

REPORT OF AUDIT
BOROUGH OF NORWOOD
COUNTY OF BERGEN
DECEMBER 31, 2012

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BOROUGH OF NORWOOD

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BOROUGH OF NORWOOD

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Norwood in the County of Bergen, 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 Borough'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.

The Length of Service Awards Program of the Borough of Norwood 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.

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 Borough of Norwood 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 Borough of Norwood 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, with the exception of the Length of Service Awards Program, 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 Borough of Norwood's basic financial statements. The supplementary information listed in the table of contents 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.

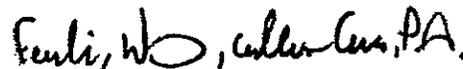
The supplemental information listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 is 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 May 2, 2013 on our consideration of the Borough of Norwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Norwood's internal control over financial reporting and compliance.


Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. CRO0413


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

May 2, 2013



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BOROUGH OF NORWOOD, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 1,993,933	1,490,868
Petty Cash		350	350
Change Fund	A-5	225	225
		<u>1,994,508</u>	<u>1,491,443</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	453,125	456,597
Property Acquired for Taxes - Assessed Valuation	A-8	1,142,840	1,142,840
Tax Title Liens	A-9	25,779	21,523
Revenue Accounts Receivable	A-10	9,391	2,281
Interfunds Receivable:			
Animal License Trust	A-11	2,098	
Other Trust Fund	A-11	137	96
Community Development Trust Fund	A-11	1,840	674
		<u>1,635,210</u>	<u>1,624,011</u>
Deferred Charges:			
Special Emergency - N.J.S.A. 40A:4-55	A-12	33,000	89,000
Overexpenditure of Appropriation Reserves	A-13		4,832
		<u>33,000</u>	<u>93,832</u>
		<u>3,662,718</u>	<u>3,209,286</u>
Federal and State Grant Fund:			
Due from Current Fund	A-21	88,732	85,305
Grants Receivable	A-24	7,085	24,515
		<u>95,817</u>	<u>109,820</u>
		<u>\$ 3,758,535</u>	<u>3,319,106</u>

See accompanying notes to financial statements.

BOROUGH OF NORWOOD, N.J.
Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2,012</u>	<u>2,011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-14	712,984	519,968
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-6	15,109	4,109
Interfunds Payable:			
Federal and State Grant Fund	A-21	88,732	85,305
Open Space Trust Fund	A-11		106
Other Trust Fund	A-11		1,650
Animal License Trust Fund	A-11		7
Unemployment Compensation Trust Fund	A-11		258
Encumbrances Payable	A-15	139,742	101,491
Prepaid Taxes	A-16	122,467	156,707
Tax Overpayments	A-17	39,064	77,288
Reserve for:			
Reassessment of Real Property	A-18		9,750
Police Retroactive Pay	A-18		4,285
Revaluation	A-18		4,909
Length of Service Award Program	A-18		29,500
Special Emergency Note Payable	A-20	33,000	89,000
		<u>1,151,098</u>	<u>1,084,333</u>
Reserve for Receivables	Contra	1,635,210	1,624,011
Fund Balance	A-1	876,410	500,942
		<u>3,662,718</u>	<u>3,209,286</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-25	95,817	106,725
Unappropriated Reserve for Grants	A-26		3,095
		<u>95,817</u>	<u>109,820</u>
		<u>\$ 3,758,535</u>	<u>3,319,106</u>

See accompanying notes to financial statements.

BOROUGH OF NORWOOD, N.J.

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

Current Fund

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and Other Income:		
Fund Balance Utilized	350,000	490,000
Miscellaneous Revenue Anticipated	1,308,204	1,238,881
Receipts from Delinquent Taxes	507,856	454,556
Receipts from Current Taxes	25,783,987	24,717,721
Non-Budget Revenue	138,527	171,911
Other Credits to Income:		
Liabilities cancelled	48,444	15,532
Grants Canceled	34,656	
Unexpended Balance of Appropriation Reserves	341,754	290,503
Tax Overpayments	36,648	
Interfunds Returned		9,552
	<hr/>	<hr/>
Total Revenues and Other Income	28,550,076	27,388,656
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	3,346,610	3,208,883
Other Expenses	3,879,236	3,842,488
Capital Improvements	50,000	
Municipal Debt Service	918,051	884,905
Deferred Charges and Statutory Expenditures -		
Municipal	774,199	901,926
School Taxes Payable	15,741,231	15,299,731
County Taxes including Added Taxes	2,896,557	2,644,944
Municipal Open Space Taxes	118,291	118,346
Interfunds Advanced	1,840	1,691
County Board Judgements	69,291	
Prior Year Senior Citizens Disallowed	3,500	
Grants Cancelled	23,483	
Refunds	2,319	146,373
	<hr/>	<hr/>
Total Expenditures	27,824,608	27,049,287
Excess (Deficit) Revenue Over Expenditures	725,468	339,369
Statutory Excess to Fund Balance	725,468	339,369
Fund Balance, January 1,	<hr/>	<hr/>
	500,942	651,573
	1,226,410	990,942
Decreased by:		
Fund Balance Utilized as Budget Revenue	<hr/>	<hr/>
	350,000	490,000
Fund Balance, December 31,	<hr/>	<hr/>
	\$ 876,410	500,942

See accompanying notes to the financial statements.

BOROUGH OF NORWOOD, 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	\$ 350,000	350,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	13,000	15,150	2,150
Other	13,000	15,549	2,549
Fees and Permits	27,545	30,863	3,318
Fines and Costs:			
Municipal Court	30,000	55,290	25,290
Interest and Costs on Taxes	79,000	96,738	17,738
Interest on Investments and Deposits	6,900	8,532	1,632
Recreation Fees	8,500	11,918	3,418
Cable T.V. Franchise Fee	75,928	75,929	1
Borough of Northvale-Sewer Charges	14,000	14,000	
Library Rent	123,638	123,638	
Swim Club Lease	12,000	24,750	12,750
Energy Receipts Tax	559,799	559,799	
Watershed Moratorium Offset Aid	5,734	5,734	
Construction Code Fees	85,000	72,180	(12,820)
Recycling Tonnage Grant	20,243	20,243	
Drunk Driving Enforcement Fund	3,999	3,999	
Clean Communities Program	8,167	8,167	
Municipal Alliance Program	10,356	10,356	
Mini-Grant Bergen County	300	300	
Sustainable Jersey	2,000	2,000	
Body Armor Grant	3,248	3,248	
Uniform Fire Safety	16,000	14,875	(1,125)
Norwood Board of Education - Landscaping	11,500	6,350	(5,150)
Reserve for Outside Employment - DPW	15,760	15,760	
Reserve for Outside Employment - Police	45,000	45,000	
FEMA Reimbursements	25,000	67,836	42,836
Total Miscellaneous Revenues	1,215,617	1,308,204	92,587
Receipts from Delinquent Taxes	450,000	507,856	57,856
Subtotal General Revenues	2,015,617	2,166,060	150,443

BOROUGH OF NORWOOD, 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>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	<u>7,425,000</u>	<u>7,498,908</u>	<u>73,908</u>
Budget Totals	9,440,617	9,664,968	224,351
Non-Budget Revenue	<u> </u>	<u>138,527</u>	<u>138,527</u>
	<u>\$ 9,440,617</u>	<u>9,803,495</u>	<u>362,878</u>

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 25,783,987
Allocated to School, County and Local Taxes	<u>18,756,079</u>
Balance for Support of Municipal Budget Appropriations	7,027,908
Add : Appropriation - Reserve for Uncollected Taxes	<u>471,000</u>
Amount for Support of Municipal Budget Appropriations	<u>7,498,908</u>
Receipts from Delinquent Taxes: Delinquent Taxes	<u>507,856</u>
	<u>\$ 507,856</u>

BOROUGH OF NORWOOD, 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>
<u>Analysis of Non-budget Revenues</u>			
Moter Vehicles			
Telephone	376		
Photo Copies	42		
Police	492		
Insurance Reimbursements	6,021		
Plans and Specifications	85		
Pension Refunds	163		
Miscellaneous	14,599		
Election	40		
Property Lists	405		
Meter Reading	5,042		
Storm Refund	1,600		
Sale of Equipment	1,531		
Health Insurance Refunds	40,445		
Reimbursement - Demarest	3,225		
Harrington Park Reimbursement	24,504		
Payments in Lieu - Cho Dae Church	24,357		
Tobar Top Soil	<u>15,600</u>		
		\$ <u>138,527</u>	

See accompanying notes to the financial statements.

BOROUGH OF NORWOOD, 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
Operations - within "CAPS":					
General Government:					
Administration:					
Salaries and Wages	\$ 31,922	31,922	29,577	2,345	
Other Expenses	38,850	26,850	24,402	2,448	
Mayor and Council					
Other Expenses	4,000	4,000	2,482	1,518	
Municipal Clerk					
Salaries and Wages	148,099	150,099	149,112	987	
Other Expenses	16,470	16,470	14,595	1,875	
Financial Administration:					
Salaries and Wages	58,291	58,991	58,991		
Other Expenses	26,875	26,875	15,113	11,762	
Audit Services:					
Other Expenses	38,000	38,000	10,850	27,150	
Computerized Data Processing:					
Salaries and Wages	2,500	2,500	2,500		
Other Expenses	24,500	20,500	17,481	3,019	
Revenue Administration:					
Salaries and Wages	76,592	75,892	70,813	5,079	
Other Expenses	5,460	5,460	1,044	4,416	
Assessment of Taxes:					
Salaries and Wages	19,685	19,685	19,685		
Other Expenses	3,690	3,690	3,369	321	
Legal Services and Costs:					
Other Expenses	90,000	86,500	45,629	40,871	
Engineering Services and Costs:					
Other Expenses	31,000	34,500	34,260	240	
Municipal Court:					
Salaries and Wages	60,915	60,915	58,254	2,661	
Other Expenses	4,000	4,000	3,145	855	
Liability Insurance	260,763	260,763	174,133	86,630	

BOROUGH OF NORWOOD, 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
Employee Group Insurance	603,408	603,408	591,070	12,338	
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)					
Planning Board:					
Salaries and Wages	3,500	3,500	1,912	1,588	
Other Expenses	8,900	8,900	8,353	547	
Zoning Board:					
Salaries and Wages	2,400	2,400	1,954	446	
Other Expenses	6,000	6,000	5,564	436	
Historical Preservation Committee:					
Other Expenses	600	600		600	
Environmental Commission:					
Other Expenses	1,350	1,350	1,326	24	
Public Safety:					
Police:					
Salaries and Wages	1,916,506	1,943,506	1,851,458	92,048	
Other Expenses	136,641	126,641	109,314	17,327	
Police Dispatch/911:					
Other Expenses	97,300	76,300	70,334	5,966	
Aid to Volunteer Fire Companies:					
Other Expenses	33,230	29,230	23,997	5,233	
Aid to Volunteer Ambulance Companies:					
Other Expenses	27,500	29,500	27,051	2,449	
Fire Department:					
Salaries and Wages	27,001	27,001	26,001	1,000	
Other Expenses	141,230	141,230	129,072	12,158	
Municipal Prosecutor's Office:					
Other Expenses	5,000	5,000	5,000		
Public Defender (P.L., C. 256)					
Other Expenses	2,000	2,000		2,000	
Emergency Management					
Salaries and Wages	10,000	10,000	10,000		
Other Expenses	5,000	5,000	1,200	3,800	

BOROUGH OF NORWOOD, 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
Public Works Function:					
Streets and Roads:					
Streets and Road Maintenance:					
Salaries and Wages	830,780	830,780	758,863	71,917	
Other Expenses	44,000	48,500	39,624	8,876	
Other Public Works Functions:					
Other Expenses	14,500	14,500	11,092	3,408	
Solid Waste Collection:					
Other Expenses	598,000	598,000	526,399	71,601	
Public Building and Grounds:					
Other Expenses	59,000	71,000	67,078	3,922	
Vehicle Maintenance:					
Other Expenses	80,000	80,000	67,812	12,188	
Health and Welfare:					
Public Health Services:					
Salaries and Wages	17,000	17,000	15,492	1,508	
Other Expenses	61,147	61,147	58,194	2,953	
Recreational Services and Programs:					
Salaries and Wages	16,546	17,046	17,046		
Other Expenses	52,500	47,500	34,110	13,390	
Other Common Operating Functions:					
Celebration of Public Events:					
Salaries and Wages	2,500	2,500	2,500		
Other Expenses	3,200	3,200	3,200		
UNCLASSIFIED:					
Utilities:					
Electricity	90,000	90,000	62,648	27,352	
Street Lighting	68,000	68,000	57,545	10,455	
Telephone	36,000	36,000	25,995	10,005	
Water	15,000	23,000	19,996	3,004	
Gas (Natural and Propane)	35,000	35,000	22,255	12,745	
Gasoline	85,000	85,000	70,869	14,131	

BOROUGH OF NORWOOD, 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
Uniform Construction Code Enforcement Functions:					
Salaries and Wages	90,248	92,873	92,873		
Other Expenses	12,490	9,865	6,515	3,350	
Total Operations within "CAPS"	6,180,089	6,180,089	5,559,147	620,942	
Total Operations Including Contingent-within "CAPS"	6,180,089	6,180,089	5,559,147	620,942	
Detail:					
Salaries & Wages	3,314,485	3,346,610	3,167,031	179,579	
Other Expenses (Including Contingent)	2,865,604	2,833,479	2,392,116	441,363	
Total:	6,180,089	6,180,089	5,559,147	620,942	
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS":					
Deferred Charges:					
Overexpenditure of Appropriation Reserves	4,832	4,832	4,832		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	135,292	135,292	135,292		
Social Security System (O.A.S.I.)	135,000	135,000	125,998	9,002	
Police and Fireman's Retirement System of NJ	383,075	383,075	383,075		
Unemployment Compensation Insurance	60,000	60,000	18,013	41,987	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	718,199	718,199	667,210	50,989	
Total General Appropriations for Municipal Purposes within "CAPS"	6,898,288	6,898,288	6,226,357	671,931	

BOROUGH OF NORWOOD, 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
Operations - Excluded from "CAPS":					
Length of Service Award Program	35,000	35,000		35,000	
Stormwater Management:					
Other Expenses	11,300	11,300	5,256	6,044	
Sewer Processing and Disposal [N.J.S.A. 40A:4-45.3(i)]:					
Other Expenses	506,478	506,478	506,469	9	
Aid to Privately Owned Library and Reading Room:					
Other Expenses	442,077	442,077	442,077		
	<u>994,855</u>	<u>994,855</u>	<u>953,802</u>	<u>41,053</u>	
Total Other Operations - Excluded from "CAPS"					
Public and Private Programs Offset by Revenues:					
Current Year Program:					
Municipal Alliance Program:					
State Share	10,356	10,356	10,356		
Local Share	2,589	2,589	2,589		
Drunk Driving Enforcement Fund					
Other Expenses	2,427	2,427	2,427		
Other Expenses	1,572	1,572	1,572		
Clean Communities					
Other Expenses	8,167	8,167	8,167		
Body Armor Replacement Program					
Other Expenses	1,726	1,726	1,726		
Other Expenses	1,522	1,522	1,522		
Recycling Tonnage Grant					
Other Expenses	20,243	20,243	20,243		
Bergen County Mini-Grant	300	300	300		
Sustainable Life Grant	2,000	2,000	2,000		
	<u>50,902</u>	<u>50,902</u>	<u>50,902</u>		
Total Public and Private Programs Offset by Revenues					

BOROUGH OF NORWOOD, 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
Total Operations-Excluded from "CAPS"	<u>1,045,757</u>	<u>1,045,757</u>	<u>1,004,704</u>	<u>41,053</u>	
Detail:					
Other Expenses	<u>1,045,757</u>	<u>1,045,757</u>	<u>1,004,704</u>	<u>41,053</u>	
Total:	<u>1,045,757</u>	<u>1,045,757</u>	<u>1,004,704</u>	<u>41,053</u>	
Capital Improvements-Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>		
Capital Improvement Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>		
Total Capital Improvements Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>		
Interest on Bonds	<u>196,274</u>	<u>196,274</u>	<u>196,274</u>		
Interest on Notes	<u>6,000</u>	<u>6,000</u>	<u>4,479</u>		<u>1,521</u>
NJEIT:					
Principal	<u>42,298</u>	<u>42,298</u>	<u>42,298</u>		
Interest	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>		
Total Municipal Debt Service-Excluded from "CAPS"	<u>919,572</u>	<u>919,572</u>	<u>918,051</u>		<u>1,521</u>
Deferred Charges- Excluded from "CAPS"					
Special Emergency Authorizations- 5 Years (N.J.S.A. 40A:4-55)	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>		
Total Deferred Charges Excluded from "CAPS"	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,071,329</u>	<u>2,071,329</u>	<u>2,028,755</u>	<u>41,053</u>	<u>1,521</u>

BOROUGH OF NORWOOD, 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
Subtotal General Appropriations	8,969,617	8,969,617	8,255,112	712,984	1,521
Reserve for Uncollected Taxes	471,000	471,000	471,000		
Total General Appropriations	<u>\$ 9,440,617</u>	<u>9,440,617</u>	<u>8,726,112</u>	<u>712,984</u>	<u>1,521</u>

Adopted Budget \$ 9,406,055
 Amended by N.J.S.A. 40A:4-87 34,562
9,440,617

Reserve for Uncollected Taxes	\$ 471,000
Deferred Charges	56,000
Grants	50,902
Encumbrances	139,742
Cash	<u>8,008,468</u>
	\$ <u>8,726,112</u>

See accompanying notes to the financial statements.

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BOROUGH OF NORWOOD, N.J.

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Trust Fund:			
Cash	B-1	\$ 13,665	12,144
Interfund - Current Fund	B-1		<u>7</u>
		<u>13,665</u>	<u>12,151</u>
Municipal Open Space Trust Fund:			
Cash	B-1	699,847	652,104
Interfund - Current Fund	B-4		<u>106</u>
		<u>699,847</u>	<u>652,210</u>
Other Trust Funds:			
Cash	B-1	335,835	486,493
Interfund - Current Fund	B-4		1,908
Accounts Receivable - Unemployment	B-6	<u>316</u>	
		<u>336,151</u>	<u>488,401</u>
Community Development Trust Fund:			
Grants Receivable	B-8	<u>2,500</u>	<u>2,205</u>
		<u>2,500</u>	<u>2,205</u>
Length of Service Award Program: (Unaudited)			
Investments	B-1	276,362	231,319
Contribution Receivable	B-10	<u>16,200</u>	<u>36,300</u>
		<u>292,562</u>	<u>267,619</u>
		<u>\$ 1,344,725</u>	<u>1,410,442</u>

BOROUGH OF NORWOOD, N.J.

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Trust Fund:			
Reserve for Animal Trust Fund Expenditures	B-2	11,565	12,144
Due to Current Fund	B-4	2,098	
Due to State of New Jersey	B-3	<u>2</u>	<u>7</u>
		<u>13,665</u>	<u>12,151</u>
Municipal Open Space Trust Fund:			
Reserve for Open Space Trust Fund Expenditures	B-5	<u>699,847</u>	<u>652,210</u>
Other Trust Fund:			
Reserve for:			
Interfund - Current Fund	B-4	137	96
Various Trust Deposits	B-6	227,854	315,960
Other Trust Expenditures	B-7	<u>108,160</u>	<u>172,345</u>
		<u>336,151</u>	<u>488,401</u>
Community Development Trust Fund:			
Interfund - Current Fund	B-4	1,840	674
Reserve for Expenditures	B-9	<u>660</u>	<u>1,531</u>
		<u>2,500</u>	<u>2,205</u>
Length of Service Award Program: (Unaudited)			
Net Assets Available for Benefits	B-11	<u>292,562</u>	<u>267,619</u>
		<u>\$ 1,344,725</u>	<u>1,422,586</u>

See accompanying notes to financial statements.

BOROUGH OF NORWOOD, N.J.

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash:			
Checking	C-1,2	\$ 1,280,503	583,425
Grants Receivable	C-3	365,699	463,729
State of New Jersey - Infrastructure			
Trust Loans Receivable	C-4	403,274	925,910
Deferred Charges to Future Taxation:			
Funded	C-5	5,366,354	6,058,652
Unfunded	C-6	2,026,411	892,541
		\$ 9,442,241	8,924,257
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-7	4,390,000	5,040,000
State of New Jersey - Infrastructure Trust Loans Payable			
Trust Loan - 2010B	C-8	485,000	500,000
Fund Loan - 2010B	C-8	491,354	518,652
Bond Anticipation Notes Payable	C-9	535,400	264,000
Improvement Authorizations:			
Funded	C-10	1,395,517	1,287,919
Unfunded	C-10	1,666,547	705,628
Capital Improvement Fund	C-11	28,630	45,230
Reserve for Livingston Street Beautification Project	C-12	84,094	99,099
Reserve for Grants Receivable	C-13	365,699	463,729
		\$ 9,442,241	8,924,257

There were \$1,491,011 and \$628,541 of Bonds and Notes Authorized But Not Issued on on December 31, 2012 and December 31, 2011 (Exhibit C-14).

See accompanying notes to the financial statements.

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BOROUGH OF NORWOOD, N.J.

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>General Fixed Assets:</u>		
Land	\$ 37,945,800	37,914,200
Buildings	2,045,500	2,045,500
Machinery and Equipment	<u>4,722,982</u>	<u>4,589,325</u>
	<u>\$ 44,714,282</u>	<u>44,549,025</u>
 Investment in Fixed Assets	 <u>\$ 44,714,282</u>	 <u>44,549,025</u>

See accompanying notes to financial statements.

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BOROUGH OF NORWOOD, N. J.
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 Borough of Norwood 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 a 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 Norwood (the "Borough") 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 the 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 municipal library, volunteer fire department or volunteer ambulance squad which are considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer's of the respective entity.

BOROUGH OF NORWOOD, N.J.
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 Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. 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 Borough has the following funds and account groups:

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 Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

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

Municipal Open Space Trust - This fund is used to account for taxes raised to finance the acquisition and preservation of property.

Unemployment Compensation Trust - This fund is used to account for all unemployment compensation receipts and disbursements

Other Trust Funds - These funds are established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits and deposited funds with the Borough as collateral.

Emergency Services Volunteer Length of Service Award Plan (LOSAP) Trust Fund - This fund is used to account for the cumulative amount of each participant's length of service awards, including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

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.

BOROUGH OF NORWOOD, N.J.
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)

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

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Norwood. 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 NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

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

Basis of Accounting, (continued)

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough'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 Borough'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. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

General Capital Fund
Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. 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 2012, the Mayor and Council approved additional revenues and appropriations of \$34,562 in accordance with N.J.S.A. 40A:4-87 along with several budget transfers.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

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

Basis of Accounting, (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.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

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

Basis of Accounting, (continued)

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).

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

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

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

No depreciation has been provided for in the financial statements.

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

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

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

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

Basis of Accounting, (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, 2012, \$-0- of the Borough's bank balance of \$4,557,796 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 NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

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

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

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2012 and 2011 amounted to \$276,362 and \$231,319, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Fixed Income	\$70,305	\$61,763
Growth and Income	76,727	63,963
DWS EQ 500 Index	59,301	46,546
LVIP Delaware Special Opportunities	36,052	29,851
All Others	<u>33,977</u>	<u>29,196</u>
Total	<u>\$276,362</u>	<u>\$231,319</u>

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 3: TAXES RECEIVABLE

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Property Taxes	<u>\$453,125</u>	<u>\$456,597</u>

In 2012 and 2011, the Borough collected \$507,855 and \$456,664 from delinquent taxes, which represented 100% and 100% of the prior year delinquent tax receivable balances.

NOTE 4: COMMITMENTS PAYABLE

A. Operating Leases

The municipality has commitments to lease certain equipment under arrangements representing operating leases. Future minimum rental commitments for noncancelable operating leases as of December 31, 2012 were as follows:

Budget <u>Year</u>	Ricoh 6001SP <u>Copier</u>	Pitney Bowes Postage <u>Machine</u>	Real Property 602 Broadway <u>(Fire Dept)</u>	2011 Ford Crown Victoria <u>(Police Dept.)</u>	2011 Ford Crown Victoria <u>(Police Dept.)</u>	2013 Ford Police Interceptor <u>(Police Dept.)</u>
2013	\$3,456	\$3,540	\$27,714	\$9,318	\$9,069	\$13,219
2014		3,540	27,714			13,219
2015		3,540	27,714			
2016		3,540	27,714			
2017			27,714			

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 5: MUNICIPAL DEBT

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

	<u>Balance</u> <u>Dec. 31, 2011</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	\$5,040,000	\$	\$650,000	\$4,390,000	\$670,000
Deferred PERS/PFRS Pension Contribution	191,212		8,014	183,198	9,413
Other Liabilities:					
Compensated Absences Payable	282,132	27,687		309,819	
New Jersey Environmental Infrastructure Trust Loans Payable	<u>1,018,652</u>	—	<u>42,298</u>	<u>976,354</u>	<u>42,297</u>
	<u>\$6,531,996</u>	<u>\$27,687</u>	<u>\$700,312</u>	<u>\$5,859,371</u>	<u>\$721,710</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. These bonds are reported in the funds which are expected to fund them. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued:</u>			
General:			
Bonds, Notes and Loans	<u>\$5,901,754</u>	<u>\$6,322,652</u>	<u>\$6,702,850</u>
Total Issued	5,901,754	6,322,652	6,702,850
<u>Less</u>			
Funds Temporarily Held to Pay			
Bonds and Notes	<u>-0-</u>	<u>-0-</u>	<u>26,995</u>
Net Debt Issued	5,901,754	6,322,652	6,675,855
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>1,491,011</u>	<u>628,541</u>	<u>1,269,181</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$7,392,765</u>	<u>\$6,951,193</u>	<u>\$7,945,036</u>

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 5: MUNICIPAL DEBT, (continued)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

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 .558%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District	\$2,382,223	\$2,382,223	\$0
Local School District	4,542,000	4,542,000	0
General Debt	<u>7,392,765</u>	<u> </u>	<u>7,392,765</u>
	<u>\$14,316,988</u>	<u>\$6,924,223</u>	<u>\$7,392,765</u>

Net Debt \$7,392,765 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,324,459,093 = .558%.

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

3 ½% of Equalized Valuation Basis (Municipal)	\$46,356,068
Net Debt	<u>7,392,765</u>
Remaining Borrowing Power	<u>\$38,963,303</u>

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

Paid by Current Fund:

<u>General Obligation Bonds</u>	<u>Amount Outstanding</u>
\$2,755,000 General Obligation Bonds - with an interest rate of 3.30% to 3.75% issued August 1, 2004, due through August 1, 2015	\$895,000
\$4,680,000 General Serial Bonds - with an interest rate of 3.875% to 4.0% issued October 1, 2008, due through October 1, 2018	<u>3,495,000</u>
	<u>\$4,390,000</u>

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 5: MUNICIPAL DEBT, (continued)

The Borough has entered into a loan agreement with the New Jersey Environmental Infrastructure Trust for the financing related to the Borough's Rehabilitation of the Piermont Road and Brook Street Sanitary Sewer Pump Stations Project.

General Capital

\$500,000 loan - with an interest rate of 5.00% issued December 2, 2012, due through August 1, 2030	\$485,000
\$536,850 loan due in semiannual installments of \$9,099 to \$18,198 through August 1, 2030	<u>491,354</u>
	<u>\$976,354</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST BONDED DEBT ISSUED AND OUTSTANDING LOANS

<u>Year</u>	<u>Total</u>	<u>General Serial Bonds</u>		<u>New Jersey Environmental Infrastructure Trust Loans</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$908,847	\$670,000	\$172,300	\$42,297	\$24,250
2014	912,697	695,000	146,900	47,297	23,500
2015	909,985	720,000	120,188	47,297	22,500
2016	900,997	740,000	92,200	47,297	21,500
2017	895,397	765,000	62,600	47,297	20,500
2018-2022	1,174,488	800,000	32,000	256,488	86,000
2023-2027	343,988			291,488	52,500
2028-2030	<u>208,643</u>			<u>196,893</u>	<u>11,750</u>
	<u>\$6,255,042</u>	<u>\$4,390,000</u>	<u>\$626,188</u>	<u>\$976,354</u>	<u>\$262,500</u>

At December 31, 2012, the Borough had authorized but not issued debt of \$1,491,011.

NOTE 6: BOND ANTICIPATION NOTES

The Borough 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.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 6. BOND ANTICIPATION NOTES, (continued)

On December 31, 2012, the Borough had \$535,400 in outstanding bond anticipation notes, which mature on September 13, 2013 at 1.55%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>General Capital Notes Payable:</u>				
Mariner's Bank	<u>\$264,000</u>	<u>\$535,400</u>	<u>\$264,000</u>	<u>\$535,400</u>

NOTE 7: SCHOOL TAXES

Local district school taxes have been raised on a calendar year basis and there is no deferred liability at December 31.

NOTE 8: 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 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.

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

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 8: PENSION PLANS, (continued)

Description of Systems, (continued)

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

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.

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.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 8: PENSION PLANS, (continued)

Description of Systems, (continued)

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.

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

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 8: PENSION PLANS, (continued)

Contribution Requirements, (continued)

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 Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
December 31, 2012	\$135,292	\$383,075
December 31, 2011	124,542	430,013
December 31, 2010	106,684	343,371

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.

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.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 8: PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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 9: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013 were as follows:

Current Fund	<u>\$420,551</u>
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NOTE 10: FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2012.

	<u>Dec.31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec.31, 2012</u>
Land	\$37,914,200	\$31,600	\$	\$37,945,800
Buildings and Improvements	2,045,500			2,045,500
Machinery and Equipment	<u>4,589,325</u>	<u>226,649</u>	<u>92,992</u>	<u>4,722,982</u>
	<u>\$44,549,025</u>	<u>\$258,249</u>	<u>\$92,992</u>	<u>\$44,714,282</u>

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 11: ACCRUED SICK AND VACATION BENEFITS

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

It is estimated that the current cost of such unpaid compensation, which is unaudited, would approximate \$309,819. This amount is considered material to the financial statements, is not reported either as an expenditure or liability.

NOTE 12: INTERFUND BALANCES AND ACTIVITY

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

\$88,732	Due to the Federal and State Grant Fund from the Current Fund for grant awards not turned over.
2,098	Due to the Current Fund from the Animal License Trust Fund for statutory excess.
137	Due to the Current Fund from the Escrow Trust Fund for interest earnings not turned over.
<u>1,840</u>	Due to the Current Fund from the Community Development Trust Fund for reimbursement of expenditures paid.
<u>\$92,807</u>	

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

NOTE 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2012 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 13: RISK MANAGEMENT, (continued)

The Borough of Norwood is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough of Norwood is a member of the Bergen County Municipal Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of municipalities established for the purpose of providing certain low-cost general liability, automobile liability and workers' compensation insurance coverage for member municipalities. The Borough of Norwood pays an annual assessment to the JIF and should it be determined that payments received by the JIF are deficient, additional assessments may be levied.

The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Borough of Norwood is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides excess insurance coverage for claims for general liability, automobile liability and workers' compensation.

The JIF's members are also members of the New Jersey Municipal Environmental Risk Management Fund which provides commercial insurance coverage for environmental impairment liability.

The JIF provides Property coverage (i.e. Boiler and Machinery, Flood, Valuable Papers, etc.) to its members by participating in a state-wide joint purchase program arranged by the MEL acting as a lead agency.

Financial statements for the Funds are available at the office of the Funds' Executive Director, Public Entity Risk Management Administration, Inc.

The Borough of Norwood continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 14: 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>\$122,467</u>	<u>\$156,707</u>
Cash Liability for Taxes Collected in Advance	<u>\$122,467</u>	<u>\$156,707</u>

NOTE 15: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On December 5, 2000, the Borough adopted resolution number 00-167 implementing an Emergency Services Volunteer Length of Service Awards Plan (LOSAP), provided by the Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

The Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall have minimum and maximum contribution requirements for each participating active volunteer member per year of active emergency service, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2012 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 16: COMMITMENTS AND CONTINGENT LIABILITIES

The Borough is a defendant in various legal proceedings. A portion of these cases, if decided against the Borough, would be covered by insurance. Any judgements not covered by insurance would be raised by future taxation. The Borough expects such amounts, if any, to be immaterial.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 17: CLAIMS AND JUDGEMENTS

The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2012, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds on the overall financial position of the Borough.

NOTE 18: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>2013 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Year's Budget</u>
Current Fund:			
Reassessment of Real Property	<u>\$33,000</u>	<u>\$11,000</u>	<u>\$22,000</u>

NOTE 19: OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, 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.

Plan Description

The Borough of Norwood 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.

BOROUGH OF NORWOOD, N.J.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011
(continued)

NOTE 19: OTHER POST EMPLOYMENT BENEFITS, (continued)

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

Plan Coverage

The Borough approved a resolution on November 9, 2005 adopting the provisions of N.J.S.A. 52:14-17.38 which allows a public employer to pay for the state health benefits program coverage for certain retirees. The Borough's policy is to reimburse employees that have retired with 25 years or more of service to the Borough, 100% of premiums paid, and those that have retired with 15 years of service to the Borough and have attained the age of 62, 75% of premiums paid into the State Health Benefits Program.

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.

Under the provisions of N.J.S.A. 52:14-17.38, contributions to pay for the health premiums of participating employees in the SHBP are billed to the individual retirees on a monthly basis.

The amount of premiums refunded by the Borough to eligible retired employees for the years ended December 31, 2012 and 2011 were as follows: 2012 - \$55,402 and 2011 - \$47,377.

NOTE 20: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through May 2, 2013, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

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BOROUGH OF NORWOOD

Supplementary data

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax rate	<u>2.218</u>	<u>2.133</u>	<u>1.725</u>
Apportionment of tax rate:			
Municipal	0.630	0.615	0.463
School	1.334	1.294	1.062
County	<u>0.254</u>	<u>0.224</u>	<u>0.200</u>

Assessed Value

2012	\$	1,180,303,192
2011		1,182,342,727
2010		1,483,908,155

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>Cash Collections</u>	<u>Currently</u> Percentage of <u>Collection</u>
2012	\$	26,268,723	25,783,987	98.15%
2011		25,178,411	24,717,721	98.17%
2010		25,597,421	25,022,879	97.76%

BOROUGH OF NORWOOD

Supplementary data

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>	Amount of delinquent <u>taxes</u>	Tax title <u>liens</u>	Total <u>delinquent</u>	Percentage of tax <u>levy</u>
2012	\$ 453,125	25,779	478,904	1.82%
2011	456,597	21,523	478,120	1.90%
2010	456,664	16,438	473,102	1.85%

Property Acquired by Tax Title Lien Liquidation

There were no properties 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	\$ 1,142,840
2011	1,142,840
2010	1,142,840

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Dec. 31</u>	Utilized in budget of succeeding <u>year</u>
Current Fund	2012	\$ 876,410	420,551
	2011	500,942	350,000
	2010	651,573	490,000
	2009	522,014	500,000
	2008	890,213	500,000

BOROUGH OF NORWOOD

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>	<u>Type of bond</u>
James Barsa	Mayor		
Alen Rappaport	Councilman		
Marianne Orecchio	Councilwoman		
John Nicolai	Councilman		
Frank Marrino	Councilman		
Barry Scott	Councilman		
Edward Condoleo	Councilman		
Lorraine L. Mc Mackin	Administrator/Borough Clerk		
Kunjesh Trivedi	Treasurer/Chief Financial Officer/Tax Collec	1,000,000	(A)
Roger Hauser	Magistrate	1,000,000	(A)
Lindsay Taglieri	Court Administrator	1,000,000	(A)
Andrew Fede	Borough Attorney		
Neglia Engineering	Borough Engineer		
Douglas Doyle	Labor Attorney		
Steve Rogut	Bond Counsel		
John Guercio	Tax Assessor		
Paul Renaud	Construction Code Official		
Jeffrey Krapels	Chief of Police		

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

BOROUGH OF NORWOOD

Schedule of Expenditure of Federal Awards

Year ended December 31, 2012

Program	CFDA Number	State Pass-through Number	Grant Period	Grant Award	Balance Dec. 31, 2011	Receipts	Expenditures	Adjustment	Deferred Revenue/ (Accounts Receivable) Dec. 31, 2012	MEMO
										Total Cumulative Expenditures
U.S. Department of Housing and Urban Development										
Passed Through Funds:										
County of Bergen										
Senior Citizen Activities	14.218	210-205-742-48-45	7/1/11-6/30/12	3,000	(674)	2,205	1,531			3,000
Senior Citizen Activities	14.218	210-205-742-48-45	7/1/12-6/30/13	2,500			1,840		(1,840)	1,840
Barrier Free Ramps - Summit Street	14.218	Ord. 2007-28	7/1/07-6/30/08	80,000						56,873
Barrier Free Bath Rooms - Kennedy Park, Phase I	14.218	Ord. 2006-15	7/1/08-6/30/09	40,000						26,995
Barrier Free Bath Rooms - Kennedy Park, Phase II	14.218		7/1/09-6/30/10	40,000	(674)	2,205	3,371		(1,840)	61,713
U.S. Department of Environmental Protection										
Passed Through Funds										
State of New Jersey										
Municipal Stormwater Regulation Program	66.605	WQ05-066		8,468	281			(281)		1,836
					281			(281)		1,836
					(393)	2,205	3,371	(281)	(1,840)	63,549

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

BOROUGH OF NORWOOD

Schedule of Expenditures of State Awards and Other Financial Assistance

Year ended December 31, 2012

State & County Programs	Grant Number	Grant Year	Allocation or Grant Award Amount	Balance Dec. 31, 2011	Cash Received	Expended	Adjustments	Deferred Revenue/ (Accounts Receivable) Dec. 31, 2012	MEMO Total Cumulative Expenditures
State Programs:									
Department of Law and Public Safety:									
Drunk Driving Enforcement Fund	1110-448-031020-22	1998	14,290	12,978				12,978	1,312
Drunk Driving Enforcement Fund	1110-448-031020-22	2003	4,672	4,185				4,185	487
Drunk Driving Enforcement Fund	1110-448-031020-22	2004	1,349	1,349				1,349	
Drunk Driving Enforcement Fund	1110-448-031020-22	2005	997	997				997	
Drunk Driving Enforcement Fund	1110-448-031020-22	2006	799	799				799	
Drunk Driving Enforcement Fund	6400-100-078-6400	2007	1,089	1,089				1,089	
Drunk Driving Enforcement Fund	6400-100-078-6400	2008	670	670				670	
Drunk Driving Enforcement Fund	6400-100-078-6400	2009	920	890				890	
Drunk Driving Enforcement Fund	6400-100-078-6400	2010	725	695				695	
Drunk Driving Enforcement Fund	6400-100-078-6400	2011	1,542	1,572				1,572	
Drunk Driving Enforcement Fund	6400-100-078-6400	2012	2,427		2,427			2,427	
SLA HOEP		2004	2,406	2,406			(2,406)		
Body Armor Replacement	N/A	2003	1,323	406				406	
Body Armor Replacement	1020-718-066-1020-001	2005	2,537	2,537				2,537	
Body Armor Replacement	1020-718-066-1020-001	2008	1,369	1,369				1,369	
Body Armor Replacement	1020-718-066-1020-001	2009	842	842				842	
Body Armor Replacement	1020-718-066-1020-001	2010	1,446	1,446				1,446	
Body Armor Replacement	1020-718-066-1020-001	2011	1,522	1,522				1,522	
Body Armor Replacement	1020-718-066-1020-001	2012	1,726		1,726			1,726	
			<u>35,752</u>	<u>4,153</u>			<u>(2,406)</u>	<u>37,499</u>	<u>1,799</u>
Department of Health:									
Alcohol Education Rehabilitation Fund	5120-150-020080-60	1998	359	359					
Alcohol Education Rehabilitation Fund	5120-150-020080-60	2003	7,899	5,534			(359)		2,365
Alcohol Education Rehabilitation Fund	5120-150-020080-60	2004	6,030	6,030			(6,030)		
Alcohol Education Rehabilitation Fund	5120-150-020080-60	2007	886	886			(886)		
Recycling Tonnage Grant	4900-752-042-4900-001	2008	21,127	5,447			(5,447)	10,657	15,680
Recycling Tonnage Grant	4900-752-042-4900-001	2009	21,943	21,943		11,286		20,243	11,286
Recycling Tonnage Grant	4900-752-042-4900-001	2010	20,243		20,243				
			<u>40,199</u>	<u>20,243</u>		<u>11,286</u>	<u>(18,256)</u>	<u>30,900</u>	<u>29,331</u>
Environmental Protection Agency:									
Clean Communities Program	4900-765-042-4900-004	2010	8,478	8,062		8,062		6,819	8,508
Clean Communities Program	4900-765-042-4900-004	2011	8,296	8,296		1,477		8,167	1,477
Clean Communities Program	4900-765-042-4900-004	2012	8,167		8,167			8,167	
			<u>16,358</u>	<u>8,167</u>		<u>9,539</u>		<u>14,986</u>	<u>9,985</u>

BOROUGH OF NORWOOD

Schedule of Expenditures of State Awards and Other Financial Assistance

Year ended December 31, 2012

Grant Number	Grant Year	Allocation or Grant Amount	Balance Dec. 31, 2011	Cash Received	Expended	Adjustments	Deferred Revenue/ (Accounts Receivable) Dec. 31, 2012	MEMO Total Cumulative Expenditures
State & County Programs								
Association of New Jersey Environmental Commissions:								
Smart Growth Planning Grant	2006	7,600	(2,800)			2,800		7,600
Programs Passed Through County of Bergen								
Municipal Alliance	2006	11,500	(2,662)			2,662		
Municipal Alliance	2009	11,500	(4,281)			4,622	341	11,159
Municipal Alliance	2010	10,356	(740)			1,786	1,046	3,690
Municipal Alliance	2011	10,356	(2,132)			2,303	171	5,463
Municipal Alliance	2011	2,589	2,589			(2,589)		
Municipal Alliance	2012	10,356		4,303	5,396	(355)	(1,448)	5,396
Municipal Alliance	2012	2,589		2,589			2,589	
Total State Programs								
			(7,226)	6,892	5,396	8,429	2,699	25,708
Other Financial Assistance:								
County Programs:								
Mini-Grant	2012	300		300			300	
Total County Programs								
				300			300	
Total State Programs								
		\$	82,283	39,455	26,221	(9,433)	86,084	74,423

BOROUGH OF NORWOOD

Schedule of Expenditures of State Awards and Other Financial Assistance

Year ended December 31, 2012

Grant Number	Grant Year	Allocation or Grant Award Amount	Balance Dec. 31, 2011	Cash Received	Expended	Adjustments	Deferred Revenue/ (Accounts Receivable) Dec. 31, 2012	MEMO Total Cumulative Expenditures
State & County Programs								
Other Local Sources:								
NJLM - Educational Foundation								
	2011	1,000	1,000		933		67	933
	2011	2,000		2,000			2,000	
			1,000	2,000	933		2,067	933
		\$	1,000	2,300	933		2,367	933
		\$	83,283	41,755	27,154	(9,433)	88,451	74,423
Total Other Financial Assistance								
Total State and Other Financial Assistance								

Note: This schedule was not subject to an audit in accordance with NJ OMB Circular 04-04.

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BOROUGH OF NORWOOD, N.J.

Schedule of Cash - Collector-Treasurer

Current Fund

Year Ended December 31, 2012

		Current Fund
Balance - December 31, 2011		\$ <u>1,490,868</u>
Increased by Receipts:		
Miscellaneous Revenue Not Anticipated	\$ 138,527	
Due to State - Senior Citizen and Veteran Deductions	59,000	
Taxes Receivable	26,059,565	
Revenue Accounts Receivable	1,259,891	
Outside Lien Redemptions	76,796	
Interfunds	674	
Special Emergency Note	33,000	
Due to State of New Jersey	5,181	
Prepaid Taxes	122,467	
Tax Overpayments	50,982	
Due to Federal and State Grant Fund	<u>39,165</u>	
		<u>27,845,248</u>
		29,336,116
Decreased by Disbursements:		
Current Year Budget Appropriations	8,008,468	
Interfunds	117,993	
Outside Lien Redemptions	76,796	
Due to State of New Jersey	5,181	
Appropriation Reserves	279,705	
Special Emergency Note	89,000	
Tax Overpayment Refunds	97,779	
School Taxes Payable	15,741,231	
County Taxes Payable	2,896,557	
Due from Federal and State Grant Fund	27,154	
Refunds	<u>2,319</u>	
		<u>27,342,183</u>
Balance - December 31, 2012		\$ <u><u>1,993,933</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011 \$ 225

Balance - December 31, 2012 \$ 225

Analysis of Balance:

Tax Collector	100
Municipal Court	100
Board of Health	25
	\$ <u><u>225</u></u>

BOROUGH OF NORWOOD, N.J.

**Schedule of Amount Due to State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	4,109
Increased by:			
State Share of Senior Citizens and Veteran Deductions Disallowed	\$	14,250	
Cash Reciepts		<u>59,000</u>	
			<u>73,250</u>
			77,359
Decreased by:			
Senior Citizens' Deductions Per Tax Billing	\$	13,750	
Veterans' Deductions Per Tax Billing		<u>48,500</u>	
			<u>62,250</u>
Balance - December 31, 2012		\$	<u><u>15,109</u></u>

BOROUGH OF NORWOOD, 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	Added Taxes	Collected 2011	Collected 2012	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2012
2011	456,597		51,258		507,855				
	456,597		51,258		507,855				
2012		26,179,125	89,598	156,707	25,575,780	51,500	4,256	27,355	453,125
	\$ 456,597	26,179,125	140,856	156,707	26,083,635	51,500	4,256	27,355	453,125

Overpayments Applied 24,070
Cash Receipts \$ 26,059,565
\$ 26,083,635

Analysis of Tax Levy

Tax yield:	
General Purpose Tax	\$ 26,179,125
Added Tax (R.S. 54:4-63.1 et seq.)	89,598
	<u>\$ 26,268,723</u>

Tax Levy:	
Local District School Tax	\$ 9,038,413
Regional School Tax	6,702,818
County Tax	2,886,736
Added County Taxes	9,821
Local Open Space Taxes	117,919
Added Local Open Space Taxes	372
	<u>18,756,079</u>

Local Tax for Municipal Purposes	\$ 7,425,000
Additional Taxes	87,644
	<u>7,512,644</u>
	<u>\$ 26,268,723</u>

Exhibit A-8

BOROUGH OF NORWOOD, N.J.

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

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ <u>1,142,840</u>
Balance - December 31, 2012	\$ <u><u>1,142,840</u></u>

Exhibit A-9

Schedule of Tax Title Liens

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ 21,523
Increased by:	
Transfer from 2012 Taxes	<u>4,256</u>
Balance - December 31, 2012	\$ <u><u>25,779</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2012

	Balance <u>Dec. 31, 2011</u>	<u>Accrued</u>	<u>Collected</u>	Balance <u>Dec. 31, 2012</u>
Clerk:				
Licenses:				
Alcoholic beverages		15,150	15,150	
Other		15,549	15,549	
Fees and Permits		30,863	30,863	
Municipal Court :				
Fines and Costs	2,281	57,250	55,290	4,241
Interest and Costs on Taxes		96,738	96,738	
Interest on Investments and Deposits		8,573	8,573	
Recreation Fees		11,918	11,918	
Borough of Northvale Sewer Charges		14,000	14,000	
Cable T.V. Franchise Fee		75,929	75,929	
Library Rent		123,638	123,638	
Swim Club Lease		24,750	24,750	
Energy Receipts Tax		559,799	559,799	
Watershed Moratorium Offset Aid		5,734	5,734	
Uniform Construction Code Fees		72,180	72,180	
Uniform Fire Safety Act		14,875	14,875	
Norwood Board of Education - Landscaping		11,500	6,350	5,150
Reserve for Outside Employment - DPW		15,760	15,760	
Reserve for Outside Employment - Police		45,000	45,000	
FEMA Reimbursement		67,836	67,836	
	<u>\$ 2,281</u>	<u>1,267,042</u>	<u>1,259,932</u>	<u>9,391</u>
			Interest on Investments 41	
			Cash <u>1,259,891</u>	
			<u>\$ 1,259,932</u>	

BOROUGH OF NORWOOD, N.J.

Schedule of Interfunds

Current Fund

Year Ended December 31, 2012

<u>Fund</u>	Due from/(to) Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance <u>Dec. 31, 2012</u>
Animal License Trust Fund	\$ (7)	2,105		2,098
Open Space Trust Fund	(106)	118,397	118,291	
Other Trust Fund:				
Developer's Escrow Fund	96	41		137
Other Trust	(1,650)	1,650		
Unemployment Compensation Trust	(258)	258		
Community Development Trust	674	1,840	674	1,840
	<u>\$ (1,251)</u>	<u>124,291</u>	<u>118,965</u>	<u>4,075</u>

Municipal Open Space Tax Levy	\$		118,291
Reimbursement of expenses paid		4,159	
Interest on Investments		41	
Statutory Excess		2,098	
Receipts			674
Disbursements		<u>117,993</u>	
	\$	<u>124,291</u>	<u>118,965</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Deferred Charges - N.J.S.A. 40A:4-55 - Special Emergency

Current Fund						
Year Ended December 31, 2012						
Date Authorized	Purpose	Amount Authorized	1/5 of Net Amount Authorized	Balance, Dec. 31, 2011	Reduced in 2012	Balance, Dec. 31, 2012
May 4, 2010	Reassessment	55,000	11,000	44,000	11,000	33,000
May 1, 2007	Revaluation	225,000	45,000	45,000	45,000	
				<u>\$ 89,000</u>	<u>56,000</u>	<u>33,000</u>

Schedule of Deferred Charges

Current Fund			
Year Ended December 31, 2012			
Purpose	Amount Authorized	Balance, Dec. 31, 2011	Reduced in 2012
Overexpenditures of Appropriation Reserves	40,504	4,832	4,832
		<u>\$ 4,832</u>	<u>4,832</u>

BOROUGH OF NORWOOD, N.J.

Schedule of 2011 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>
Salaries and Wages:				
Within "CAPS":				
General Administration	\$ 2,303	2,303		2,303
Municipal Clerk	2,551	2,551		2,551
Financial Administration	12,154	11,404		11,404
Assessment of Taxes	1	1		1
Municipal Court	3,490	3,490		3,490
Police	69,007	69,007	30,425	38,582
Streets and Road Maintenance	26,086	26,086	625	25,461
Fire Prevention	1	1		1
Public Health Services	8,229	6,729		6,729
Recreation Services & Programs	1,001	1,001		1,001
Uniform Construction Code Enforcement	1,516	1,516		1,516
Excluded from "CAPS":				
Other Expenses:				
Within "CAPS":				
General Administration	1,758	4,258	1,620	2,638
Mayor and Council	826	826		826
Borough Clerk	1,821	1,911	490	1,421
Financial Administration	16,606	16,766	14,770	1,996
Audit Services	17,700	17,700	15,000	2,700
Computer Data Processing	8,616	8,616		8,616
Revenue Administration	1,640	1,640		1,640
Tax Assessment Administration	1,302	1,302	994	308
Legal Services	9,910	10,086	7,073	3,013
Engineering	50	50		50
Municipal Court	1,404	1,502	217	1,285
Insurance:				
Liability Insurance	67,302	67,302	52,217	15,085
Employee Group Insurance	14,797	16,592	624	15,968
Planning Board	1,630	1,852	120	1,732
Zoning Board	1,676	1,789	120	1,669
Historical Preservation Committee	600	600		600
Environmental Commission	116	223	60	163
Police	4,594	6,644	3,413	3,231
Aid to Volunteer Fire Companies	94	844	104	740
Aid to Ambulance Companies	1,367	9,590	7,012	2,578
Fire Prevention	29,620	29,620	27,651	1,969
Municipal Prosecutor's Office	324	324		324
Public Defender	800	800		800

BOROUGH OF NORWOOD, N.J.

Schedule of 2011 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>
Street & Road Maintenance	2,383	5,098	1,843	3,255
Other Public Works Functions	8,054	8,790	735	8,055
Solid Waste Collection	1,434	70,347	41,879	28,468
Buildings & Grounds	7,389	9,615	1,342	8,273
Vehicle Maintenance	11,329	20,039	8,059	11,980
Public Health Services	1,524	2,069	1,164	905
Recreation Service & Programs	11,981	12,353	3,653	8,700
Electricity	17,222	18,276	7,336	10,940
Street Lighting	17,290	17,290	5,561	11,729
Telephone	7,349	8,025		8,025
Gas (Natural and Propane)	11,160	11,160		11,160
Gasoline	2,546	3,898	1,532	2,366
Water	9,067	9,067	826	8,241
Uniform Construction Code Enforcement	841	999	158	841
Public Employees' Retirement System	1,000	1,000		1,000
Social Security system (O.A.S.I)	6,031	6,031		6,031
Unemployment Compensation Insurance	38,788	38,788	22,182	16,606
Excluded from "CAPS":				
Length of Service Awards Program	48,000	48,000	20,900	27,100
Stormwater Management	5,688	5,688		5,688
	<u>\$ 519,968</u>	<u>621,459</u>	<u>279,705</u>	<u>341,754</u>
Appropriation Reserves		519,968		
Encumbrances		<u>101,491</u>		
		<u>\$ 621,459</u>		
			<u>279,705</u>	
			Cash Disbursements	

BOROUGH OF NORWOOD, N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$	101,491
Increased by:		
Transfer from Current Appropriations		<u>139,742</u>
		241,233
Decreased by:		
Transferred to Appropriation Reserves		<u>101,491</u>
Balance - December 31, 2012	\$	<u><u>139,742</u></u>

Exhibit A-16

BOROUGH OF NORWOOD, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$	156,707
Increased by:		
Receipts - Prepaid 2013 Taxes		<u>122,467</u>
		279,174
Decreased by:		
Applied to 2012 Taxes		<u>156,707</u>
Balance - December 31, 2012	\$	<u><u>122,467</u></u>

Exhibit A-17

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2012	\$	77,288
Increased by:		
County Board Judgements	\$	69,291
Cash Receipts		<u>50,982</u>
		<u>120,273</u>
		197,561
Decreased by:		
Applied to 2012 Taxes	\$	24,070
Liabilities cancelled to operations		36,648
Cash Disbursed		<u>97,779</u>
		<u>158,497</u>
Balance - December 31, 2012	\$	<u><u>39,064</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Miscellaneous Reserves

Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Cancelled to Fund <u>Balance</u>
<u>Reserve for:</u>		
Reassessment of Real Property	\$ 9,750	9,750
Police Retroactive Pay	4,285	4,285
Revaluation	4,909	4,909
Length of Service Award Program	<u>29,500</u>	<u>29,500</u>
	<u>\$ 48,444</u>	<u>48,444</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Amount Due to State of New Jersey

Current Fund

Year Ended December 31, 2012

	<u>Increased</u>	<u>Decreased</u>
DCA Fees	\$ 4,481	4,481
Marriage License Fees	<u>700</u>	<u>700</u>
	<u>\$ 5,181</u>	<u>5,181</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Special Emergency Notes Payable

Year ended December 31, 2012

<u>Number</u>	<u>Description</u>	<u>Date of original issue</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Balance, Dec. 31, 2011</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, Dec. 31, 2012</u>
10-1SEN	Special Emergency Note	Dec. 16, 2010	Sept. 13, 2013	1.55%	\$ 89,000	33,000	89,000	33,000
					\$ 89,000	33,000	89,000	33,000

BOROUGH OF NORWOOD, N.J.

Schedule of Due from/(to) Federal and State Grant Fund

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	(85,305)
Increased by:			
Grants Receivable Cancelled	\$	23,483	
Grant Revenue Anticipated		48,313	
Budget Appropriation - Match		2,589	
Grants Received		<u>39,165</u>	
			<u>113,550</u>
			(198,855)
Decreased by:			
Appropriated Reserves Cancelled		34,656	
Grant Revenue Anticipated		48,313	
Cash disbursements		<u>27,154</u>	
			<u>110,123</u>
Balance - December 31, 2012		\$	<u><u>(88,732)</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of School Taxes Payable

Current Fund

Year Ended December 31, 2012

Increased by:

Levy

Regional School Tax	\$	6,702,818
Local School Tax		<u>9,038,413</u>

\$ 15,741,231

Decreased by:

Cash Disbursements

\$ 15,741,231

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2012

Increased by:

Levy

Levy	\$	2,853,559
Open Space Levy		33,177
Added and Omitted Taxes		<u>9,821</u>

\$ 2,896,557

Decreased by:

Cash Disbursements

\$ 2,896,557

BOROUGH OF NORWOOD, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	Balance, Dec. 31, <u>2011</u>	Budget <u>Revenue</u>	<u>Received</u>	<u>Canceled</u>	Balance, Dec. 31, <u>2012</u>
Municipal Alliance	\$ 21,715	10,356	4,303	20,683	7,085
Smart Growth Planning Grant	2,800			2,800	
Body Armor Replacement Fund		3,248	3,248		
Sustainable Jersey		2,000	2,000		
Recycling Tonnage Grant		20,243	20,243		
Bergen County Mini-Grant		300	300		
Drunk Driving Enforcement Fund		3,999	3,999		
Clean Communities		8,167	8,167		
	<u>\$ 24,515</u>	<u>48,313</u>	<u>42,260</u>	<u>23,483</u>	<u>7,085</u>
		Cash Receipts \$	39,165		
		Unappropriated Reserves	<u>3,095</u>		
			<u>\$ 42,260</u>		

BOROUGH OF NORWOOD, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	Balance, Dec. 31, 2011	Transfer From 2012 Budget	<u>Expended</u>	<u>Canceled</u>	Balance, Dec. 31, 2012
Alcohol Education Rehabilitation Fund - 2003	\$ 5,534			5,534	
Alcohol Education Rehabilitation Fund	359			359	
Drunk Driving Enforcement Fund - 2003	4,185				4,185
Drunk Driving Enforcement Fund - 1998	12,978				12,978
Alcohol Education Rehabilitation Fund - 2004	6,030			6,030	
Drunk Driving Enforcement Fund - 2004	1,349				1,349
SLA HOEP	2,406			2,406	
Drunk Driving Enforcement Fund - 2005	997				997
Drunk Driving Enforcement Fund - 2006	799				799
Alcohol Education Rehabilitation Fund	886			886	
Body Armor Replacement Program - 2005	2,537				2,537
Body Armor Replacement Program - 2003	406				406
Municipal Alliance - 2009	341				341
Drunk Driving Enforcement Fund - 2007	1,089				1,089
Sustainable Jersey - 2012		2,000			2,000
Body Armor Replacement Program		3,248			3,248
Bergen County Mini-Grant		300			300
Municipal Alliance - 2012		10,356	5,396	355	4,605
Municipal Alliance - Match		2,589			2,589
Drunk Driving Enforcement Fund - 2012		3,999			3,999
Clean Communities - 2012		8,167			8,167
Recycling Tonnage Grant - 2010		20,243			20,243
Body Armor Replacement Program - 2008	1,369				1,369
Stormwater Management	281				281
Municipal Alliance - 2010	1,203				1,203
Drunk Driving Enforcement Fund	670				670
GDL Grant	1,740			1,740	
Clean Communities Grant - 2010	8,062		8,062		
Clean Communities Grant - 2011	8,296		1,477		6,819
Body Armor Replacement Program	2,288				2,288
Municipal Alliance - 2011	10,356			9,310	1,046
Municipal Alliance - Match	2,589			2,589	
Recycling Tonnage Grant	5,447			5,447	
Drunk Driving Enforcement Fund	1,585				1,585
Recycling Tonnage Grant	21,943		11,286		10,657
Sustainable Jersey	1,000		933		67
	<u>\$ 106,725</u>	<u>50,902</u>	<u>27,154</u>	<u>34,656</u>	<u>95,817</u>
		Budget \$ <u>50,902</u>			
			Cash Disbursements \$ <u>27,154</u>		

BOROUGH OF NORWOOD, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	Balance, Dec. 31, <u>2011</u>	Transferred to 2012 <u>Budget</u>
Body Armor Replacement Program	\$ 1,523	1,523
Drunk Driving Enforcement Fund	<u>1,572</u>	<u>1,572</u>
	<u>\$ 3,095</u>	<u>3,095</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2012

	Animal Trust Fund	Municipal Open Space	Other Trust Fund	Community Development Trust	Length of Service Award Program
Balance - December 31, 2011	\$ 12,144	652,104	486,493		231,319
Increase by Receipts:					
Animal License Fees	5,949				
Interfund - Current Fund	7	118,397	1,908		
Due to State of New Jersey	677				
Municipal Open Space Tax Levy					
Various Trust Deposits			52,276		
Other Trust Funds			69,524		
Grant Receipts		16,550			
Borough Contributions					20,900
Investment Gains					25,268
Interest Earned on Investments		1,997	41		
Total Receipts	6,633	136,944	123,749		46,168
	18,777	789,048	610,242		277,487
Decreased by Disbursements:					
Animal License Expenditures	4,430				
Interfund - Current Fund					
Due to State of New Jersey	682				
Various Trust Deposits			140,698		
Other Trust Funds					
Municipal Open Space expenditures		89,201	133,709		
Investment Loss					
Benefit Distributions					
Administrative Fees					1,125
Total Disbursements	5,112	89,201	274,407		1,125
Balance - December 31, 2012	\$ 13,665	699,847	335,835		276,362

BOROUGH OF NORWOOD, N.J.

Reserve for Animal Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		\$	12,144
Increased by:			
Dog License Fees Collected	\$	4,113	
Cat License Fees Collected		586	
Late Fees		<u>1,250</u>	
			<u>5,949</u>
			18,093
Decreased by:			
Statutory Excess		2,098	
Expenditures R.S. 4:19-15.11		<u>4,430</u>	
			<u>6,528</u>
Balance - December 31, 2012		\$	<u><u>11,565</u></u>

Animal Licenses Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 5,543
2010	<u>6,022</u>
	\$ <u><u>11,565</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Due to State of New Jersey

Animal License Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$	7
Increased by:		
State License Fees collected		<u>677</u>
		684
Decreased by:		
Cash Disbursements		<u>682</u>
Balance - December 31, 2012	\$	<u><u>2</u></u>

BOROUGH OF NORWOOD, N.J.
Schedule of Interfund - Current Fund

Other Trust Funds

Year Ended December 31, 2012

	Due from/(to) Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance <u>Dec. 31, 2012</u>
Other Trust Fund:	\$			
Developer's Escrow	(96)	41		(137)
Other Trust	1,650	1,650		
Unemployment Trust Fund	258	258		
Animal Control Trust	7	2,105		(2,098)
Municipal Open Space	106	118,397	118,291	
Community Development Trust	<u>(674)</u>	<u>1,840</u>	<u>674</u>	<u>(1,840)</u>
	\$ <u>1,251</u>	<u>124,291</u>	<u>118,965</u>	<u>(4,075)</u>
Statutory Excess	\$	2,098		
Interest on Investments		41		
Municipal Open Space Taxes collected			118,291	
Expenses paid by Current Fund		1,840		
Cash Disbursements			674	
Cash Receipts		<u>120,312</u>		
	\$	<u>124,291</u>	<u>118,965</u>	

BOROUGH OF NORWOOD, N.J.

Schedule of Reserve for Open Space Trust Fund Expenditures

Open Space Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	652,210
Increased by:			
Tax Levy Collections	\$	118,291	
Bergen County Open Space Grant Fund		16,550	
Interest on Investments		<u>1,997</u>	
			<u>136,838</u>
			789,048
Decreased by:			
Cash Disbursements			<u>89,201</u>
Balance - December 31, 2012		\$	<u><u>699,847</u></u>

BOROUGH OF NORWOOD, N.J.
Schedule of Reserve for Various Trust Deposits

Trust Funds

Year Ended December 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Reserve for:				
Escrow Deposits	\$ 128,722	45,368	25,278	148,812
Affordable Housing Expenditures	173,693	3,337	115,420	61,610
Unemployment Compensation Ins.	<u>13,545</u>	<u>3,887</u>		<u>17,432</u>
	<u>\$ 315,960</u>	<u>52,592</u>	<u>140,698</u>	<u>227,854</u>

Accounts Receivable	\$ 316		
Cash Receipts		52,276	
Cash Disbursements			<u>140,698</u>
	\$	<u>52,592</u>	<u>140,698</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Reserve for Other Trust Expenditures

Trust Funds

Year Ended December 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Reserve for:				
New Jersey Clean Energy Program	\$ 540			540
Police Department Vest Fund	1,300			1,300
Parking Offenses Adjudication Act	70	10		80
Tax Sale Certificates and Premiums	52,100	15,100	42,000	25,200
Marriage License Fees Payable	25			25
Fire Prevention	750			750
Donation - Ferdan Cemetary	100			100
Celebration of Public Events	8,144	13,868	12,876	9,136
Outside Employment - DPW	15,760		15,760	
Outside Employment - Police	47,999	40,546	63,073	25,472
Centennial	15,636			15,636
Accumulated Sick Leave	29,921			29,921
	<u>\$ 172,345</u>	<u>69,524</u>	<u>133,709</u>	<u>108,160</u>

Exhibit B-8

BOROUGH OF NORWOOD, N.J.

Schedule of Grants Receivable

Community Development Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ <u>2,205</u>
Increased by:	
2011-2012 Grant Award	<u>2,500</u>
	4,705
Decreased by:	
Cash Receipts	<u>2,205</u>
Balance - December 31, 2012	\$ <u><u>2,500</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Reserve for Community Development Projects

Community Development Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	1,531
Increased by:			
2011-2012 Grant Award			<u>2,500</u>
			4,031
Decreased by:			
Budget expenditures in Current	\$	1,840	
Cash Disbursements		<u>1,531</u>	
			<u>3,371</u>
Balance - December 31, 2012		\$	<u><u>660</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Service Award Contributions Receivable

Emergency Services Volunteer - Length of Service Award Program

Year Ended December 31, 2012

Balance - December 31, 2011		\$	36,300
Increased by:			
2012 Service Award Contributions			<u>16,200</u>
			52,500
Decreased by:			
Contributions cancelled	\$	15,400	
Contributions Paid		<u>20,900</u>	
			<u>36,300</u>
Balance - December 31, 2012		\$	<u><u>16,200</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer - Length of Service Award Program

Year Ended December 31, 2012

Balance - December 31, 2011		\$	267,619
Increased by:			
Borough Contributions	\$	16,200	
Net unrealized Appreciation in Fair Value of Investments		<u>25,268</u>	
			<u>41,468</u>
			309,087
Decreased by:			
Administrative expenses		1,125	
Contribution receivables cancelled		<u>15,400</u>	
			<u>16,525</u>
Balance - December 31, 2012		\$	<u><u>292,562</u></u>

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BOROUGH OF NORWOOD, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	583,425
Increased by Receipts:			
Grants/Contributions Receivable	\$	938,130	
Infrastructure Trust Loan Drawdowns		522,636	
Livingston Street Beautification Project		1,000	
Capital Improvement Fund		50,000	
Bond Anticipation Notes		<u>271,400</u>	
			<u>1,783,166</u>
			2,366,591
Decreased by Disbursements:			
Improvement Authorizations		1,070,083	
Livingston Street Beautification Project		<u>16,005</u>	
			<u>1,086,088</u>
Balance - December 31, 2012		\$	<u><u>1,280,503</u></u>

BOROUGH OF NORWOOD, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2012

Grants/Contributions Receivable	\$ (365,699)
New Jersey Infrastructure Trust Loans Receivable	(403,274)
Reserve for Grants Receivable	365,699
Capital Improvement Fund	28,630
Reserve for Livingston Street Beautification Project	84,094

Improvement Authorizations:

Ordinance

<u>Number</u>	<u>Improvement Description</u>	
00-13	Improvements to Recreational Facilities	(379)
03-09	Various Capital Improvements	(4,288)
03-10	Various Capital Improvements to Kennedy Park	5,288
06-06	2005 Road Improvement Program	3,947
07-28	Various Improvements	260,360
09-09	Rehabilitation of the Piermont Road and Brook Street Sanitary Sewer Pump Stations	303,564
10-16	Livingston Street Drainage and Streetscape Project	(61,261)
11-06	Various Improvements, Acquisition of Equipment/Vehicles	11,924
11-10	Replacement of the Rear Door at Public Library	3,834
12-10	Various Improvements	241,464
12-12	Various Improvements	753,600
12-13	2012 Road and Parking Lot program	53,000
		<hr/>
		\$ 1,280,503
		<hr/>

BOROUGH OF NORWOOD, N.J.

Schedule of Grants/Contributions Receivable

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	463,729
Increased by:			
Grant Awards:			
DOT - Ord. 10-2012	\$	86,500	
Due from Public Library		<u>753,600</u>	
			<u>840,100</u>
			1,303,829
Decreased by:			
Cash Receipts			<u>938,130</u>
Balance - December 31, 2012		\$	<u><u>365,699</u></u>

Analysis of Balance

Livingston St. Drainage/Streetscape Project, Ord. 2010-16	203,067
Community Development Block Grant:	
Ord. 2007-28	23,127
Ord. 2006-15	13,005
Barrier Free Restrooms - Kennedy Park	40,000
DOT Grant - Ord. 2012-10	<u>86,500</u>
	\$ <u><u>365,699</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of State of New Infrastructure Trust Loans Receivable

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ 925,910
Decreased by:	
Drawdowns received	<u>522,636</u>
Balance - December 31, 2012	<u><u>\$ 403,274</u></u>
	Trust Loan - 2010B 183,212
	Fund Loan - 2010B <u>220,062</u>
	<u><u>\$ 403,274</u></u>

BOROUGH OF NORWOOD, N.J.

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

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011		\$	6,058,652
Decreased by:			
Current Year Budget Appropriations:			
Serial Bonds	\$	650,000	
New Jersey Infrastructure Trust Loans		<u>42,298</u>	
			<u>692,298</u>
Balance - December 31, 2012		\$	<u><u>5,366,354</u></u>

BOROUGH OF NORWOOD, 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 Obligation Bonds	August 1, 2004	2,755,000	08/01/13	280,000	3.50%	1,165,000	270,000	895,000
			08/01/14	290,000	3.625%			
			08/01/15	325,000	3.75%			
General Obligation Bonds	October 1, 2008	4,680,000	10/01/13	390,000	4.00%	3,875,000	380,000	3,495,000
			10/01/14	405,000	4.00%			
			10/01/15	395,000	4.00%			
			10/01/16	740,000	4.00%			
			10/01/17	765,000	4.00%			
			10/01/18	800,000	4.00%			
						<u>\$ 5,040,000</u>	<u>650,000</u>	<u>4,390,000</u>

BOROUGH OF NORWOOD, N.J.

Schedule of New Jersey Environmental Infrastructure Trust Loans 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				
Trust Loan	December 2, 2010	500,000	08/01/13	15,000	5.00%	500,000	15,000	485,000
			8/1/2014-18	20,000				
			8/1/2019-22	25,000				
			8/1/2023-26	30,000				
			8/1/2027-28	35,000				
8/1/2029-30	40,000							
Fund Loan	December 2, 2010	536,850	02/01/13	9,099		518,652	27,298	491,354
			08/01/13	18,198				
			02/01/14	9,099				
			08/01/14	18,199				
			02/01/15	9,099				
			08/01/15	18,198				
			02/01/16	9,099				
			08/01/16	18,198				
			02/01/17	9,099				
			08/01/17	18,199				
			02/01/18	9,099				
			08/01/18	18,198				
02/01/19	9,099							
08/01/19	18,198							
02/01/20	9,099							
08/01/20	18,199							
02/01/21	9,099							
08/01/21	18,198							
02/01/22	9,099							
08/01/22	18,199							

BOROUGH OF NORWOOD, N.J.

Schedule of New Jersey Environmental Infrastructure Trust Loans 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				
Fund Loan, (cont.)			02/01/23	9,099				
			08/01/23	18,199				
			02/01/24	9,099				
			08/01/24	18,198				
			02/01/25	9,099				
			08/01/25	18,199				
			02/01/26	9,099				
			08/01/26	18,198				
			02/01/27	9,099				
			08/01/27	18,199				
			02/01/28	9,099				
			08/01/28	18,198				
			02/01/29	9,099				
			08/01/29	18,198				
		02/01/30	9,099					
		08/01/30	18,199					
						\$ 1,018,652	42,298	976,354

BOROUGH OF NORWOOD, 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
10-16	Livingston Street Drainage & Streetscape Project	Dec. 16, 2011	Sept. 14, 2012	Sept. 13, 2013	1.55%	\$ 264,000	264,000	264,000	264,000
12-10	Public Improvements and acquisition of new additional or replacement equipment & machinery and new communication & signal systems equipment	Sept. 14, 2012	Sept. 14, 2012	Sept. 13, 2013	1.55%		271,400		271,400
						<u>\$ 264,000</u>	<u>535,400</u>	<u>264,000</u>	<u>535,400</u>
						Cash \$ 271,400			
						Renewed 264,000		264,000	
							<u>\$ 535,400</u>	<u>264,000</u>	<u>264,000</u>

BOROUGH OF NORWOOD, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Ordinance Amount	Balance Dec. 31, 2011		2012 Authorizations	Paid or Charged	Balance Dec. 31, 2012	
			Funded	Unfunded			Funded	Unfunded
03-10	Various Capital Improvements to Kennedy Park	260,000	5,288				5,288	
06-06	2005 Road Improvement Program	500,000	3,947				3,947	
06-15	Various Improvements	1,319,500						
07-28	Various Improvements	1,366,800	266,264	23,127		5,904	260,360	23,127
09-09	Rehabilitation of the Piermont Road and Brook Street Sanitary Sewer Pump Stations	1,250,000	923,663	213,150		620,099	303,564	213,150
10-16	Livingston Street Drainage and Streetscape Project	1,065,000	63,757	469,351		327,545	11,924	141,806
11-06	Various Improvements, Acquisition of Equipment/Vehicles	146,189				51,833		
11-10	Replacement of the Rear Door at Public Library	25,000	25,000			21,166	3,834	
12-10	Various Improvements	285,000			285,000	43,536		241,464
12-12	Various Improvements	753,600			753,600		753,600	
12-13	2012 Road and Parking Lot program	1,100,000			1,100,000		53,000	1,047,000
			\$ 1,287,919	705,628	2,138,600	1,070,083	1,395,517	1,666,547
	Capital Improvement Fund \$			66,600				
	Library Contribution			753,600				
	Deferred Charges to Future Taxation			1,318,400				
			\$	2,138,600				

BOROUGH OF NORWOOD, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2012

Balance - December 31, 2011	\$ 45,230
Increased by:	
Budget Appropriation	<u>50,000</u>
	95,230
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>66,600</u>
Balance - December 31, 2012	<u><u>\$ 28,630</u></u>

BOROUGH OF NORWOOD, N.J.

Schedule of Reserve for Livingston Street Beautification Project

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ 99,099
Increased by:	
Cash Receipts	<u>1,000</u>
	100,099
Decreased by:	
Cash Disbursements	<u>16,005</u>
Balance - December 31, 2012	<u>\$ 84,094</u>

Schedule of Reserve for Grants/Contributions Receivable

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011	\$ 463,729
Increased by:	
Contributions	<u>86,500</u>
	550,229
Decreased by:	
Applied to Authorized not Issued	<u>184,530</u>
Balance - December 31, 2012	<u>\$ 365,699</u>

Analysis of Balance

Shared Services Agreement - Bergen County, Ord. 2010-16	203,067
Community Development - Ord. 2007-28	23,127
Community Development - Ord. 2006-15	13,005
Community Development Block Grant - Barrier Free Bathrooms	40,000
DOT Grant - Ord. 2012-10	<u>86,500</u>
	<u>\$ 365,699</u>

BOROUGH OF NORWOOD, 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>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authorizations</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
2000-13	Improvements to Recreational Facilities	\$ 379			379
2003-09	Various Improvements	4,288			4,288
2007-28	Various Improvements	23,127			23,127
2009-09	Rehabilitation of the Piermont Road and Brook Street Sanitary Sewer Pump Stations	213,150			213,150
2010-16	Livingston Street Drainage and Streetscape Project	387,597		184,530	203,067
2012-10	Public Improvements and acquisition of new additional or replacement equipment & machinery & new communication & signal systems equipment		271,400	271,400	
2012-13	2012 Road and Municipal Parking Lot improvement program		1,047,000		1,047,000
		<u>\$ 628,541</u>	<u>1,318,400</u>	<u>455,930</u>	<u>1,491,011</u>

Bond Anticipation Notes Issued	271,400
Unappropriated Contributions Received	184,530
	<u>\$ 455,930</u>

BOROUGH OF NORWOOD

PART II

**LETTER ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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

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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

The Honorable Mayor and
Members of the Borough Council
Borough of Norwood
East Hanover, New Jersey 07442

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 Borough of Norwood in the County of Bergen 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 May 2, 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 Borough of Norwood'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 Borough of Norwood's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Norwood'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.



Honorable Mayor and
Members of the Borough Council
Page 2.

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 Borough of Norwood in the accompany comments and recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Norwood'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*.

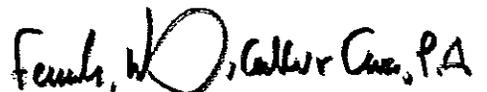
However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Norwood in the accompanying comments and recommendations section of this report.

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 Borough of Norwood's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Norwood's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



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



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

May 2, 2013



BOROUGH OF NORWOOD, N.J.

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 or 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.

BOROUGH OF NORWOOD, N.J.

GENERAL COMMENTS, (continued)

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. On August 2, 2005, the Borough increased the bid threshold to the amount as allowed by law for having a qualified purchasing agent.

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

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

Haring Cemetery Landscape Improvements

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation 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," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 4, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, Chapter 75 of the Public Laws of 1991 of the State of New Jersey authorizes the governing body of each municipality by resolution to fix the rate of interest to be charged for nonpayment of taxes or assessments on or before the date when they would become delinquent, and

BOROUGH OF NORWOOD

GENERAL COMMENTS, (continued)

WHEREAS, the provisions of said statute provides that the rate of interest to be so charged may be fixed at a rate not to exceed 8% per annum on the first \$1,500 of delinquency, and a rate of 18% per annum on any amount in excess of \$1,500.

WHEREAS, the statute further provides that the governing body may provide that no interest shall be charged if payment is made within the tenth calendar day following the date which the same became payable, and

It appears from our test of the collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 20, 2012 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>
2012	6
2011	6
2010	4

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, 2012, 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 NORWOOD, N.J.

GENERAL COMMENTS

Finance/Accounts Payable:

1. Goods/services are being ordered prior to being encumbered as prescribed by Technical Directive #1.
2. The Net Payroll Account had a deficit reconciled balance at year end.
3. Transfers made to the Appropriation Reserve Budget were not made within the allowable time frame.
4. There are items included on the fixed asset additions report but values could not be verified to purchase orders.
5. There were items purchased during the year over the capitalization threshold that are not included on the fixed asset additions report.

Departments:

1. Monthly cash ledgers and/or supporting documentation detailing receipts collected were not available for audit review for the following departments:
Police Department, Fire Prevention, Board of Health
2. Monies collected in the Police Department are not being deposited in a timely manner.

Municipal Court:

- 1.* Not all deposits are made within 48 hours of receipt as required by N.J.S.A. 40A:5-15.
2. There were several instances when the deposit made did not agree to the daily report.
3. There was one month in which the monies collected were not disbursed prior to the fifteenth of the subsequent month.
4. There were two instances in which the amount collected per the monthly summary report did not agree to the amount disbursed in the subsequent month.
5. There was one instance in which monies reported as collected on the daily summary report were not deposited into the Bail Account.
6. The reconciled balance in the Bail Account does not agree to the Bail On Account Report.
7. Supporting documentation for some bail receipts was not available for review.

BOROUGH OF NORWOOD

RECOMMENDATIONS

Finance/Accounts Payable:

1. That all good/services be encumbered prior to being ordered.
2. That more care be taken to ensure there are no deficit reconciled balances.
3. That transfers be made only during the allowable time frame.
4. That supporting documentation for additions to the fixed asset report be maintained and made available at time of audit.
5. That all items purchased of the capitalization threshold be included on the fixed asset report.

Departments:

1. Monthly cash receipts ledgers detailing monies collected be prepared and maintained for the all departments and/or classifications of receipts.⁴
2. That all monies collected be deposited within 48 hours of receipt as required by N.J.S.A.40A5-15.

Municipal Court:

- 1.* That all deposits be made within 48 hours of receipt as required by N.J.S.A. 40A:5-15.
2. That deposits be reviewed and agreed to daily reports and any discrepancies should be investigated and corrected immediately.
3. That all monies collected should be disbursed prior to the fifteenth of the subsequent month.
4. That more care be taken to ensure disbursements agree to the monthly summary reports.
5. That deposits should be reviewed and agreed to the daily summary reports to ensure the proper amount is being deposited.
6. That the Bail Account should be maintained to agree to the Bail-On-Account report and any discrepancies be reviewed and adjusted if necessary.
7. That all supporting documentation be made available at time of audit.

BOROUGH OF NORWOOD, N.J.

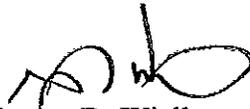
STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all, except for the findings/recommendations marked with an "*".

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the municipality and we greatly appreciate the courtesies extended to all members of the audit team.

Respectfully submitted,



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. 413



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

May 2, 2013