal and State Grant Fund as reimbursement for expenditures.
<u>155,862</u>	Due to the Federal and State Grant Fund from the Current Fund for grants received less expenses paid.
<u>\$235,800</u>	

**BOROUGH OF NORTHVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 11. RISK MANAGEMENT, (continued)

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

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members.

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

NOTE 12. TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2011</u>	Balance <u>Dec 31, 2010</u>
Prepaid Taxes	<u>\$85,708</u>	<u>\$65,467</u>
Cash Liability for Taxes Collected in Advance	<u>\$85,708</u>	<u>\$65,467</u>

SUPPLEMENTARY DATA

Supplementary Data for *Journal of Applied Psychology*, 2014, Vol. 99, No. 1

BOROUGH OF NORTHVALE

Supplementary Data

Year ended December 31, 2011

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax rate	2.444	1.970	1.902
Apportionment of tax rate:			
Municipal	0.655	0.503	0.481
Municipal Open Space	0.010	0.010	0.010
County	0.226	0.198	0.194
County Open Space	0.003	0.003	0.011
District School	0.968	0.802	0.781
Regional school	<u>0.582</u>	<u>0.454</u>	<u>0.425</u>

Assessed valuation:

2011	\$ 851,035,901
2010	1,005,100,582
2009	996,507,509

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>Currently</u>	
		<u>Cash</u> <u>collec-</u> <u>tions</u>	<u>Percent-</u> <u>age of</u> <u>collec-</u> <u>tions</u>
2011	\$ 20,850,238	20,421,452	97.94%
2010	19,832,831	19,221,597	96.92%
2009	18,997,284	18,513,285	97.45%

BOROUGH OF NORTHVALE

Supplementary Data

Year ended December 31, 2011

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>	<u>Type of Bond</u>
Paul Bazela	Mayor		
Ed Piehler	Council President		
Gloria Libby	Councilwoman		
Pat Marana	Councilman		
William Amend	Councilman		
Roy Sokoloski	Councilman		
Peter Sotiropoulos	Councilman		
Shuaib Firozvi	Chief Financial Officer/Treasurer		
Wanda Worner	Borough Clerk		
Suzanne Burroughs	Tax Collector	\$ 1,000,000	(A)
Nicola Lepore	Construction Code Official		
Frank Giordanno	Plumbing Subcode Official		
Joseph Zavarino	Fire Subcode Official		
Roger Hauser	Municipal Court Judge	1,000,000	(A)
Maria Doerr	Municipal Court Administrator	1,000,000	(A)
Diane Frohlich	Deputy Court Clerk	1,000,000	(A)
John Guercio	Assessor		
Vincent St. Angelo	Chief of Police		
Paul Niehoff	Borough Engineer		
Joseph Zavarino	Fire Prevention Bureau		
Gregg Paster	Borough Attorney		

(A) - Statutory positions are covered under the South Bergen Municipal Jointure policy (\$50,000) and the Municipal Excess Liability Joint Insurance Fund Excess Crime Policy - Public Employees Bond (\$950,000)

BOROUGH OF NORTHVALE
 Schedule of Expenditures of Federal Awards
 Year ended December 31, 2011

Federal Funding Department	Federal Program	C.F.D.A. Number	Grant award amount	Grant period	Balance 12/31/10	Grant Receipts	Expenditures	Adjustments/Cancelled	Balance 12/31/11	MEMO cumulative Expenditures
(1) Department of Transportation Federal Highway Administration	Highway Planning and Construction - (ARRA) Imps. To White Avenue - Ord. 879 (6320-480-078-6320-AKN)	20.205	\$ 200,000		\$ 88,001	14,552	102,553			102,553
					88,001	14,552	102,553			102,553
(1) Department of Homeland Security	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	14,247	2011		14,247	14,247			14,247
						21,956	21,956			21,956
						36,203	36,203			36,203
(1) Department of Transportation National Highway Traffic Safety Adm.	Occupant Protection Incentive Grants Click it or Ticket Alcohol Impaired Driving Countermeasures Incentive Grants, COPS in Shops COPS in Shops	20.602	4,000	1/1/11-12/31/11		4,000			4,000	
						4,000			4,000	
						4,833			4,833	
						8,000			12,833	
(2) Housing and Urban Development	Community Development Block Grant Program Operation of McGuire Senior Center (210-205-739-33-52)	14.218	48,000	7/1/11-6/30/12		18,334	27,426	(254)	(9,346) A	27,426
						55,489	41,625			55,489
						11,250	11,250		(11,250)	11,250
						11,250	11,250		(11,250)	11,250
(2) Department of Agriculture	USDA - Dining with Dignity	10.565	2,640	1/1/11-12/31/11		2,420	2,640		(220)	2,640
						220				2,640
						2,640	2,640		(220)	5,280
						(220)				
(2) Health and Human Services	Title III Older Americans Act	13.635	13,522	1/1/11-12/31/11		12,394	13,522		(1,128)	13,522
						1,128				13,522
						13,522	13,522		(1,128)	13,522
						134,876	231,441	(254)	(20,361)	271,248

(1) - Passed through the State of New Jersey
 (2) - Passed through the County of Bergen.

This schedule was not subject to an audit in accordance with OMB Circular A-133.

A - Grants Receivable of \$29,666, appropriated reserve of \$20,320
 B - Grants Receivable of \$1,275, appropriated reserve of \$1,275

BOROUGH OF NORTHVALE
 Schedule of Expenditures of State Awards
 Year ended December 31, 2011

State Funding Department	State Program	State Grant No.	Grant period	Grant award amount	Balance 12/31/2010	Cash received	Grant Expenditures	Cancelled	Balance 12/31/2011	MEMO Cumulative Expenditures	
Administration of the Courts	Alcohol Education and Rehabilitation	9735-760-098-Y900-01-X100	2011	647		647			647		
			2010	1,508	1,508				1,508		
			2009	928	928				928		
			2008	1,017	1,017				1,017		
			2007	1,579	1,579				1,579		
Division of Motor Vehicles	Drunk Driving Enforcement Fund	6400-10-078-6400	2006	1,651	1,651				1,651		
			2005	1,760	391				391	1,369	
					7,074	647				7,721	1,369
			2011	3,391	3,391				3,391		
			2010	3,853	3,433				3,433		420
Department of Transportation Transportation Trust Fund	Veteran's Drive, Phase II - Ord. 781 Veteran's Drive, Phase I - Ord. 775 Extension of Birchwood Road - Ord. 746 Hill Terrace School Warning Lights, Curbs, Sidewalks - Ord. 729	8100-133-5837	1999	70,000	(11,413)				(11,413)	70,000	
			1999	150,000	(5,718)				(5,718)	150,000	
			1999	150,000	(259)				(259)	150,000	
			1998	40,000	(1,984)				(1,984)	40,000	
					(19,374)				(19,374)	410,000	
Department of Environmental Protection	Clean Communities	4900-765-042-4900-004	2011	7,720		7,720			7,720		
			2010	8,044	5,305				5,305	2,740	
			2009	7,725	6,911				6,911	814	
(2) County of Bergen	Hazardous Discharge Site Remediation (New Jersey Economic Development Authority) Recycling Tonnage Grant Municipal Drug Alliance	P17496	2006	11,143	3,838				3,838	7,305	
			2009	32,415	10,606	18,348	5,793		23,161	3,461	
			2008	18,774	2,881	13,216	13,216		2,881	2,678	
					29,541	39,284	19,009		49,816	16,998	
			2010	10,000	(3,045)	5,699	2,655		(1)	10,000	
		340					340	A			
		10,000	10,396				10,396	18,723			
		10,000	10,000	845			9,155	5,534			
		17,691	5,699	3,500			19,890	39,618			

BOROUGH OF NORTHVALE

Schedule of Cash - Treasurer

Current Fund

Year ended December 31, 2011

		Regular <u>fund</u>
Balance, December 31, 2010	\$	299,294
Increased by receipts:		
Petty Cash	\$ 200	
Prepaid taxes	85,708	
Taxes receivable	20,854,478	
Tax title lien redemptions	18,077	
Revenue accounts receivable	1,650,408	
Miscellaneous revenue not anticipated	39,272	
Tax overpayments	3,046	
Marriage License/Domestic Partnership Fees	400	
DCA fees	5,119	
State of New Jersey - Veterans and Senior Citizens	60,827	
Various Reserves	50,675	
Grants Receivable	74,705	
Unappropriated grant reserves	4,097	
Interfunds	<u>64,348</u>	
		<u>22,911,360</u>
		23,210,654
Decreased by disbursements:		
Budget appropriations	6,964,365	
Appropriation reserves	8,979	
Petty Cash	200	
County taxes	1,942,235	
Local district school taxes	8,239,794	
Regional high school taxes	4,954,458	
Tax overpayments	3,046	
Special emergency note payable	50,000	
Interfunds	139,423	
Marriage License/Domestic Partnership Fees	325	
DCA fees	4,947	
Various reserves	68,670	
Appropriated grant reserves	<u>50,989</u>	
		<u>22,427,431</u>
Balance, December 31, 2011	\$	<u><u>783,223</u></u>

BOROUGH OF NORTHVALE

**Schedule of Due from/(to) State of New Jersey -
Senior Citizens' and Veterans' Deductions**

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010		\$	452
Increased by:			
Senior Citizen Deductions per tax duplicate	\$	12,500	
Veteran Deductions per tax duplicate		47,750	
Deductions allowed by tax collector		<u>1,250</u>	
			<u>61,500</u>
			61,952
Decreased by:			
Deductions disallowed by Tax Collector		1,642	
Cash Receipts		<u>60,827</u>	
			<u>62,469</u>
Balance, December 31, 2011		\$	<u><u>(517)</u></u>

BOROUGH OF NORTHVALE

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010		\$	37,446
Increased by:			
Transfers from 2010 taxes receivable	\$	16,246	
Transfers from 2011 taxes receivable		3,175	
Interest and Costs on Taxes		<u>2,078</u>	
			<u>21,499</u>
			58,945
Decreased by:			
Lien Redemptions		<u>18,077</u>	
Balance, December 31, 2011		\$	<u><u>40,868</u></u>

**Schedule of Property Acquired for Taxes
at Assessed Valuation**

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010		\$	<u>2,156,700</u>
Balance, December 31, 2011		\$	<u><u>2,156,700</u></u>

BOROUGH OF NORTHVALE

Schedule of Deferred Charges

Current Fund

Year ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Decreased by: Budget <u>Appropriation</u>
Current Fund:		
Emergency Authorizations:		
Legal - Other Expenses	77,000	77,000
Engineering - Other Expenses	25,000	25,000
Other Insurance	30,500	30,500
COAH - Other Expenses	13,000	13,000
Police - Salaries/Wages - Overtime	<u>50,000</u>	<u>50,000</u>
	<u>\$ 195,500</u>	<u>195,500</u>

BOROUGH OF NORTHVALE

Schedule of Special Emergency Note Payable

Current Fund

Year ended December 31, 2011

	<u>Date Issued</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, Dec. 31, 2010</u>	<u>Decreased by: Cash Disbursed</u>
10-ISEN	Dec. 22, 2010	Nov. 22, 2011	1.65%	\$ <u>50,000</u>	<u>50,000</u>

BOROUGH OF NORTHVALE

Schedule of County Taxes

Current Fund

Year ended December 31, 2011

December 31, 2010		\$	(55)
Increased by:			
2011 Levy	\$	1,915,776	
2011 Open Space Preservation		23,517	
2011 Added Taxes		<u>2,997</u>	
			<u>1,942,290</u>
			1,942,235
Decreased by:			
Payments	\$	<u>1,942,235</u>	

BOROUGH OF NORTHVALE

**Schedule of Due to State of New Jersey
for Marriage Licenses/Domestic Partnerships**

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	150
Increased by:		
Cash Receipts		<u>400</u>
		550
Decreased by:		
Cash Disbursements		<u>325</u>
Balance, December 31, 2011	\$	<u><u>225</u></u>

Schedule of Due to State of New Jersey - DCA Fees

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	1,497
Increased by:		
Receipts		<u>5,119</u>
		6,616
Decreased by:		
Disbursements		<u>4,947</u>
Balance, December 31, 2011	\$	<u><u>1,669</u></u>

BOROUGH OF NORTHVALE
Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after transfers and <u>encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Contractual	111	111		111
Recycling	4,206	4,206		4,206
Public Buildings and Grounds	455	455		455
Sewer Repairs and Maintenance	390	390		390
Senior Van Repairs	83	83		83
Board of Health	18	18		18
Animal Control	1,350	1,350		1,350
Recreation	3,533	3,533		3,533
James F. McGuire Memorial Center	2,890	2,890		2,890
Parks and Playgrounds	66	66		66
Summer Recreation	284	284		284
Senior Trips	175	175		175
Celebration of Public Events	124	124		124
Uniform Construction Code	137	137		137
Code Compliance	253	253		253
Gasoline	3,387	3,387		3,387
Street Lighting	7,369	7,369		7,369
Electricity	4,860	4,860		4,860
Telephone	4,427	4,427		4,427
Natural Gas	136	136		136
Water	619	619		619
Contingent	500	500		500
Sewer:				
Bergen County Utilities Authority	185	185		185
Other expenses:				
Outside "CAPS":				
Social Security System (O.A.S.I.)	14	14		14
Storm Water Management	1,396	1,396		1,396
LOSAP	3,850	3,850		3,850
Total Expenditures	\$ <u>81,116</u>	<u>89,565</u>	<u>8,979</u>	<u>80,586</u>
Appropriation Reserves		81,116		
Encumbrances		8,449		
		\$ <u>89,565</u>		

BOROUGH OF NORTHVALE
Schedule of Due to State and Federal Grant Fund
Current Fund
Year Ended December 31, 2011

Balance - December 31, 2010		\$	128,049
Increased by:			
Grants Receivable Collected		\$	74,705
Unappropriated Grants Received			<u>4,097</u>
			<u>78,802</u>
			206,851
Decreased by:			
Cash Disbursements			<u>50,989</u>
Balance - December 31, 2011		\$	<u><u>155,862</u></u>

BOROUGH OF NORTHVALE

Schedule of Grants Receivable

State and Federal Grants

Year ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	2011 Budget <u>Revenue</u>	Decreased by: <u>Received</u>	Balance, Dec. 31, <u>2011</u>
Purpose:				
Clean Communities	\$	7,720	7,720	
Recycling Tonnage Grant		31,564	31,564	
Title III, Older Americans Act	1,128	13,522	13,522	1,128
Alcohol Education Rehabilitation		647	647	
USDA Food	220	2,640	2,640	220
Municipal Alliance	9,999		5,699	4,300
Northvale Drug Alliance (Golf Program)		12,079	12,079	
Community Development Block Grant - Senior Center Heating System	1,275			1,275
Drunk Driving Enforcement Fund		3,391	3,391	
Body Armor Grant		1,522	1,522	
Click it or Ticket		4,000	4,000	
COPS in Shops - 2010		4,833	4,833	
COPS in Shops - 2011		4,000	4,000	
	<u>\$ 12,622</u>	<u>85,918</u>	<u>91,617</u>	<u>6,923</u>
		Cash Receipts	74,705	
		Unappropriated Reserves	<u>16,912</u>	
		<u>\$</u>	<u>91,617</u>	

BOROUGH OF NORTHVALE

Schedule of Unappropriated Reserves for

State and Federal Grants

Year ended December 31, 2011

<u>Grant</u>	Balance, Dec. 31, 2010	Transferred to 2011 <u>Budget</u>	Cash <u>Received</u>	Balance, Dec. 31, 2011
Donations - DARE	\$ 12,079	12,079	4,097	4,097
COPS in Shops	4,833	4,833		
	<u>\$ 16,912</u>	<u>16,912</u>	<u>4,097</u>	<u>4,097</u>

BOROUGH OF NORTHVALE

Schedule of Cash - Treasurer

Trust Funds

Year ended December 31, 2011

	Animal Trust Fund	Other Funds	Community Development Trust	Unemployment Trust	Open Space Trust	Emergency Services LOSAP Trust
Balance, December 31, 2010	\$ 8,000	280,329		55,187	340,424	479,740
Increase by receipts:						
License Fees	3,010					
Due to State of New Jersey	614					
Escrow Deposits		146,815				
POAA Deposits		41				
Grants Receivable			59,959			
Borough Contributions						
Recreation Fees/Budget Appropriations		81,355				
Development Fees - Affordable Housing		16,974			85,400	
Tax Collections						
Due to/from Current Fund		115				
Public Defender Fees		736				
Meal Sales		9,922				
Interest on Investments				156	838	9,297
	3,624	255,958	59,959	156	86,238	43,497
	11,624	536,287	59,959	55,343	426,662	523,237
Decrease by payments:						
Due to State of New Jersey	616					
Animal Trust Expenditures	3,027					
Escrow Expenditures		78,127				
Due to Current Fund	2,486	135	59,959			
Community Development Expenditures						
Recreation Expenditures		31,362			146,802	
Open Space Trust Expenditures						24,446
LOSAP Withdrawals						1,925
Account Charges/Tax Withholdings						26,371
Balance, December 31, 2011	\$ 5,495	426,663	59,959	55,343	279,860	496,866

BOROUGH OF NORTHVALE

Schedule of Reserve for Expenditures

Animal Trust Fund

Year ended December 31, 2011

Balance, December 31, 2010		\$	5,512
Increased by:			
Dog license fees collected	\$	2,145	
Cat license fees collected		290	
Late Fees		230	
Potentially dangerous dog fees		300	
Interest on Investments		45	
			<u>3,010</u>
			8,522
Decreased by:			
Statutory Excess		2,377	
Cash Disbursements		650	
			<u>3,027</u>
Balance, December 31, 2011		\$	<u><u>5,495</u></u>

	<u>License fees collected</u>	
<u>Year</u>		<u>Amount</u>
2009		2,718
2010		<u>2,777</u>
		\$ <u><u>5,495</u></u>

Exhibit B-5

BOROUGH OF NORTHVALE

Schedule of Escrow Deposits

Other Trust Funds

Year ended December 31, 2011

Balance, December 31, 2010	\$ 185,557
Increased by:	
Escrow Deposits	<u>146,815</u>
	332,372
Decreased by:	
Escrow Disbursements/Refunds	<u>78,127</u>
Balance, December 31, 2011	<u><u>\$ 254,245</u></u>

Exhibit B-6

Schedule of Grants Receivable

Community Development Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 41,625
Increased by:	
2011-2012 Grant	<u>48,000</u>
	89,625
Decreased by:	
Receipts	<u>59,959</u>
Balance, December 31, 2011	<u><u>\$ 29,666</u></u>

BOROUGH OF NORTHVALE

Schedule of Interfund (Receivables)/Payables - Current Fund

Trust Funds

Year ended December 31, 2011

	Balance due to/(from) <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	Balance due to/(from) <u>Dec. 31, 2011</u>
Animal Trust Fund	\$ 2,486		2,486	
Other Trust Fund:				
Escrow Trust Fund	4,431	115	135	4,411
Community Development Trust Fund	<u>15,282</u>	<u>54,023</u>	<u>59,959</u>	<u>9,346</u>
	<u>\$ 22,199</u>	<u>54,138</u>	<u>62,580</u>	<u>13,757</u>
<hr/>				
Interest earned on investments		115		
Cash Disbursements			62,580	
Expenses paid by Current Fund		<u>54,023</u>		
		<u>\$ 54,138</u>	<u>62,580</u>	

BOROUGH OF NORTHVALE
Schedule of Reserve for Expenditures
Open Space Trust Fund
Year ended December 31, 2011

Balance, December 31, 2010		\$	340,424
Increased by:			
2011 Tax Levy	\$		85,269
Added Assessments			131
Interest earned on deposits			838
			86,238
			426,662
Decreased by:			
Due to General Capital - Ord. 902			59,154
Current Fund Anticipated Revenue - Field Maintenance			87,648
			146,802
Balance, December 31, 2011		\$	279,860

Statement of Service Award Contributions Receivable
Emergency Services Volunteer Length of Service Award Program
Year ended December 31, 2011

Balance, December 31, 2010		\$	37,800
Increased by:			
2011 Service Award Contributions			37,200
			75,000
Decreased by:			
Contributions cancelled	\$		3,600
Contributions Paid			34,200
			37,800
Balance, December 31, 2011		\$	37,200

BOROUGH OF NORTHVALE

**Schedule of General Capital Cash -
Treasurer**

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010		\$	384,062
Increased by receipts:			
Grants and Contributions Receivable	\$	116,266	
Grants received on a previously cancelled project		43,998	
Interest earnings		<u>547</u>	
			<u>160,811</u>
			544,873
Decreased by disbursements:			
Due to Current Fund		1,903	
Budget Revenue-Capital Surplus		13,053	
Improvement authorizations		<u>465,862</u>	
			<u>480,818</u>
Balance, December 31, 2011		\$	<u><u>64,055</u></u>

Exhibit C-4

BOROUGH OF NORTHVALE

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

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	4,378,000
Decreased by:		
Paid via Budget Appropriation		<u>635,000</u>
Balance, December 31, 2011	\$	<u><u>3,743,000</u></u>

Exhibit C-5

Schedule of Due to Current Fund

Year Ended December 31, 2011

Balance, December 31, 2010	\$	1,356
Increased by:		
Interest earned		<u>547</u>
		1,903
Decreased by:		
Cash Disbursements	\$	<u><u>1,903</u></u>

BOROUGH OF NORTHVALE

Schedule of Due from Escrow Trust Fund

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>36,393</u>
Balance, December 31, 2011	\$ <u><u>36,393</u></u>

BOROUGH OF NORTHVALE
Schedule of Capital Improvement Fund
General Capital Fund
Year ended December 31, 2011

Balance, December 31, 2010	\$	22,572
Decreased by:		
Down payment on improvements		<u>5,000</u>
Balance, December 31, 2011	\$	<u><u>17,572</u></u>

BOROUGH OF NORTHVALE

Schedule of Cash-Treasurer

Public Assistance Fund

Year Ended December 31, 2011

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Balance - December 31, 2010	\$ 8,167	108	8,059
Increased by:			
Interest Earned	<u>25</u>	<u> </u>	<u>25</u>
Balance - December 31, 2011	<u>\$ 8,192</u>	<u>108</u>	<u>8,084</u>

BOROUGH OF NORTHVALE

Schedule of Reserve for Public Assistance Expenditures

Public Assistance Fund

Year Ended December 31, 2011

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Balance - December 31, 2010	\$ <u>8,167</u>	<u>1,108</u>	<u>7,059</u>
Increased by:			
Interest Earned	<u>25</u>	<u>25</u>	<u>25</u>
Balance - December 31, 2011	\$ <u><u>8,192</u></u>	<u><u>1,108</u></u>	<u><u>7,084</u></u>

BOROUGH OF NORTHVALE

PART II

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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

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

Honorable Mayor and
Members of the Borough Council
Borough of Northvale
County of Bergen, New Jersey

We have audited the financial statements-regulatory basis of the Borough of Northvale in the County of Bergen as of and for the year ended December 31, 2011, and have issued our report thereon dated July 6, 2012. Our report disclosed that, as described in Note 1 to the financial statements-regulatory basis, the Borough of Northvale prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Borough of Northvale's management is responsible for establishing and maintaining effective internal control over financial reporting.

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

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



BOROUGH OF NORTHVALE

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.

Effective January 1, 2011, 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.

BOROUGH OF NORTHVALE

**GENERAL COMMENTS
(continued)**

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 25, 2011 and was complete.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2011	7
2010	6
2009	6

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

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, including the mailing of verification notices.

The result of the test, which was made for the year ending December 31, 2011, is not yet known, but a separate report will be rendered if any irregularities are developed. In addition we utilized analytical review procedures to ascertain the validity of the receivables.

BOROUGH OF NORTHVALE

COMMENTS

Finance/Treasurer

1. *Formal bank reconciliations are not maintained for the Community Development Trust Fund as required by N.J.S.A. 50A:5-5.
2. *Formal general ledgers are not being maintained for the Community Development Trust as required by N.J.S.A. 50A:5-5.
3. *The percentage of employees' state unemployment withholdings that are to be retained by the borough are not being received and/or deposited into the Unemployment Trust Fund as required under the Benefit Reimbursement Method.
4. *Payments for referee services are being made payable to "cash" and there were instances where the payee was left blank. The payments are also not processed through the Borough's purchasing system.
5. *There are various outstanding grant/contribution receivables in the General Capital Fund.
6. *The prior year inter-fund balance between the Escrow Trust Fund and the General Capital Fund has not been liquidated.
7. A 1099 was not issued to all vendors not classified as corporations that were compensated in excess of \$600.
8. The Community Development Trust Fund bank account was closed in violation of HUD regulations and grant agreements.
9. Construction and other related expenditures pertaining to Improvements to Hogan's Park were incurred prior to the adoption of an improvement authorization.
10. Quotes were not solicited for all expenditures over 15% of the bid threshold.
11. Two projects for which the total costs exceeded the bid threshold were not put out to public bid as required under the Local Public Contracts Law.
 - Irrigation work at Hogan's Park
 - Paving at Hogan's Park

Departments

1. The Recreation Department does not maintain an adequate record of cash receipts.

Payroll

1. *The Payroll bank account had a deficit reserve balance at year end.
2. There were instances in which the overtime paid to some employees could not be recalculated or confirmed to approved time cards.

BOROUGH OF NORTHVALE

RECOMMENDATIONS

Finance/Treasurer

1. *A formal bank reconciliation for the Community Development Trust be performed on a monthly basis.
2. *A general ledger be implemented and maintained for the Community Development Trust Funds as required by N.J.S.A. 50A:5-5.
3. *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.
4. *The practice of issuing checks to cash be discontinued, all checks include a payee, and payments for referee services be processed through the borough's purchasing system.
5. *Old outstanding grants/contributions receivable in the General Capital Fund be investigated for possible collection.
6. *All prior year inter-funds be liquidated.
7. *A 1099 be issued to all vendors compensated in excess of \$600 in accordance with IRS Regulations.
8. A bank account for the Community Development Trust Fund be reopened in accordance with the grant agreement and HUD regulations.
9. Funding availability be closely monitored and improvement authorizations be adopted prior to expenditures being incurred.
10. Informal quotations be solicited for all purchases exceeding 15% of the bid threshold as stipulated by the Local Public Contracts Law.
11. Projects where the estimated cost exceeds the bid threshold be put out to public bid as required by the Local Public Contracts Law.

Departments

1. It is recommended that the Recreation Department maintain an all-inclusive analysis of cash receipts received by the various program directors.

Payroll

1. *The deficit reserve balance in the payroll account be funded through a budget appropriation.
2. A review of overtime calculations be made to ensure accuracy and all approved time sheets be made available for audit review.