

**BOROUGH OF FAIR LAWN  
BERGEN COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2012 AND 2011**

BOROUGH OF FAIR LAWN  
BERGEN COUNTY, NEW JERSEY

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BERGEN COUNTY, NEW JERSEY

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### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members  
Of the Fair Lawn Council  
Borough of Fair Lawn, New Jersey

We have audited the accompanying comparative balance sheets—regulatory basis of various funds of the Borough of Fair Lawn, County of Bergen, State of New Jersey (“the Borough”), State of New Jersey, as of December 31, 2012, and the related comparative statements of operations and changes in fund balance—regulatory basis for the year then ended, and the related statements of revenue and expenditures—regulatory basis, and statement of general fixed asset group of accounts 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. We did not audit the financial statements of the Borough as of and for the year ended December 31, 2011. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Borough, is based on the report of the other auditors.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 misstatement, whether due to fraud or error.

#### **Auditor’s Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Borough’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 has not been audited, and we were not engaged to audit The Length of Service Awards 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, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the *Division of Local Government Services, Department of Community Affairs, State of New Jersey*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

The Borough did not implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. State of New Jersey Local Finance Notice 2009-13R also dictates that municipalities implement this GASB.

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

In our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program, present fairly, in all material respects, the financial position- regulatory basis of the various funds of the Borough as of December 31, 2012 and 2011, and the results of its operations and the changes in fund balance of such funds for the years then ended, and the revenues-regulatory basis, expenditures-regulatory basis, of the various funds, and general fixed assets, for the year ended December 31, 2012, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplemental financial statements presented for the purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying schedules of expenditures of federal awards and/or state financial assistance are presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also not a required part of the financial statements. The supplementary schedules and schedules of expenditures of federal awards and/or state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records

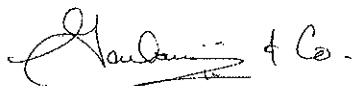
used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2013 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting.



Paul W. Garbarini, CPA  
Registered Municipal Accountant  
No. 534



Garbarini & Co. P.C.  
Certified Public Accountants

July 22, 2013  
Carlstadt, New Jersey



BOROUGH OF FAIR LAWN  
CURRENT AND GRANT FUND

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

A

	Reference	<u>At December 31:</u>	
		<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Current Assets:			
Cash	A-4	\$ 17,074,471.68	\$ 14,838,871.67
Change Fund	A-5	3,493.82	3,493.82
		<hr/>	<hr/>
		17,077,965.50	14,842,365.49
Receivable and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-9	990,411.05	1,115,978.80
Tax Title Liens Receivable	A-10	142,794.51	17,618.86
Other Liens Receivable	A-11	629.26	629.26
Property Acquired for Taxes - Assessed Valuations	A-12	73,260.00	73,260.00
Revenue Accounts Receivable	A-13	424,407.92	418,677.15
Interfunds Receivable	A-16	1,650,645.51	152,607.60
		<hr/>	<hr/>
	Contra	3,282,148.25	1,778,771.67
Deferred Charges :			
Special Emergency Authorizations NJSA 40A:4-53	A-15	360,000.00	510,000.00
Emergency Authorizations	A-14	125,000.00	130,000.00
		<hr/>	<hr/>
		20,845,113.75	17,261,137.16
Federal and State Grant Fund:			
Cash	A-4	89,789.51	105,960.58
Interfund Accounts Receivable	A-8	4,723.93	15,038.34
Grants Receivable	A-30	1,097,327.60	1,690,940.34
		<hr/>	<hr/>
		1,191,841.04	1,811,939.26
<b>TOTAL ASSETS</b>		<hr/> <b>\$ 22,036,954.79</b> <hr/>	<hr/> <b>\$ 19,073,076.42</b> <hr/>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT AND GRANT FUND

**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
(CONTINUED)**

A

	Reference	<u>At December 31:</u>	
		<u>2012</u>	<u>2011</u>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>			
Liabilities:			
Appropriation Reserves	A-3, A-17	\$ 2,165,384.71	\$ 3,163,924.55
Encumbrances Payable	A-3,A-18	930,901.75	1,287,871.28
Interfund Accounts Payable	A-16	440,686.08	179,412.80
Accounts Payable	A-19	106,404.94	133,463.08
Reserve for Other Expenditures	A-20	5,473,301.34	2,946,532.57
Reserve For Library Expenditures	A-21	86,459.14	49,429.16
Due to State of New Jersey:			
Senior Citizens and Veterans Deductions	A-7	172,368.75	150,039.99
Construction Training Fees	A-22	30,530.08	7,646.08
Tax Overpayments	A-23	119,391.98	33,162.93
Local School Taxes Payable	A-24	559,017.00	559,017.00
County Taxes Payable	A-25	63,700.00	12,436.76
Prepaid Revenue	A-27	31,736.00	30,971.00
SID Taxes Payable	A-26	411.95	411.95
Special Emergency Note	A-29	360,000.00	510,000.00
Prepaid Taxes	A-28	473,700.67	543,313.19
		<hr/>	<hr/>
		11,013,994.39	9,607,632.34
Reserve for Receivable and Other Assets	Contra	3,282,148.25	1,778,771.67
Fund Balance	A-1	<hr/> 6,548,971.11	<hr/> 5,874,733.15
		<hr/>	<hr/>
		20,845,113.75	17,261,137.16
Federal and State Grant Fund :			
Unappropriated Reserve for Grants	A-31	221,018.07	290,048.33
Appropriated Reserve for Grants	A-32	380,451.15	876,374.72
Ecumbrances Payable	A-33	90,371.82	345,516.21
Interfund Accounts Payable	A-8	500,000.00	300,000.00
		<hr/>	<hr/>
		1,191,841.04	1,811,939.26
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<hr/> <b>\$ 22,036,954.79</b> <hr/>	<hr/> <b>19,073,076.42</b> <hr/>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS**

A-1

		<u>For the Years Ended December 31,</u>	
	Reference	<u>2012</u>	<u>2011</u>
<b>Revenue and Other Income Realized:</b>			
Fund Balance Utilized	A-2	\$ 3,000,000.00	\$ 3,133,525.00
Miscellaneous Revenue Anticipated	A-2	7,364,003.04	8,709,887.00
Receipts from Delinquent Taxes	A-2	1,085,844.44	1,342,472.00
Receipts from Current Taxes	A-2	121,006,620.72	117,368,343.00
Non-Budget Revenues	A-2	1,046,810.74	783,645.00
<b>Other Credits to Income:</b>			
Unexpended Balance of Appropriation Reserves	A-17	1,002,109.24	1,393,158.00
Prior Year Interfunds Returned in 2011			71,004.00
Unexpended Balance of Appropriations	A-3	253,279.55	
Canceled Grants Receivable	A-30	10,096.90	
		<hr/>	<hr/>
Total Revenues and Other Income		134,768,764.63	132,802,034.00
<b>Expenditures:</b>			
<b>Budget and Emergency Appropriations</b>			
<b>Operations:</b>			
Salaries and Wages	A-3	16,744,300.00	16,609,600.00
Other Expenses	A-3	18,572,662.00	18,369,715.00
Capital Improvements	A-3	175,000.00	175,000.00
Municipal Debt Service	A-3	3,560,000.00	3,541,871.00
Deferred Charges and Statutory Expenditures - Municipal	A-3	4,163,364.00	4,056,685.00
Bank Service Charges & Adjustments	A-4	1,866.89	
Prior Year Seniors and Veterans Deductions	A-7	18,608.56	
Prior Year Revenue Refunded			1,023,392.00
Interfund Advances		1,511,686.19	209,017.00
Local District School Tax	A-24	75,797,886.00	74,463,467.00
County Taxes including Added Taxes	A-25	9,889,408.00	10,582,277.00
Municipal Open Space Tax	A-20	206,657.00	
Prior Year Adjustment- Municipal Open Space	A-20	253,517.00	
Special Improvement District Taxes	A-26	268,200.00	268,200.00
Tax Appeals	A-23	56,371.03	
		<hr/>	<hr/>
Total Expenditures		131,219,526.67	129,299,224.00
Excess in Revenue		3,549,237.96	3,502,810.00
<b>Adjustments to Income before Surplus:</b>			
Expenditures included above which are by Statute Deferred			
Charges to Budget of Succeeding Year			
		<hr/>	<hr/>
Statutory Excess to Surplus		3,674,237.96	4,142,810.00
Fund Balance January 1	A	5,874,733.15	4,865,449.00
		<hr/>	<hr/>
		9,548,971.11	9,008,259.00
<b>Decreased by:</b>			
Fund Balance Utilizes as Budget Revenue	A-2	3,000,000.00	3,133,525.00
		<hr/>	<hr/>
Fund Balance December 31	A	<u>\$ 6,548,971.11</u>	<u>\$ 5,874,734.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF REVENUES - REGULATORY BASIS

A-2

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$3,000,000.00	\$3,000,000.00	\$0.00
Miscellaneous Revenues:				
Licenses				
Alcoholic Beverages		43,000.00	43,010.00	10.00
Other		41,300.00	16,798.80	(24,501.20)
Fees and Permits		245,700.00	289,714.17	44,014.17
Fines and Costs - Municipal Court		250,000.00	376,274.30	126,274.30
Interest and Costs on Taxes		175,000.00	215,713.96	40,713.96
Interest on Investments and Deposits		73,000.00	73,542.34	542.34
Tax and Assessment Searches		10.00	1,600.00	1,590.00
Memorial Pool		250,000.00	277,865.00	27,865.00
Sewer User Charges		36,000.00	59,746.15	23,746.15
Verizon Cable Television Fees		93,000.00	117,737.00	24,737.00
Uniform Fire Safety Act		208,000.00	227,087.26	19,087.26
Hotel Tax		110,000.00	121,172.55	11,172.55
Consolidated Municipal Property Tax Relief Aid		26,389.00	26,389.00	0.00
Energy Receipts Tax		3,718,144.00	3,718,144.00	0.00
Uniform Construction Code Fees		600,000.00	939,979.60	339,979.60
Drunk Driving Enforcement Fund		25,636.39	25,636.39	0.00
Clean Communities Program		45,616.57	45,616.57	0.00
Clean Communities Program		45,751.52	45,751.52	0.00
Municipal Alliance Grant		15,759.00	15,759.00	0.00
Cops in Shop Grant		4,500.00	4,500.00	0.00
Alcohol Education and Rehabilitation Fund		161.80	161.80	0.00
Bullet Proof Vest Grant		16,704.89	16,704.89	0.00
Police County Grant		2,250.00	2,250.00	0.00
Body Armor Grant		10,489.71	10,489.71	0.00
Emergency Management Assistance Program		10,000.00	10,000.00	0.00
Drunk Driving Enforcement Fund		6,633.14	6,633.14	0.00
Over the Limit- Under Arrest Grant		4,400.00	4,400.00	0.00
Cops in Shop Grant		1,111.12	1,111.12	0.00
Recreation ROHD Grant		14,197.85	14,197.85	0.00
Joint Insurance Fund - Reimbursement Hurricane Irene		365,000.00	368,561.86	3,561.86
Cable Television Fees		236,000.00	287,455.06	51,455.06
		<hr/>	<hr/>	<hr/>
Total Miscellaneous Revenues	A-1	6,673,754.99	7,364,003.04	690,248.05

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**STATEMENT OF REVENUES - REGULATORY BASIS  
(CONTINUED)**

A-2

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1, Next Pg.	<u>990,000.00</u>	<u>1,085,844.44</u>	<u>95,844.44</u>
Subtotal General Revenues		10,663,754.99	11,449,847.48	786,092.49
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	A-8, Next Pg.	<u>35,726,571.01</u>	<u>38,144,469.72</u>	<u>2,417,898.71</u>
Total General Revenues - Adopted	A-3	<u>\$46,390,326.00</u>	49,594,317.20	<u>\$3,203,991.20</u>
Non-Budget Revenues	A-1, Next Pg.		<u>1,046,810.74</u>	
			<u>\$50,641,127.94</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF REVENUES - REGULATORY BASIS  
(CONTINUED)

A-2

	<u>Reference</u>	<u>2012</u>
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenue from Collections	A-1	\$ 121,006,620.72
Allocated to School, County, Special District, and Municipal		
Open Space Taxes	A-9	<u>86,162,151.00</u>
Balance for Support of Municipal Appropriations		34,844,469.72
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>3,300,000.00</u>
Amount for Support of Municipal Budget		
Appropriations	Previous Pg.	<u>\$ 38,144,469.72</u>
Receipts from Delinquent Taxes		
Prior Year Taxes	Previous Pg.	<u>\$ 1,085,844.44</u>
Analysis of Miscellaneous Revenues		
Cash Received - Treasurer Revenue Accounts Receivable	A-4	\$ 7,160,791.05
Grant Receivable - Grant Fund	A-30	79,254.78
Grants - Reserve Transfer	A-31	123,957.21
		<u>7,364,003.04</u>
	Previous Page	<u>\$ 7,364,003.04</u>
Analysis of Non-Budget Revenues		
Miscellaneous Revenues Not Anticipated:		
Recreation Fees		132,524.33
Xerox Fee		1,501.54
Damage to Borough Property		100.00
Police Fees		3,626.55
Traffic Lights		295.03
Plans & Specs, Maps, Zoning Ordinances, Code Letter, & Visa		1,487.00
Misc. Budget Offset		65,534.93
Misc. Refunds and Rebates		1,883.90
Dumpsters		90,498.60
List of Property Owners		700.00
Admin Charge- Med Ben		142.01
Property Maintenance Charges		2,042.96
Bad Check Charge		75.00
Outside Caf		500.00
Voicestream/ Tmobil USA		10,884.63
Hep B Shots/Flu Shots		3,345.00
Advertising Tax Sale		3,846.13
Meals on Wheels Revenue		5,719.50
Reimbursement County Snow Plowing		2,830.00
Hotel Tax		12,674.85
Bus Shelter Revenue		4,800.00
Vending Machine- Municipal Building		361.13
Medicare Part B drug Reimbursement		122,303.05
Board of Ed. Auto Repairs		2,471.77
Ridgewood Health Reimbursements		7,900.00
DMV Inspection Fines		2,655.00
Miscellaneous		6,615.39
Cell Tower Leases		153,836.28
Unclaimed Checks		37,317.11
Parking Lot Lease- Chase		300.00
Police- Budget Offset- JIF Accreditation		25,000.00
Police- Budget Offset- Finger Print Machine		18,639.75
Passaic Valley Sewerage Commission		4,516.71
Third Party Ambulance Billing		319,882.59
	A-4, Previous Pg.	<u>\$ 1,046,810.74</u>

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS			EXPENDED			Over-Expenditures
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled		
<b>OPERATIONS - WITHIN "CAPS"</b>							
<b>GENERAL GOVERNMENT:</b>							
Mayor and Council							
Salaries and Wages	\$ 7,500.00	\$ 7,500.00	\$ 4,999.80	\$ 2,500.20	\$ -	\$ -	\$ -
Other Expenses	172,300.00	172,300.00	119,881.51	52,418.49	-	-	-
<b>Administrative and Executive</b>							
Salaries and Wages	446,900.00	442,900.00	409,914.14	32,985.86	-	-	-
Other Expenses	98,100.00	98,100.00	81,535.02	16,564.98	-	-	-
<b>Human Services:</b>							
Other Expenses	60,000.00	60,000.00	25,000.00	35,000.00	-	-	-
<b>Financial Administration</b>							
Salaries and Wages	549,800.00	547,800.00	340,258.36	7,541.64	-	-	-
Other Expenses	28,000.00	28,000.00	26,769.14	1,230.86	-	-	-
Auditing Services	58,000.00	58,000.00	58,000.00	-	-	-	-
<b>Collection of Taxes</b>							
Salaries and Wages	124,000.00	124,000.00	113,613.71	10,386.29	-	-	-
Other Expenses	30,300.00	30,300.00	28,684.87	1,615.13	-	-	-
<b>Assessment of Taxes</b>							
Salaries and Wages	205,000.00	205,000.00	202,759.96	2,240.04	-	-	-
Other Expenses	25,709.00	25,700.00	3,928.34	21,771.66	-	-	-
<b>Municipal Clerk:</b>							
Salaries and Wages	216,500.00	204,500.00	200,369.26	4,130.74	-	-	-
Other Expenses	60,100.00	60,100.00	\$1,349.19	8,750.81	-	-	-
<b>Legal Services and Cost:</b>							
Other Expenses	297,000.00	297,000.00	237,498.83	\$9,501.17	-	-	-
<b>Engineering Services and Costs:</b>							
Salaries and Wages	225,500.00	223,500.00	218,142.22	5,357.78	-	-	-
Other Expenses	9,800.00	9,800.00	3,373.99	6,426.01	-	-	-

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS			EXPENDED			Over- Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled		
<b>OPERATIONS - WITHIN "CAPS" (CONTD)</b>							
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq):							
Planning Board							
Salaries and Wages	\$ 41,000.00	\$ 41,000.00	\$ 40,955.65	\$ 44.37	\$ -	\$ -	\$ -
Other Expenses	55,050.00	55,050.00	19,498.41	35,551.59	-	-	-
Zoning Board							
Salaries and Wages	8,000.00	8,000.00	7,450.40	569.60	-	-	-
Other Expenses	36,800.00	36,800.00	20,638.28	16,161.72	-	-	-
Self Insurance Program:							
Liability Insurance (N.J.S.A. 10:10-12)	650,000.00	650,000.00	650,000.00	-	-	-	-
Workers Compensation Insurance (N.J.S.A. 40:10-12)	300,000.00	370,000.00	370,000.00	-	-	-	-
Group Insurance Plan for Employees:							
Hospital Service Insurance	6,138,181.00	6,138,181.00	5,742,086.26	398,094.74	-	-	-
Other Insurance Premiums	60,050.00	60,050.00	60,050.00	-	-	-	-
Unemployment Compensation Insurance (N.J.S.A. 43:21-3)	90,000.00	90,000.00	90,000.00	-	-	-	-
Public Safety:							
Police:							
Salaries and Wages	7,344,000.00	7,344,000.00	7,268,656.65	75,363.35	-	-	-
Other Expenses	244,800.00	244,800.00	242,166.49	2,693.51	-	-	-
Acquisition of Police Cars	91,875.00	91,875.00	91,738.82	136.18	-	-	-
Police Dispatch:							
Salaries and Wages	488,000.00	469,000.00	415,806.84	55,193.06	-	-	-
Emergency Management							
Salaries and Wages	69,500.00	59,500.00	59,446.09	54.00	-	-	-
Other Expenses	95,450.00	95,450.00	78,880.60	16,569.40	-	-	-
Fire:							
Salaries and Wages	2,500.00	2,500.00	2,499.96	0.04	-	-	-
Other Expenses	204,800.00	204,800.00	191,402.64	13,397.36	-	-	-
Ambulance:							
Other Expenses	82,000.00	82,000.00	68,463.95	13,536.05	-	-	-
Uniform Fire Safety Act (P.L. 1983 Chap. 385):							
Salaries and Wages	291,000.00	228,500.00	201,004.03	27,495.97	-	-	-
Other Expenses	15,500.00	15,500.00	12,708.91	791.09	-	-	-
Municipal Prosecutor:							
Salaries and Wages	19,900.00	19,900.00	19,899.88	0.12	-	-	-
Municipal Court							
Salaries and Wages	266,500.00	247,500.00	219,232.98	28,267.02	-	-	-
Other Expenses	38,000.00	28,000.00	25,192.76	2,807.24	-	-	-

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED			Over- Expenditure
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>	
OPERATIONS - WITHIN "CAPS" (CONTD)						
Public Works:						
Road Repairs and Maintenance						
Salaries and Wages	\$ 635,000.00	\$ 690,000.00	\$ 679,741.30	\$ 10,258.70	\$ -	\$ -
Other Expenses	62,000.00	62,000.00	59,241.59	2,758.61	-	-
Shade Tree:						
Salaries and Wages	383,000.00	464,000.00	447,292.62	16,707.38	-	-
Other Expenses	59,850.00	59,850.00	57,518.54	2,331.46	-	-
Electrical Services:						
Salaries and Wages	51,500.00	51,500.00	45,944.87	5,555.13	-	-
Other Expenses	3,200.00	3,200.00	1,482.82	1,717.18	-	-
Public Buildings and Grounds:						
Salaries and Wages	303,000.00	293,000.00	278,158.35	14,841.65	-	-
Other Expenses	251,800.00	386,800.00	363,126.02	23,673.98	-	-
Maintenance Garage:						
Salaries and Wages	233,500.00	233,500.00	229,422.94	4,077.06	-	-
Other Expenses	221,000.00	221,000.00	209,200.89	11,799.11	-	-
Community Services Act:						
Other Expenses	45,000.00	45,000.00	-	45,000.00	-	-
Administration of Public Works:						
Salaries and Wages	131,000.00	131,000.00	130,216.62	783.38	-	-
Other Expenses	2,150.00	2,150.00	2,064.36	85.64	-	-
Sanitation:						
Sewer System:						
Salaries and Wages	538,000.00	515,000.00	506,770.17	8,229.83	-	-
Other Expenses	96,800.00	96,800.00	93,142.70	3,657.30	-	-

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS			EXPENDED			Over-Expenditures
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled		
OPERATIONS - WITHIN "CAPS" (CONTD)							
Recycling:							
Salaries and Wages	\$ 701,000.00	\$ 1,357,000.00	\$ 964,141.95	\$ 292,858.05	\$ -	\$ -	
Other Expenses	13,800.00	13,800.00	11,681.69	2,118.31	-	-	
Health and Human Services:							
Health Department:							
Salaries and Wages	470,200.00	393,200.00	389,719.00	3,481.00	-	-	
Other Expenses	77,200.00	77,200.00	60,446.44	16,753.56	-	-	
Administration of Social Services							
Salaries and Wages	111,000.00	71,000.00	57,407.70	13,592.30	-	-	
Other Expenses	14,000.00	14,000.00	6,301.56	7,698.44	-	-	
Mental Health Program (N.J.S.A. 40:5-9):							
Contractual	12,200.00	12,200.00	12,200.00	-	-	-	
Recreation and Parks:							
Recreation:							
Salaries and Wages	1,169,000.00	1,319,000.00	1,220,030.26	98,969.74	-	-	
Other Expenses	112,400.00	112,400.00	108,827.89	3,572.11	-	-	
Parks and Playgrounds:							
Salaries and Wages	501,800.00	522,800.00	513,007.65	9,792.35	-	-	
Other Expenses	69,750.00	69,750.00	68,128.94	1,621.06	-	-	
Celebration of Public Events:							
Other Excess	40,000.00	40,000.00	37,376.58	2,623.42	-	-	
Veterans' Service Bureau:							
Other Expenses	3,300.00	3,300.00	3,300.00	-	-	-	
Unclassified:							
Terminal Leave:							
Salaries and Wages	132,000.00	132,000.00	127,969.00	4,031.00	-	-	
Postage:							
Other Expenses	65,500.00	65,500.00	52,174.65	11,325.35	-	-	

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED			Over-Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled	
<b>OPERATIONS - WITHIN "CAPS" (CONTD)</b>						
Utility Expenses and Bulk Purchases						
Electricity	\$ 520,000.00	\$ 520,000.00	\$ 480,874.69	\$ 39,125.31	\$ -	\$ -
Street Lighting	345,000.00	345,000.00	289,065.83	55,934.17	-	-
Telephone	109,000.00	109,000.00	97,274.51	11,725.49	-	-
Gas	100,500.00	100,500.00	63,426.99	37,073.01	-	-
Fuel Oil	21,000.00	21,000.00	11,903.52	9,096.48	-	-
Gasoline	395,000.00	395,000.00	382,909.08	12,090.92	-	-
Landfill and Solid Waste Disposal						
Garbage and Trash Removal:						
Contractual	878,000.00	878,000.00	878,000.00	-	-	-
Other Expenses	1,110,000.00	1,110,000.00	867,557.71	242,442.29	-	-
Uniform Construction Code:						
Construction Code Official:						
Salaries and Wages	714,000.00	689,000.00	683,016.30	5,983.70	-	-
Other Expenses	8,150.00	8,150.00	2,843.51	5,306.49	-	-
Public Defender						
Salaries and Wages	7,700.00	7,700.00	5,800.00	1,900.00	-	-
Special Emergency Hurricane Irene						
Salaries and Wage Adjustment	260,000.00	1,500.00	-	1,500.00	-	-
Contingent	1,000.00	1,000.00	-	1,000.00	-	-
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>\$ 30,210,706.00</b>	<b>\$ 30,514,706.00</b>	<b>\$ 28,520,406.98</b>	<b>\$ 1,994,299.02</b>	<b>\$ -</b>	<b>\$ -</b>
Detail:						
Salaries and Wages	16,645,300.00	16,744,300.00	16,001,608.65	742,691.35	-	-
Other Expenses (Including Contingent)	13,565,406.00	13,770,406.00	12,518,798.33	1,251,607.67	-	-
DEFERRED CHARGES:						

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED			Over-Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	
<b>STATUTORY EXPENDITURES:</b>						
Contribution to:						
Public Employees' Retirement System	\$ 1,307,239.00	\$ 1,307,239.00	\$ 1,307,239.00	\$ -	\$ -	\$ -
Social Security System (O.A.S.I.)	1,270,000.00	1,089,000.00	1,008,732.12	80,267.88	-	-
Consolidated Police and Firemen's Pension	17,000.00	17,000.00	16,928.42	71.58	-	-
Police and Firemen's Retirement System of N.J.	1,467,625.00	1,467,625.00	1,467,625.00	-	-	-
DCRP	500.00	2,500.00	2,509.17	190.83	-	-
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</b>	<b>4,062,364.00</b>	<b>3,883,364.00</b>	<b>3,802,833.71</b>	<b>80,530.29</b>	<b>-</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>34,273,070.00</b>	<b>34,598,070.00</b>	<b>32,323,240.69</b>	<b>2,074,829.31</b>	<b>-</b>	<b>-</b>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
Passaic Valley Sewer Commission: Share of Costs	1,860,000.00	1,860,000.00	1,807,883.14	52,116.86	-	-
Maintenance of Free Public Library	2,223,775.00	2,223,775.00	2,215,580.18	8,194.82	-	-
LOSAP Program Contribution	90,000.00	90,000.00	83,600.00	6,400.00	-	-
Health Benefits Exception	367,819.00	367,819.00	367,819.00	-	-	-
Recycling Tax Appropriation	40,500.00	40,500.00	29,656.29	10,843.71	-	-
<b>TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"</b>	<b>\$ 4,582,094.00</b>	<b>\$ 4,582,094.00</b>	<b>\$ 4,504,538.61</b>	<b>\$ 77,555.39</b>	<b>\$ -</b>	<b>\$ -</b>

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See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED			Over- Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	
OPERATIONS - EXCLUDED FROM "CAPS"						
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Municipal Alliance Against Alcohol and Drug Abuse						
Other Expenses	\$ 15,759.00	\$ 15,759.00	\$ 15,759.00	\$ -	\$ -	\$ -
Matching Funds for Grants						
Municipal Alliance Against Alcohol and Drug Abuse	3,950.00	3,950.00	3,950.00	-	-	-
Clean Communities Grant	45,616.57	45,616.57	45,616.57	-	-	-
Cops in Shops Grant	4,500.00	4,500.00	4,500.00	-	-	-
Drunk Driving Enforcement	25,636.39	25,636.39	25,636.39	-	-	-
Clean Communities Grant	45,751.52	45,751.52	45,751.52	-	-	-
Over the Limit Under Arrest	4,400.00	4,400.00	4,400.00	-	-	-
Alcohol Education Rehabilitation	161.80	161.80	161.80	-	-	-
Bullet Proof	16,704.89	16,704.89	16,704.89	-	-	-
Police-County	2,250.00	2,250.00	2,250.00	-	-	-
Body Armor Grant	10,489.71	10,489.71	10,489.71	-	-	-
Recreation ROHD Grant	14,197.85	14,197.85	14,197.85	-	-	-
Cops in Shops Grant	1,111.12	1,111.12	1,111.12	-	-	-
Drunk Driving Enforcement	6,633.14	6,633.14	6,633.14	-	-	-
Emergency Management Assistance Funding	10,000.00	10,000.00	10,000.00	-	-	-
Matching Funds for Grants	13,000.01	13,000.01		13,000.01	-	-
<b>Total Public and Private Programs Offset by Revenues</b>	<b>220,162.00</b>	<b>220,162.00</b>	<b>207,161.99</b>	<b>13,000.01</b>	<b>-</b>	<b>-</b>

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

	APPROPRIATIONS		EXPENDED			Over- Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	\$ 4,802,256.00	\$ 4,802,256.00	\$ 4,711,760.60	\$ 90,555.40	\$ -	\$ -
Detail:						
Salaries and Wages	17,744.26	17,744.26	17,744.26	-	-	-
Other Expenses	4,784,511.74	4,784,511.74	4,693,956.34	90,555.40	-	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 175,000.00	\$ 175,000.00	\$ 175,000.00	\$ -	\$ -	\$ -
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	\$ 175,000.00	\$ 175,000.00	\$ 175,000.00	\$ -	\$ -	\$ -
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	1,750,000.00	1,750,000.00	1,750,000.00	-	-	-
Interest on Bonds	705,000.00	705,000.00	702,170.15	-	2,829.85	-
Interest on Notes	75,000.00	75,000.00	62,425.70	-	12,574.30	-
Bergen County Improvement Authority:						
Payment of Bond Principal	480,000.00	480,000.00	477,312.63	-	2,687.37	-
Interest on Bonds	550,000.00	550,000.00	314,811.97	-	235,188.03	-
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	\$ 3,560,000.00	\$ 3,560,000.00	\$ 3,306,720.45	\$ -	\$ 253,279.55	\$ -
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"						
Emergency Authorizations	130,000.00	130,000.00	130,000.00	-	-	-
Special Emergency Authorizations - 5 years	150,000.00	150,000.00	150,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSE-EXCLUDED FROM "CAPS"	8,817,256.00	8,817,256.00	8,473,421.05	90,555.40	253,279.55	-
SUBTOTAL GENERAL APPROPRIATIONS	43,090,326.00	43,215,326.00	40,796,661.74	2,165,384.71	253,279.55	-
Reserve for Uncollected Taxes	3,300,000.00	3,300,000.00	3,300,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 46,390,326.00	\$ 46,515,326.00	\$ 44,096,661.74	\$ 2,165,384.71	\$ 253,279.55	\$ -
Reference	A-2	Below	Below	A	A-1	
General Appropriations	A-2	\$ 46,390,326.00				
Emergency Authorization	A, A-44	125,000.00				
		<u>\$ 46,515,326.00</u>				
Cash Disbursements	A-4		\$ 39,193,908.01			
Due to Grant Fund	A-32		263,211.99			
Due From Water Utility- BAN Interest	A-16		(6,980.56)			
Reserve for FEMA Claims	A-20		195,620.55			
Reserve for Uncollected Taxes	A-2		3,300,000.00			
Deferred Charges - Emergency Authorization	A-15		150,000.00			
Deferred Charges - Special Emergency Authorization	A-14		130,000.00			
Encumbrance Payable	A-18		930,901.75			
Above			<u>\$ 44,096,661.74</u>			

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
AT DECEMBER 31, 2012 AND 2011

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		B	
		At December 31,	
	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>			
Animal Trust Fund:			
Cash and Cash Equivalents	B-1	\$56,498.04	\$82,381.66
		<u>56,498.04</u>	<u>82,381.66</u>
Other Trust Fund:			
Cash and Cash Equivalents	B-1	900,597.94	892,337.48
		<u>900,597.94</u>	<u>892,337.48</u>
Unemployment Compensation Insurance Trust Fund			
Cash and Cash Equivalents	B-1	137,863.08	95,615.10
Interfund Accounts Receivables	B-5	3,551.15	3,551.15
		<u>141,414.23</u>	<u>99,166.25</u>
Self-Insurance Trust Fund			
Cash	B-1	3,161,891.11	1,235,295.98
Due From Current Fund - Health Benefits Account	B-5	278,568.25	\$0.00
		<u>3,440,459.36</u>	<u>1,235,295.98</u>
Council on Affordable Housing Trust			
Cash	B-1	24,906.55	20,466.32
		<u>24,906.55</u>	<u>20,466.32</u>
Free Public Library Trust Fund:			
Cash	B-1	108,824.63	112,841.00
		<u>108,824.63</u>	<u>112,841.00</u>
Cafeteria Plan Trust Fund			
Cash	B-1	12,927.25	10,202.94
		<u>12,927.25</u>	<u>10,202.94</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Cash in Plan	B-1	781,190.73	651,087.20
Service Award Contribution Receivable	B-18	77,714.00	83,600.00
		<u>858,904.73</u>	<u>734,687.20</u>
<b>TOTAL ASSETS</b>		<u>\$ 5,544,532.73</u>	<u>\$ 3,187,378.83</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
AT DECEMBER 31, 2012 AND 2011

**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

**B**

**LIABILITIES AND RESERVES**

Animal Control Fund:			
Prepaid Licenses	B-2	\$ 3,741.80	\$ 1,088.00
Animal Trap Deposits	B-3	6,760.00	6,370.00
Due to State of New Jersey	B-4	576.00	171.00
Interfund Accounts Payable	B-5	27,163.78	26,944.66
Reserve for Animal Trust Fund Expenditures	B-9	<u>18,256.46</u>	<u>47,808.00</u>
		<u>56,498.04</u>	<u>82,381.66</u>
Other Trust Fund:			
Due to State of New Jersey	B-4	2,150.00	705.00
Interfund Accounts Payable	B-5	83,804.71	80,463.54
Sundry Reserve for Deposits	B-6	306,615.25	275,521.35
Escrow Reserves and Deposits	B-7	379,578.50	437,169.60
Donation Reserves and Deposits	B-8	<u>128,449.48</u>	<u>98,477.99</u>
Total Other Trust Fund		<u>900,597.94</u>	<u>892,337.48</u>
Unemployment Compensation Insurance Trust Fund:			
Due to State of New Jersey	B-4	10,812.27	13,480.00
Reserve for Unemployment Compensation Insurance Expenditure	B-10	<u>130,601.96</u>	<u>85,686.25</u>
		<u>141,414.23</u>	<u>99,166.25</u>
Self-Insurance Trust Fund:			
Reserve For:			
Due to Current Fund	B-5	482,501.81	
Worker's Compensation Expenditures	B-11	7,532.60	140,581.45
Liability Insurance Expenditures	B-12	1,248,598.75	713,084.80
Health Benefits Plan	B-13	<u>1,701,826.20</u>	<u>381,629.73</u>
		<u>3,440,459.36</u>	<u>1,235,295.98</u>
Council on Affordable Housing Trust			
Interfund Accounts Payable	B-5	-	3.00
Reserve for Expenditures	B-14	<u>24,906.55</u>	<u>20,463.32</u>
		<u>24,906.55</u>	<u>20,466.32</u>
Free Public Library Trust Fund:			
Reserve for Library Trust Expenditures	B-15	16,353.63	20,370.00
Reserve for Restricted Trust Expenditures	B-16	<u>92,471.00</u>	<u>92,471.00</u>
		<u>108,824.63</u>	<u>112,841.00</u>
Cafeteria Plan Trust Fund:			
Interfund Accounts Payable	B-5	400.56	368.25
Reserve for Cafeteria Plan Expenditures	B-17	<u>12,526.69</u>	<u>9,834.69</u>
		<u>12,927.25</u>	<u>10,202.94</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-19	<u>858,904.73</u>	<u>734,687.20</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<u>\$ 5,544,532.73</u>	<u>\$ 3,187,378.83</u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CAPITAL FUND

C

**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**

<b>ASSETS</b>	<u>Reference</u>	<u>At December 31:</u>	
		<u>2012</u>	<u>2011</u>
Cash	C-2,3	\$ 2,883,777.19	\$ 3,586,026.20
Grants Receivable:		-	
State and County Grants	C-4	290,927.50	568,661.94
Federal Grants	C-5	425,897.08	345,057.77
Interfunds Receivable:		-	
Federal and State Grant Fund	C-17	500,000.00	300,000.00
Water Utility Capital Fund	C-17	1,100,000.00	
Deferred Charges to Future Taxation		-	
Funded	C-6	27,635,000.00	29,900,000.00
Unfunded	C-7	17,610,949.54	15,686,838.90
<b>TOTAL ASSETS</b>		<b>\$ 50,446,551.31</b>	<b>\$ 50,386,584.81</b>
<b>LIABILITIES, RESERVE AND FUND BALANCE</b>			
General Serial Bonds	C-8	17,120,000.00	\$ 18,870,000.00
Capital Leases Payable	C-9	10,515,000.00	11,030,000.00
Encumbrances Payable	C-10	1,762,777.16	750,914.67
Bond Anticipation Notes Payable	C-11	6,600,000.00	5,500,000.00
Special Reserves	C-12	40,839.00	1,221,620.00
Improvement Authorizations:			
Funded	C-13	1,723,764.10	1,482,148.55
Unfunded	C-13	12,367,057.57	11,283,831.69
Public Works Employment Act of 1976	C-14	1,750.21	1,750.21
Reserve for Unappropriated State Grant	C-15	15,464.00	15,464.00
Capital Improvement Fund	C-16	150,881.50	133,881.50
Interfunds Payable:			
Current Fund	C-17	51,267.31	40,375.37
Water Utility Operating Fund	C-17	4,689.87	4,689.87
Reserve for Grants Receivable	C-18	18,243.00	18,243.00
Fund Balance	C-1	74,817.59	33,665.95
<b>TOTAL LIABILITIES, RESERVE AND FUND BALANCE</b>		<b>\$ 50,446,551.31</b>	<b>\$ 50,386,584.81</b>

Bonds and notes authorized but not issued on December 31, 2012 amounted to \$11,010,949.54 (Exhibit C-19)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCE- REGULATORY BASIS

C-1

	<u>Reference</u>		
Balance December 31, 2011	C		\$ 33,665.95
Increased by:			
Premium on Bond Anticipation Notes	C-2	54,560.00	
Canceled Improvement Authorizations	C-13	397,287.56	
			451,847.56
			485,513.51
Decreased by:			
Canceled State and County Grant Receivables	C-4	246,330.58	
Canceled Federal Grant Receivables	C-5	164,365.34	
			410,695.92
Balance December 31, 2012	C		\$ 74,817.59

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
 DECEMBER 31, 2012 AND 2011

**WATER UTILITY FUND**

**D**

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 2,691,519.09	\$ 1,247,331.72
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-8	515,575.95	464,417.97
Inventory - Materials and Supplies	D-9	95,863.61	64,043.78
		<u>611,439.56</u>	<u>528,461.75</u>
Interfund Accounts Receivable	D-7	<u>493,797.74</u>	<u>573,162.47</u>
Total Water Utility Operating Fund		<u>3,796,756.39</u>	<u>2,348,955.94</u>
Capital Fund:			
Cash - Treasurer	D-5, D-6	3,370,558.35	687,395.65
Fixed Capital	D-10	12,057,499.00	11,898,999.00
Fixed Capital Authorized and Uncompleted	D-11	<u>8,239,325.00</u>	<u>6,709,825.00</u>
Total Capital Fund		<u>23,667,382.35</u>	<u>19,296,219.65</u>
		<u>\$ 27,464,138.74</u>	<u>\$ 21,645,175.59</u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2012 AND 2011

**WATER UTILITY FUND**

**D**

Liabilities, Reserves and Fund Balances

		<u>2012</u>	<u>2011</u>
Water Utility Operating Fund:			
Appropriation Reserves	D-4,12	\$ 857,697.21	\$ 541,768.29
Reserve for Encumbrances	D-4,12	617,721.01	145,790.94
Accounts Payable	D-13	3,233.56	3,233.56
Water Rent Overpayments	D-14	7,117.72	6,820.72
Accrued Interest on Bonds	D-15	23,532.17	29,026.73
Reserve for Supervisors Contract	D-16	7,200.00	7,200.00
		<hr/>	<hr/>
		1,516,501.67	733,840.24
Reserve for Receivables	Contra	611,439.56	528,461.75
Fund Balance	D-1	1,668,815.16	1,086,653.95
		<hr/>	<hr/>
Total Water Utility Operating Fund		3,796,756.39	2,348,955.94
		<hr/>	<hr/>
Capital Fund:			
Encumbrance Payable	D-17	66,646.07	
Interfunds Payable	D-19	2,431,713.97	404,098.14
Serial Bonds Payable	D-23	2,230,000.00	2,596,000.00
Bond Anticipation Notes Payable	D-24	1,400,000.00	700,000.00
Improvement Authorization:			
Funded	D-18	92,204.61	52,659.97
Unfunded	D-18	3,107,755.50	1,656,899.34
Capital Improvement Fund	D-20	13,500.00	8,000.00
Reserve for:			
Amortization	D-21	13,220,444.24	12,846,444.24
Deferred/ ammortization	D-22	1,007,761.61	934,761.61
Fund Balance	D-2	97,356.35	97,356.35
		<hr/>	<hr/>
Total Capital Fund		23,667,382.35	19,296,219.65
		<hr/>	<hr/>
		27,464,138.74	21,645,175.59
		<hr/>	<hr/>

Bonds and notes authorized but not issued on December 31, 2012 amounted to \$2,478,851.00 (Exhibit D-25)

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND OPERATING FUND

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN OPERATING FUND BALANCE  
- REGULATORY BASIS**

D-1

	<u>Reference</u>	For the Years Ended December 31,	
<u>REVENUE AND OTHER INCOME REALIZED</u>		<u>2012</u>	<u>2011</u>
Revenue and other income:			
Fund Balance Utilized	D-3	\$ 244,000.00	147,636.00
Water Rents	D-3	5,882,134.94	5,661,118.00
Miscellaneous Revenue	D-3	14,658.48	7,453.00
Unexpended Balance of Appropriations	D-4	46,767.12	
Unexpended Balance of Appropriation Reserves	D-12	546,600.67	200,630.00
		<hr/>	<hr/>
Total Revenue and other net income		6,734,161.21	6,016,837.00
		<hr/>	<hr/>
<u>EXPENDITURES</u>			
Operating	D-4	5,164,700.00	4,674,600.00
Capital improvements	D-4	86,500.00	12,000.00
Debt service	D-4	501,800.00	460,000.00
Deferred charges and statutory expenditures	D-4	155,000.00	506,000.00
		<hr/>	<hr/>
Total Expenditures		5,908,000.00	5,652,600.00
		<hr/>	<hr/>
Excess in revenues		826,161.21	364,237.00
		<hr/>	<hr/>
Fund Balance January 1, 2012		1,086,653.95	869,962.95
	D-3	<hr/>	<hr/>
		1,912,815.16	1,234,199.95
Decreased by:			
Utilization by Water operating budget		244,000.00	147,636.00
		<hr/>	<hr/>
Balance December 31, 2012		<u>\$ 1,668,815.16</u>	<u>\$ 1,086,563.95</u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

COMPARATIVE SCHEDULE OF FUND BALANCE -REGULATORY BASIS

D-2

	<u>Reference</u>	
Balance December 31, 2011	D	<u>\$ 97,356.35</u>
Balance December 31, 2012	D	<u>\$ 97,356.35</u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**STATEMENT OF REVENUES - REGULATORY BASIS**

D-3

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Rents		\$ 5,660,000.00	\$ 5,882,134.94	\$ 222,134.94
Miscellaneous		4,000.00	14,658.48	10,658.48
Water Capital Surplus		244,000.00	244,000.00	-
		<u>\$ 5,908,000.00</u>	<u>\$ 6,140,793.42</u>	<u>\$ 232,793.42</u>
		D-4	Below	

Analysis of Realized Revenue

Rent	D-1,8	\$ 5,882,134.94	
Water Capital Surplus	D-1	<u>244,000.00</u>	
		<u>\$ 6,126,134.94</u>	
Interest on Investments	D-5	5,136.79	
Due from Water Capital Fund - Interest	D-7	2,115.83	
Other Miscellaneous	D-5	<u>7,405.86</u>	
	D-1	<u>\$ 14,658.48</u>	
Total Realized	Above	<u>\$ 6,140,793.42</u>	

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF EXPENDITURES - REGULATORY BASIS

D-4

<u>Appropriations</u>					
Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Lapsed
Operating:					
Salaries and Wages	2,021,000.00	1,946,500.00	1,717,176.13	229,323.87	
Other Expenses	<u>3,218,200.00</u>	<u>3,218,200.00</u>	<u>2,589,826.66</u>	<u>628,373.34</u>	
Total Operating	D-1 <u>5,239,200.00</u>	<u>5,164,700.00</u>	<u>4,307,002.79</u>	<u>857,697.21</u>	
Capital Improvements:					
Capital Improvements Fund	<u>12,000.00</u>	<u>86,500.00</u>	<u>86,500.00</u>	-	
Total Capital Improvements	D-1 <u>12,000.00</u>	<u>86,500.00</u>	<u>86,500.00</u>	-	
Debt Services:					
Payment of Bond Principal	365,000.00	366,000.00	366,000.00	-	
Interest on Bonds	131,800.00	130,800.00	84,032.88		46,767.12
Interest on Notes	<u>5,000.00</u>	<u>5,000.00</u>	<u>5,000.00</u>	-	-
Total Debt Service	D-1 <u>501,800.00</u>	<u>501,800.00</u>	<u>455,032.88</u>	-	<u>46,767.12</u>
Deferred Charges and Statutory Expenditures					
Social Security System (O.A.S.I.)	<u>155,000.00</u>	<u>155,000.00</u>	<u>155,000.00</u>	-	
Total Deferred Charges and Statutory Expenditures	D-1 <u>155,000.00</u>	<u>155,000.00</u>	<u>155,000.00</u>	-	-
	<u>\$ 5,908,000.00</u>	<u>\$ 5,908,000.00</u>	<u>\$ 5,003,535.67</u>	<u>\$ 857,697.21</u>	<u>\$ 46,767.12</u>
	D-3	D-3	Below	D	D-1
Cash Disbursed		D-5	4,300,506.66		
Reserve for Encumbrances		D	617,721.01		
Due to Current Fund		D-7	6,980.56		
Accrued Interest on Bonds/Notes		D-15	3,827.44		
Due to Water Capital		D-20	<u>74,500.00</u>		
		Above	<u>\$ 5,003,535.67</u>		

See independent auditor's report and the notes to financial statements.



BOROUGH OF FAIR LAWN  
 COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS  
 ENDED DECEMBER 31, 2012 AND 2011

E

		<u>2012</u>	<u>2011</u>
<u>General Fixed Assets:</u>			
Land	*	\$ 85,291,200.00	11,169,750.00
Buildings	*	18,034,200.00	41,230,799.00
Machinery and Equipment		<u>13,109,920.33</u>	<u>12,571,382.00</u>
		<u>\$ 116,435,320.33</u>	<u>64,971,931.00</u>
 Investment in Fixed Assets		 <u>\$ 116,435,320.33</u>	 <u>64,971,931.00</u>

\* Revaluation - Adjusted to Assessed Value

See independent auditor's report and notes to the financial statements.

BOROUGH OF FAIR LAWN  
 COMPARATIVE STATEMENT OF NET PAYROLL AND WITHOLDING PAYABLE  
 DECEMBER 31, 2012 AND 2011

F

	2012	2011
<u>Assets:</u>		
Cash		
Net Payroll	<u>\$ 18,403.97</u>	<u>\$ 9,308.38</u>
	<u><u>\$ 18,403.97</u></u>	<u><u>\$ 9,308.38</u></u>
 <u>Liabilities:</u>		
Withholdings	\$ 9,345.48	730.00
Due to Current Fund	5,507.34	5,027.23
Due to Unemployment Compensation Trust Fund	<u>3,551.15</u>	<u>3,551.15</u>
	<u><u>\$ 18,403.97</u></u>	<u><u>9,308.38</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**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 generally accepted accounting principles (GAAP).

The financial statements of the Borough of Fair Lawn, County of Bergen, State of New Jersey (“the Borough”) 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”). 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 operates under a Council-Manager form of government under the provisions of N.J.S.40:69A-81 et seq. The Borough is “governed by an elected Council and by an appointed Municipal Manager and by such other officers and employees as may be duly appointed. The council shall consist of five members elected at large by voters of the municipality and shall serve for a term of four years beginning on the first day of January next following their election and that the Mayor shall be elected by the member of the Council.” The Borough’s major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

However, the municipalities in the State of New Jersey do not issue financial statements in accordance with GAAP, and thus, do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers, or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department, which is considered a component unit under GAAP. Complete financial statements of the above component can be obtained by contacting the Treasurer of the respective entity.

***B. Fund Accounting***

The accounting policies of the Borough conform to the accounting principles applicable to municipalities, which have been prescribed by the Division. 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. The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

*B. Fund Accounting (Continued)*

a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and groups of accounts are used by the Borough :

Current Fund - Resources and expenditures for governmental operations of a general nature.

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Division regulates the accounting for these funds.

Other Trust Fund - This fund is 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 deposit and deposited funds with the Borough as collateral.

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

Library Trust Fund - This fund is used to account for the activities of the Library.

Self Insurance Trust Fund- This fund is used to account for worker's compensation and property and general liability claims and premiums.

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

Cafeteria Trust Fund- This fund is used to account for net payroll and payroll withholdings payable to other agencies.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities other than those acquired in the Current Fund.

Water Utility Operating Fund - This fund is used to account for all revenues and expenditures applicable to the operations of the water department.

Water Utility Capital Fund - This fund is used to account for financial resources to be used for the acquisition or improvement of water capital facilities. The major resources are derived from the issuance of debt.

Grant Fund - Receipt and disbursement of funds from Federal and State Grants.

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or insurable cost if the actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

***B. Fund Accounting (Continued)***

Net Payroll and Withholding Payable- This fund is used to account for net payroll and payroll withholdings payable to other agencies.

***C. Basis of Accounting***

A modified accrual basis of accounting is followed by the Borough. Under this method of accounting, revenues, except for 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 generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the municipal budget. Receivables for property taxes are recorded with offsetting reserves on the Financial Position of the municipality's Current Fund. Accordingly, such amounts are not recorded as revenue until collected. Other amounts, which are susceptible to accrual, that are due to the municipality are recorded as receivables with offsetting reserves and are recorded as revenue when received.

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 Financial Position 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, entitlement 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. 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. Transfers can be made during the last two months and the first three months of the following year. The budget may also be amended by emergency appropriation, which must be raised in the succeeding year's budget. Special items of revenue and corresponding expenditure may be added to the budget with special written consent from the Division of Local Government Services (Chapter 159).

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

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

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

*C. Basis of Accounting (Continued)*

Expenditures - Expenditures are recorded in 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. Except for unmatured interest on general long-term debt which should be recognized when due, GAAP requires expenditures, if measurable, to be recognized in the accounting period in which the fund liability is incurred.

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 - 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 - 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.

Self-Insurance Contributions - Payments to self-insurance funds are charged to current budget appropriations. GAAP requires payments to be accounted for as an operating transfer and not as an expenditure.

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 cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are only included on the Water Utility Operating Fund balance sheets.

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

***C. 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 cost and are limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of the Federal Government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase.

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

Incurred But Not Reported (IBNR) Reserves - The Borough has not created a reserve for any potential unreported losses which have taken place but for which the Borough has not received notice or report of losses. Additionally, the Borough has not recorded a liability for those claims, which have been filed but have not yet been paid. GAAP requires the establishment of reserves for such potential claims if material.

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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from these estimates.

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

***C. Basis of Accounting (Continued)***

General Fixed Assets – N.J.A.C. 5:30-5.6 codifies fixed asset accounting, the Technical Accounting Directive No. 86-2 (the “TAD”) took affect in 1986. This TAD required local units to create and maintain a fixed asset accounting system for their physical assets. The requirement has now been codified as N.J.A.C. 5:30-5.6. The codification updates the definition of a fixed asset to refer to the 1997 edition of the U.S. Office of Management and Budget Circular A-87, Cost Principals for State, Local and Indian Governments. The regulation continues the requirement of the local units to:

- i. Place a value of all fixed assets put into service
- ii. Have a subsidiary ledger of detailed records of fixed assets
- iii. Provide property management standards to control fixed assets
- iv. Provide a statement of fixed assets in the annual audit.

Fixed Assets purchased after December 31, 1989 are stated at cost.

Fixed Assets purchased prior to December 31, 1989 are stated as follows:

Land and Buildings	Assessed Valuations
Machinery and Equipment	Estimated Market Value

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. GAAP requires that fixed assets be capitalized at historical cost or at estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded. Schedule E of the Financial Statement will disclosure the major classes of Fixed Assets as of December 31, 2012 and December 31, 2011, no depreciation has been provided for in the financial statements.

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund when such property was acquired and is fully reserved.

***D. Basic Financial Statements***

The GASB Codification also defines the financial statements of a governmental unit to be presented in the 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.



BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**2. Cash and Cash Equivalents**

**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 and 2011, \$0 of the Borough ’s bank balance \$30,827,965.38 and \$23,791,982 were exposed to custodial credit risk.

***Investments***

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

**Credit Risk.** New Jersey Statutes 40A: 5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: 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 17, 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 Variable Annuity Life Insurance Company (VALIC), which is an authorized provider by the Division of Local Government Services. The balance in the account on December 31, 2012 and 2011 amounted to \$781,190.73 and \$651,087.20, respectively.

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

	<u>2012</u>	<u>2011</u>
Fixed Account Plus	\$ 70,412.43	\$ 56,113.00
Mid Cap Value Fund	48,150.40	37,898.00
Money Market I Fund	152,191.66	136,433.00
Vanguard Lifestrategy- Growth	129,892.56	120,348.00
All others	<u>380,543.68</u>	<u>300,295.00</u>
	<u>\$ 781,190.73</u>	<u>\$ 651,087.00</u>

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

3. Leases

**Capital Leases Payable:**

In 2004, the Borough authorized the execution of an agreement with the Bergen County Improvement Authority for the leasing of certain capital acquisitions for the Recreation Center Project. In 2012 the lease was refinanced resulting in a new payment schedule. The lease term is based on the useful bond life of each particular item. The lease payments consist of basic rent, which is comprised of principal and variable interest ranging from 1.5% to 5%. The following schedule presents the remaining lease payments at December 31, 2012.

Calendar Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		413,296.25	413,296.25
2014		380,950.00	380,950.00
2015	405,000.00	380,950.00	785,950.00
2016	410,000.00	372,850.00	782,850.00
2017	415,000.00	366,700.00	781,700.00
2018-2034	9,285,000.00	4,000,525.00	13,285,525.00
	<u>\$ 10,515,000.00</u>	<u>\$ 5,915,271.25</u>	<u>\$ 16,430,271.25</u>

The full faith and credit of the Municipality has been pledged to the punctual payment of the obligations set forth in the Lease (the "Lease Payments"). The Lease Payments under the Lease shall be a direct, unlimited and general obligation of the Municipality, subject to annual appropriation by the Municipality pursuant to the County Improvement Authorities Law, and unless paid from other sources, the Municipality should be obligated to levy ad valorem taxes upon all the taxable real property within the Municipality for the payment of the Lease Payments thereunder without limitation as to rate or amount.

**Operating Leases Payable**

The Borough has commitments to lease a generator, utility trucks, plows, mini bus, tactical raid vests, police cars, light bars and trunk box weapon lockers, a pulverizer and two heavy duty mowers, various departmental vehicles, and other equipment under operating leases that expire in 2015. The total operating lease payments made during the year ended December 31, 2012 were \$205,604. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 205,604.00
2014	205,604.00
2015	93,373.00
	<u>\$ 504,581.00</u>
Less: Accumulated Interest	<u>27,840.00</u>
Present value of minimum lease payments	<u>\$ 476,741.00</u>

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**4. Long-Term Debt**

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

	<u>December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2012</u>	<u>One Year(a)</u>
Bonds Payable- General					
Obligation Debt	\$ 18,870,000.00		\$ (1,750,000.00)	\$ 17,120,000.00	\$ 1,775,000.00
Water Utility Obligation Debt	2,596,000.00		(366,000.00)	2,230,000.00	426,000.00
Capital Leases Payable	11,030,000.00		(515,000.00)	10,515,000.00	-
Compensated Absences Payable	1,481,940.00	194,091.91	(311,654.94)	1,364,376.97	147,082.65
<b>Total</b>	<b>\$ 33,977,940.00</b>	<b>\$ 194,091.91</b>	<b>\$ (2,942,654.94)</b>	<b>\$ 31,229,376.97</b>	<b>\$ 2,348,082.65</b>

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within 10 years and five months or retired by the issuance of bonds.

(a) Current portion of Long Term Debt not including Bond Anticipating Notes

***Summary of Municipal Debt (Excluding Current Operating Debt)***

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Issued			
Bonds and Notes			
General Capital	\$ 23,720,000	\$ 24,370,000	\$ 20,620,000
Water Utility	3,630,000	3,296,000	2,956,000
Authorized but not Issued			
General:			
Bonds and Notes	11,010,949	10,186,838	11,931,588
Water Utility			
Bonds and Notes	<u>2,478,851</u>	<u>1,571,851</u>	<u>2,004,851</u>
<b>Total</b>	<b>40,839,800</b>	<b>39,424,689</b>	<b>37,512,439</b>
Deductions on Annual Debt Statement:			
Less Deductions	6,134,989	4,893,990	4,986,990
<b>Net Debt</b>	<b>\$ <u>34,704,811</u></b>	<b>\$ <u>34,530,699</u></b>	<b>\$ <u>32,525,449</u></b>

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**4. Long-Term Debt (Continued)**

Summary of Statutory 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 .723 %

	Gross Debt	Deductions	Net Debt
Local School Debt	\$ 19,543,183	\$ 19,543,183	\$ -
Water Utility	6,108,850	6,108,850	-
General Debt	34,730,950	26,139	34,704,811
	\$ 60,382,983	\$ 25,678,172	\$ 34,704,811

Net Debt \$ 34,704,811 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 4,798,994,752 = .723 %

Borrowing Power Under N.J.S.A. 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$200,274,669.28
Net Debt	34,704,811.00
Remaining Borrowing Power	\$165,569,858.28

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

Cash receipts from fees, rents, or other charges for year		\$ 5,896,793.48
Deductions:		
Operating and Maintenance Cost	5,319,700.00	
Debt Service per Water Account	501,800.00	
Total Deductions		5,821,500.00
Excess in Revenue- "Self Liquidating"		\$ 75,293.48

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**4. Long-Term Debt (Continued)**

The Borough's long-term debt consisted of permanent financing at December 31, 2012:

**Paid by Current Fund:**

General Obligation Bonds

\$15,225,000, 2001 Bonds due in annual installments of \$675,000 to \$1,205,000 through June 2017, interest at 4.00% to 4.625%	\$ 4,805,000.00
\$13,415,000, 2001 Bonds due in annual installments of \$550,000 to \$1,250,000 through December 2026, interest at 3.00% to 4.00%	12,315,000.00
	17,120,000.00
Total General Serial Bonds	17,120,000.00

**Paid by Water Utility Fund:**

Water Utility Serial Bonds

\$715,000, 2001 Bonds due in annual installments of \$35,000 to \$60,000 through June 2017, interest at 4.25% to 4.7%	230,000.00
\$2,245,000, 2010 Bonds due in annual installments of \$105,000 to \$200,000 through December 2022, interest at 3.0% to 3.5%	2,000,000.00
	2,230,000.00
Total Water Utility Bonds	2,230,000.00
Total Serial Bonds	\$ 19,350,000.00

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**4. Long-Term Debt (Continued)**

Schedule of Annual Debt Service for Principal and Interest for  
 Bonded Debt Issued and Outstanding

<u>Year End</u>	<u>Total</u>	<u>General Capital</u>		<u>Water Utility Capital</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,742,575	\$ 1,775,000	\$ 634,625	\$ 260,000	\$ 72,950
2014	2,737,685	1,850,000	563,375	260,000	64,310
2015	2,730,485	1,925,000	489,875	260,000	55,610
2016	2,699,475	1,990,000	412,625	250,000	46,850
2017	1,451,588	880,000	333,088	200,000	38,500
2018-2022	7,023,513	4,675,000	1,248,013	1,000,000	100,500
2023-2026	4,418,763	4,025,000	393,763		
	<u>\$ 23,804,084</u>	<u>\$ 17,120,000</u>	<u>\$ 4,075,364</u>	<u>\$ 2,230,000</u>	<u>\$ 378,720</u>

General capital serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough. At December 31, 2012 the Borough had authorized but not issued debt as follows:

General Capital Fund	\$11,010,950
Water Utility Capital Fund	2,478,851

**5. 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.

On December 31, 2012, the Borough had \$6,600,000 in General Capital and \$1,400,000 in Water Capital bond anticipation notes outstanding at an interest rate of 1.00% as detailed on Exhibit C-11 and D-24. These notes will mature on September 20, 2013.

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**5. Bond Anticipation Notes, (Continued)**

The following activity related to temporary financing during the calendar year December 31, 2012.

	<u>Balance</u> <u>December 31, 2011</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>December 31, 2012</u>
Notes Payable:							
General Capital Notes Payable							
TD Securities	\$ 5,500,000.00	\$	6,600,000.00	\$	5,500,000.00	\$	6,600,000.00
							-
							-
Water and Sewer Utility Capital Notes Payable							
TD Securities	700,000.00	\$	1,400,000.00	\$	700,000.00		1,400,000.00
	<u>\$ 6,200,000.00</u>	<u>\$</u>	<u>8,000,000.00</u>	<u>\$</u>	<u>6,200,000.00</u>	<u>\$</u>	<u>8,000,000.00</u>

**6. Interfund Receivables and Payables**

Interfund receivables and payables at December 31, 2012 were as follows:

	<u>Receivables</u>	<u>Payables</u>
Current Fund	\$ 1,650,645.51	\$ 440,686.08
Grant Fund	4,723.93	500,000.00
Capital Fund	1,600,000.00	55,957.18
Unemployment Compensation Trust Fund	3,551.15	
Self-Insurance Trust Fund	278,568.25	482,501.81
Trust Funds - Other		83,804.71
Animal License Fund		27,163.78
Cafeteria Plan Trust Fund		400.56
Payroll Fund		9,058.49
Water Utility Fund	493,797.74	
Water Utility Capital Fund		<u>2,431,713.97</u>
Total Interfund Receivables/Payables	<u>\$ 4,031,286.58</u>	<u>\$ 4,031,286.58</u>

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

7. Contingencies

*Litigation*

The Borough is a party from time to time to various legal proceedings. These cases, if decided against the Borough, would either be funded by insurance or raised by future taxation. The Borough's management expects such amounts, if any, to be immaterial.

The Borough is a defendant in various tax appeal proceedings. These appeals, if successful would be funded by either budget appropriation or the authorization of refunding bonds.

*Claims and Judgments*

The Borough participated 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 or the overall financial position of the Borough.

*Compensated Absences*

The Borough has permitted employees to accrue unused sick pay (with certain restrictions) which is based on the various employee contracts, and can be taken as time off or paid later at an agreed-upon rate. The current cost of such vested unpaid compensation has been estimated at \$1,364,376.97. This amount which is material to the financial statements is not reported either as an expenditure or liability. The Borough has established a reserve in prior years for the purpose of paying terminal leave benefits and is reflected herein on Exhibit A-20. The reserve balance as of December 31, 2012 was the sum of \$1,101,922.40. In addition it is expected that the cost of such unpaid compensation would be included in the Borough's operating budget in the year it is used if there are insufficient funds in the reserve account.



BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**8. 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 maintains self-insurance programs for general liability and workers' compensation with the following provisions as to losses:

Workers' Compensation:

The Borough can pay no more than \$100,000 for any one accident or occurrence. Above that amount, insurance coverage in the Municipal Excess Liability Fund and the Bergen County Municipal Joint Insurance Fund will pay further benefits to the extent of \$9,900,000. Processing of workers' compensation claims are administered by Sedgwick of New Jersey, Inc. Claims were tested only to the extent of amounts of payment. Accuracy of the claims are necessarily placed on the reliance of Borough personnel. There has been no provisions included in the financial statements for claims incurred but not reported as of December 31, 2012. An unaudited summary of the general liability, health benefits plan and workers' compensation fund held by the insurance agent is detailed as follows:

	<u>Workers' Compensation Trust Fund</u>	<u>Self-Insurance Trust Fund</u>	<u>Health Benefits Plan Trust Fund</u>
Balance- 12/31/11	140,581.45	713,084.80	381,629.73
Receipts	521,410.74	1,094,578.72	8,198,592.03
Disbursements	<u>654,459.59</u>	<u>559,064.77</u>	<u>6,878,395.56</u>
Balalance - 12/31/12	<u>\$ 7,532.60</u>	<u>\$ 1,248,598.75</u>	<u>\$ 1,701,826.20</u>

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**9. Fund Balance Appropriated**

Fund Balance December 31, 2012 and 2011, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	\$ 3,000,000.00	3,133,525.00
Water Utility Operating Fund	244,000.00	147,636.00

**10. Deferred Charges to be Raised in Succeeding Budgets**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the balance sheets of the various funds of the Borough.

	<u>Balance Dec. 31, 2012</u>	<u>2013 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorizations - NJSA 40A:4-53	\$ 360,000.00	\$ 90,000.00	\$ 270,000.00
Emergency Authorizations	<u>125,000.00</u>	<u>125,000.00</u>	<u>                    </u>
	<u>\$ 485,000.00</u>	<u>\$ 215,000.00</u>	<u>\$ 270,000.00</u>

**11. Taxes Collected in Advance**

Taxes collected in advance and the amounts set forth as cash liabilities in the financial statements as follows:

	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Prepaid Taxes	<u>\$ 473,700.67</u>	<u>\$ 543,313.19</u>

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**12. Retirement Plans**

*Description of Plans*

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). Those systems are sponsored and administered by the State of New Jersey and 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. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for PERS and PFRS. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625 or the report can be accessed on the internet at – [http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

*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 retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. 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 or other state or local jurisdiction. Vesting occurs after 8-10 years of service and 25 years for health coverage. Members are eligible for retirement at age 60 with annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to 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 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 services 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

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**12. Retirement Plans**

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

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 1/7<sup>th</sup> 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.

*Police and Firemen's Retirement System (PFRS)*

The Police and Firemen's 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 Firemen's 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 Pension 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.

**Significant Legislation**

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting April 2012 over a 15-year period at 8 ¼% percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Fair Lawn did not opt for this deferral.

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**12. Retirement Plans**

*Funding Policy*

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 employees. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 107, P.L. 2007, the PERS and employees contribution rate increased to 5.5% and the PFRS rate increased to 8.5%, effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except for 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. Under the provisions of Chapter 78, P.L. 2012, PERS employee pension contribution rates increased from 5.5% to 6.5% of salary, effective October 1, 2011. An additional increase to be phased over the next 7 years will bring the total pension contribution rate to 7.5% of salary. PFRS employee pension contribution rates increased from 8.5% to 10% of salary, effective October 1, 2011. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The Borough's contributions to PERS and PFRS were as follows:

Year Ended December 31,	PERS Amount	PFRS Amount
2012	\$ 1,307,239.00	\$ 1,467,625.00
2011	1,306,001.00	1,771,159.00
2010	1,035,369.00	1,429,274.00
2009	874,012.00	1,304,973.00

*Defined Contribution Retirement Program*

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

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

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**12. Retirement Plans**

*Defined Contribution Retirement Program, (continued)*

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

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

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the PERS. A Governor appointee by an elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

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

*Deferred Compensation Plan*

The Borough maintains a Deferred Compensation Plan in accordance with Internal Revenues Code Section 457. "The plan" was reviewed by an independent auditor.

Any employee of the Borough is eligible to participate in the Plan. Participation in the Plan is entirely voluntary on the part of each employee. The Borough does not and is not required to make contributions to the Plan. AXA Equitable and Valic are the Administrators of the Plan. Fund assets at December 31, 2012 and 2011 totaled \$ 13,256,385.34 and \$12,674,451.07 respectively.

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**13. Other Post Employment Benefits**

In addition to the pension benefits described in Note 12, 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. The Borough maintains a self-insurance program for health insurance, which includes retired employees eligible for health insurance.

The Borough is currently under contract with Aquarius Capitol to calculate the liability for Other Post Employment Benefits through an actuarial study, in accordance with of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. State of New Jersey Local Finance Notice 2009-13R also dictates that municipalities implement this GASB.

***Funding Policy***

Post-retirement medical benefits under the self-insurance plan have been funded on a pay-as-you-go basis.

Contributions to pay for the health premiums of participating employees in the Borough's self – insurance program are billed to the Borough of Fair Lawn on a monthly basis, through its plan administrator Insurance Design Administrator.

The Borough of Fair Lawn's obligation to the self-insurance program for post-retirement benefits for the year ended December 31, 2012 was \$ 2,354,150.35., which equaled the actual expenditures for each year, respectively. There were approximately 120 retired participants eligible at December 31, 2012.

**14. Fixed Assets**

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

	<u>Balance</u> <u>December 31, 2011</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>December 31, 2012</u>
Land	\$ 11,169,750.00	\$ 74,121,450.00		\$ 85,291,200.00 *
Buildings	41,230,799.00		\$ (23,196,599.00)	18,034,200.00 *
Machinery and Equipment	12,571,382.00	705,452.65	\$ (166,914.32)	13,109,920.33
	<u>\$ 64,971,931.00</u>	<u>\$ 74,826,902.65</u>	<u>\$ (23,363,513.32)</u>	<u>\$ 116,435,320.33</u>

\* Land and Buildings was adjusted to agree with assessed value of tax exempt Borough owned property

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**15. Property Tax Calendar**

The Borough's property taxes are due the first of February, May, August, and November. Liens are sold at a tax sale in subsequent year. The tax sale was held on June 4, 2012 for 2011 taxes.

**16. Municipal Court**

Garbarini & Co. issued an independent auditor's report on additional information on the N.J. administrative office of the courts annual regulatory report.

**17. Emergency Services Volunteer Length of Service Award Plan (LOSAP) (Unaudited)**

On November 11, 2001, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Variable Annuity Life Insurance Company. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of the emergency squads.

The Variable Annuity Life Insurance Company will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$600 to each eligible volunteer who accumulates a minimum of 100 service points based on criteria established by Borough Ordinance No. 1817-00. In addition, the ordinance provides for service credits of \$100 per year for up to five years of eligible volunteer service. The amount of the LOSAP award cannot exceed \$600 annually, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current years budget.

All amounts awarded under the 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.

The plan has been reviewed by an independent auditor 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.



BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**18. Comparative Schedule of Fund Balances**

	<u>Year</u>	Balance <u>December 31</u>	Utilized in Budget of Succeeding <u>Year</u>
Current Fund	2012	\$ 6,548,971	\$ 3,000,000
	2011	5,874,733	3,000,000
	2010	4,865,499	3,133,525
	2009	6,920,899	5,000,000
	2008	9,236,538	5,014,214
Water Utility	2012	1,668,815	283,700
	2011	1,086,654	244,000
	2010	869,963	147,636
	2009	187,543	
	2008	187,543	

**19. Comparative Schedule of Tax Rate Information**

	<u>*2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	<u>2.942</u>	<u>2.337</u>	<u>2.283</u>	<u>2.153</u>

Apportionment of Tax Rate

Municipal	0.865	0.652	0.652	0.580
Municipal Open Space	0.005	0.005	0.005	0.005
County	0.235	0.206	0.197	0.193
County Open Space	0.003	0.003	0.003	0.011
Local School	1.834	1.471	1.426	1.364

Net Valuation Taxable as listed in the Bergen County Board of Taxation Levy Duplicate

2012	<u>\$ 4,133,136,300</u> *
2011	<u>\$ 5,064,642,485</u>
2010	<u>\$5,070,332,554</u>
2009	<u>\$5,091,263,828</u>

\* Reassessment

BOROUGH OF FAIR LAWN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011  
 (Continued)

**20. Comparison of Tax Levies and Collection Currently**

A study of this tabulation could indicate a possible trend in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collection</u>	<u>Percentage of Collection</u>
2012	\$ 122,138,055.00	\$ 121,006,620.72	99.07%
2011	118,879,999.00	117,368,343.00	98.73%
2010	116,342,968.00	114,796,203.00	98.67%
2009	110,091,201.00	109,016,233.00	99.02%

**21. Delinquent Taxes and Tax Title Liens**

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

<u>December Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2012	\$ 142,795.00	\$ 990,411.00	\$ 1,133,206.00	0.93%
2011	17,619.00	1,115,979.00	1,133,598.00	0.95%
2010	21,120.00	1,343,909.00	1,365,029.00	1.17%
2009	19,438.00	988,929.00	1,008,367.00	0.92%

**22. Property Acquired by Tax Title Lien Liquidation**

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

<u>Year</u>	<u>Amount</u>
2012	\$ 73,260.00
2011	73,260.00
2010	73,260.00
2009	73,260.00

BOROUGH OF FAIR LAWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**23. Subsequent Events**

Subsequent events have been evaluated through July 22, 2013, which is the date the financial statements were available to be issued.

The 2013 Municipal Budget was adopted on April 2, 2013.

BOROUGH OF FAIR LAWN  
CURRENT AND GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF CASH - TREASURER

A-4

	Reference	Current Fund	Federal and State Grant Fund
Balance December 31, 2011	A	<u>\$ 14,838,871.67</u>	<u>\$ 105,960.58</u>
Increased by:			
Taxes Receivable	A-9	121,162,459.45	
Miscellaneous Revenue Not Anticipated	A-2	1,046,810.74	
Tax Title Liens	A-10	6,442.52	
Revenue Accounts Receivable	A-13	7,129,820.05	
Prepaid Revenue	A-27	31,736.00	
Petty Cash	A-6	900.00	
Due From State-Senior Citizen and Veteran Deductions	A-7	372,220.20	
State Audited Disallowed PY Deductions Collected	A-7	11,750.00	
Construction Code Training Fees	A-22	53,557.00	
Interfunds	A-8,16	15,541,221.11	200,000.00
Interest on Investments - Grant Fund	A-8		217.51
Tax Overpayments	A-23	232,106.61	
Prepaid Taxes	A-28	473,700.67	
Special Emergency Notes	A-29	360,000.00	
Library	A-21	64,723.56	
Grants Receivable	A-30		63,341.49
Unappropriated Grants	A-31		54,926.95
Municipal Grant Match	A-32		3,950.00
Various Reserves	A-20	1,340,006.04	
		<u>147,827,453.95</u>	<u>322,435.95</u>
		<u>162,666,325.62</u>	<u>428,396.53</u>
Decreased by:			
Current Year Budget Appropriations	A-3	39,193,908.01	
Petty Cash	A-6	900.00	
Tax Overpayments	A-23	202,248.59	
Interfunds	A-16	16,774,556.56	
Construction Code Training Fees	A-22	30,673.00	
Appropriation Reserves	A-17	2,475,085.20	
Local District Taxes	A-24	75,797,886.00	
County Taxes Payable	A-25	9,838,144.76	
Special District Taxes	A-26	268,200.00	
Library	A-21	27,693.58	
Accounts Payable	A-19	27,058.14	
Grants Expended	A-32		68,962.31
Encumbrances Paid	A-33		269,644.71
Bank Service Charges/Other	A-1	1,866.89	
Emergency Note	A-29	510,000.00	
Various Reserves	A-20	443,633.21	
		<u>145,591,853.94</u>	<u>338,607.02</u>
		<u>17,074,471.68</u>	<u>89,789.51</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

A-5

SCHEDULE OF CASH - CHANGE FUND

	<u>Reference</u>	
Balance December 31, 2011	A	<u>\$ 3,493.82</u>
Balance December 31, 2012	A	<u><u>\$ 3,493.82</u></u>
 <u>Analysis of Balance:</u>		
Tax Collector		\$ 300.00
Treasurer - ATM		2,838.82
Municipal Court		200.00
Police Department		25.00
Building Inspector		25.00
Sanitation		25.00
Free Public Library		80.00
		<u><u>\$ 3,493.82</u></u>

A-6

SCHEDULE OF CASH - PETTY CASH

	<u>Reference</u>	
Increased by:		
Disbursed	A-4	<u>\$ 900.00</u>
Decreased by:		
Returned to Treasurer	A-4	<u><u>\$ 900.00</u></u>

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF AMOUNT DUE FROM/ (TO) STATE OF NEW JERSEY  
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS - CH73 P.L. 1076**

A-7

	<u>Reference</u>	
Balance December 31, 2011	A	\$ (150,039.99)
Increased by:		
Senior Citizens' Deductions Per Tax Billing	\$ 86,000.00	
Veterans' Deductions Per Tax Billing	296,750.00	
Senior Citizens' and Veterans' Deductions Allowed	3,750.00	
		386,500.00
		236,460.01
Decreased by:		
Senior Citizens' and Veterans' Deductions Disallowed	Below 6,250.00	
PY Senior Citizens' and Veterans' Disallowed	A-1 18,608.56	
State Audited Disallowed PY Deductions Collected	A-4 11,750.00	
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4 372,220.20	408,828.76
Balance December 31, 2012	A	\$ (172,368.75)
<b>Calculation of Amount Realized</b>		
Senior Citizens	\$ 86,000.00	
Veterans	296,750.00	
Senior Citizens & Veterans Deductions Allowed	3,750.00	\$ 386,500.00
		386,500.00
Less: Current Year/Seniors & Veterans Disallowed	Above	6,250.00
Realized as Tax Revenue	A-9	\$ 380,250.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
FEDERAL & STATE GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF INTERFUNDS- FEDERAL AND STATE GRANT FUND**

A-8

	<u>Reference</u>	Balance Dec. 31, 2011	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, 2012
Current Fund	A	\$ 15,038.34		\$ 10,314.41	\$ 4,723.93
General Capital Fund	A	(300,000.00)		200,000.00	(500,000.00)
		<hr/>		<hr/>	<hr/>
		\$ (284,961.66)	<hr/>	\$ 210,314.41	\$ (495,276.07)
		A	<hr/> <hr/>	Below	A
				\$ 200,000.00	
				217.51	
				10,096.90	
			<hr/>	\$ 210,314.41	
			<hr/> <hr/>	Above	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-9

	Balance <u>Dec. 31, 2011</u>	2012 Levy	Collections <u>2011</u>	2012	Transfer to Lien	Added Canceled/ Judgments	Balance <u>Dec. 31, 2012</u>
2011 Taxes	\$ 1,115,978.80	\$ -	\$ -	\$ 1,079,401.92		\$(30,380.48)	\$ 6,196.40
2012 Taxes		<u>122,138,055.05</u>	<u>543,313.19</u>	<u>120,463,307.53</u>	<u>92,105.90</u>	<u>(55,113.78)</u>	<u>984,214.65</u>
	<u>\$ 1,115,978.80</u>	<u>\$ 122,138,055.05</u>	<u>\$ 543,313.19</u>	<u>\$ 121,542,709.45</u>	<u>\$ 92,105.90</u>	<u>\$(85,494.26)</u>	<u>\$ 990,411.05</u>
Reference	A	Below	A-28	Below	A-10		A
			A-4	121,162,459.45			
			A-7	<u>380,250.00</u>			
			Above	<u>\$ 121,542,709.45</u>			
<u>Analysis of 2011 Property Tax Levy</u>							
Tax yield:							
General Property Tax		\$ 121,765,231.68					
Added Tax (R.S. 54:4-63.1 et seq.)		361,640.82					
Omitted Taxes		11,182.55					
		<u>\$ 122,138,055.05</u>					
<u>Tax Levy</u>							
Local District School Tax	A-24	\$ 75,797,886.00					
County Tax	A-25	9,712,865.85					
County Open Space Preservation	A-25	112,842.15					
Added County Taxes and Omitted Taxes	A-25	<u>63,700.00</u>					
		85,687,294.00					
Municipal Open Space Tax	A-20	206,657.00					
Special District Taxes	A-26	268,200.00					
	A-2	<u>\$ 86,162,151.00</u>					
Local Tax for Municipal Purposes	A-2	35,726,571.01					
Additional Taxes		249,333.04					
		<u>\$ 122,138,055.05</u>					

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF TAX TITLE LIENS**

**A-10**

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 17,618.86
Increased by:		
Balance Adjustment	A-4	6,442.52
Interest and Costs on Tax Sale		33,069.75
Transfer from Taxes Receivable	A-9	<u>92,105.90</u>
		<u>131,618.17</u>
Decreased by:		
Payments	A-2,4	<u>6,442.52</u>
Balance December 31, 2012	A	<u><u>\$ 142,794.51</u></u>

**SCHEDULE OF OTHER LIENS RECEIVABLE**

**A-11**

Balance December 31, 2011		<u>\$ 629.26</u>
Balance December 31, 2012		<u><u>\$ 629.26</u></u>

**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)**

**A-12**

	<u>Reference</u>	
Balance December 31, 2011	A	<u>\$ 73,260.00</u>
Balance December 31, 2012	A	<u><u>\$ 73,260.00</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-13

Revenue Accounts Receivable:	Balance December 31, <u>Ref.</u> <u>2011</u>	Accrued <u>in 2012</u>	Collected <u>in 2012</u>	Balance December 31, <u>2012</u>
Clerk:				
Licenses:				
Alcoholic Beverages	\$           -	\$ 43,010.00	\$ 43,010.00	\$           -
Other		16,798.80	16,798.80	-
Fees and Permits		289,714.17	289,714.17	-
Municipal Court:				-
Fines and Costs	13,485.15	384,860.43	376,274.30	22,071.28
Treasurer:				-
Cable Franchise Fees	287,455.00	272,211.06	287,455.06	272,211.00
Verizon Franchise Fees	117,737.00	130,125.64	117,737.00	130,125.64
Interest and Costs on Taxes		215,713.96	215,713.96	-
Tax and Assesment Searches		1,600.00	1,600.00	-
Memorial Pool		277,865.00	277,865.00	-
Sewer User Charges		59,746.15	59,746.15	-
Joint Insurance Fund- Reimbursement Hurricane Irene		368,561.86	368,561.86	-
Consolidated Municipal Property Tax				-
Relief Aid		26,389.00	26,389.00	-
Energy Receipts Tax		3,718,144.00	3,718,144.00	-
Uniform Construction Code Fees		939,979.60	939,979.60	-
Uniform Fire Safety Act - Local		227,087.26	227,087.26	-
Hotel Tax		121,172.55	121,172.55	-
Interest on Investments and Deposits		73,542.34	73,542.34	-
<u>Reference</u>	<u>\$ 418,677.15</u>	<u>\$ 7,166,521.82</u>	<u>\$ 7,160,791.05</u>	<u>\$ 424,407.92</u>
	A		Below	A
		PY Prepaid Revenues Applied	A-27      30,971.00	
		Cash Receipts	A-4 <u>7,129,820.05</u>	
		A-2, Above	<u>\$ 7,160,791.05</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF DEFERRED CHARGES**

A-14

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Budget</u> <u>Appropriation</u>	<u>Added</u> <u>in 2012</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Emergency Authorization	\$ 130,000.00	130,000.00	125,000.00	\$ 125,000.00
	<u>\$ 130,000.00</u>	<u>130,000.00</u>	<u>125,000.00</u>	<u>\$ 125,000.00</u>
	A	A-3	A-3	A

**SCHEDULE OF DEFERRED CHARGES**  
**N.J.S.A. 40A:4-55 - SPECIAL EMERGENCY**

A-15

<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>1/5 of Net</u> <u>Amount</u> <u>Authorized</u>	<u>Balance</u> <u>Dec. 31,</u> <u>2011</u>	<u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Dec. 31,</u> <u>2012</u>
Hurricane Irene	60,000.00	\$ 12,000.00	\$ 60,000.00	\$ 60,000.00	\$ -
Revaluation	450,000.00	90,000.00	450,000.00	90,000.00	360,000.00
	<u>\$ 510,000.00</u>	<u>\$ 102,000.00</u>	<u>\$ 510,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 360,000.00</u>
			A	A-3	A

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF INTERFUNDS

A-16

<u>Reference</u>	Balance Dec. 31, 2011	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, 2012
Federal and State Grant Fund	A \$ (15,038.34)	\$ 20,514.41	\$ 10,000.00	\$ (4,723.93)
Animal Control Trust Fund	A 26,944.66	219.12		27,163.78
Other Trust Fund	A 80,463.54	3,341.17		83,804.71
Unemployment Trust Fund	A -			0.00
General Capital Fund	A 40,375.37	10,891.94		51,267.31
Water Utility Operating Fund	A (164,374.46)	6,980.56		(157,393.90)
Health Insurance Trust Fund	A		278,568.25	(278,568.25)
Liability - Self Insurance Fund	A	2,501.81		2,501.81
Water Utility Capital Fund	A	1,000,000.00		1,000,000.00
Workers Compensation Fund	A	480,000.00		480,000.00
Claims Fund- Intrafund	A	15,266,308.18	15,266,308.18	0.00
Cafeteria Plan Trust Fund	A	400.56		400.56
Payroll Fund -	A <u>4,824.03</u>	<u>1,051.56</u>	<u>368.25</u>	<u>5,507.34</u>
	<u>\$ (26,805.20)</u>	<u>\$ 16,792,009.31</u>	<u>\$ 15,555,244.68</u>	<u>\$ 1,209,959.43</u>
Due to Current Fund	\$ 152,607.60	\$ 16,764,346.09	\$ 15,266,308.18	\$ 1,650,645.51
Due From Current Fund	(179,412.80)	27,663.22	288,936.50	(440,686.08)
	<u>\$ (26,805.20)</u>	<u>\$ 16,792,009.31</u>	<u>\$ 15,555,244.68</u>	<u>\$ 1,209,959.43</u>
	A	Below	Below	A
Cash Receipts		A-4	\$ 15,541,221.11	
Cash Disbursements		A-4	16,774,556.56	
Cancel Grants		A-30	10,096.90	
Reallocated from Payroll to Caf. Plan		Contra	368.25	368.25
Budget Appropriations		A-3	6,980.56	
Interest on Investments			7.04	13,655.32
		Above	<u>\$ 16,792,009.31</u>	<u>\$ 15,555,244.68</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF APPROPRIATION RESERVES

A-17

	Balance Dec. 31, 2011	Transfers	Encumbrances	Modified by Transfers	Paid or Charged	Lapsed	Reserved/ Overexpenditures
<b>SALARIES AND WAGES WITHIN "CAPS":</b>							
Administrative and Executive	\$ 7,623.28			\$ 7,623.28	\$ 7,623.28	\$ -	\$ -
Municipal Clerk	12,394.36			12,394.36	12,394.36	-	
Financial Administration	5,545.42			5,545.42	5,545.42	-	
Assessment of Taxes	224.02			224.02			234.02
Collection of Taxes	6,326.63			6,326.63	6,190.32		136.31
Engineering Services and Costs	25,768.34			25,768.34	25,768.34		
Planning Board	17.44			17.44			17.44
Zoning Board of Adjustment	713.92			713.92	713.92		
Police	247,278.04	(185,000.00)		62,278.04	61,649.08		628.96
Police Dispatch	8,848.26			8,848.26	8,848.26		
Emergency Management Services	69.14			69.14			69.14
Municipal Court	114,940.85	(78,000.00)		36,940.85	36,940.85		0.00
Uniform Fire Safety Act	38,813.76	(30,000.00)		8,813.76	7,869.68		944.08
Municipal Prosecutor	0.12			0.12			0.12
Road Repairs and Maintenance	48,079.59	(45,000.00)		3,079.59	3,079.59		(0.00)
Shade Tree	40,257.15	(40,000.00)		257.15			257.15
Electrical Services	3,003.88			3,003.88	3,003.88		
Public Buildings and Grounds	76,437.85	(70,000.00)		6,437.85	6,437.85		0.00
Maintenance of Garage	4,297.08			4,297.08	4,297.08		
Administration of Public Works	823.92			823.92	823.92		
Sewer System	18,584.69	(12,000.00)		6,584.69	6,584.69		(0.00)
Recycling Program	217,573.00	525,000.00		742,573.00	525,000.00		217,573.00
Health Department	75,970.89	(70,000.00)		5,970.89	5,970.89		(0.00)
Administration of Social Services	16,636.38	(10,000.00)		6,636.38	6,636.38		0.00
Recreation	101,815.80	100,000.00		201,815.80	101,815.80		100,000.00
Parks and Playgrounds	16,406.41	(15,000.00)		1,406.41	1,406.41		(0.00)
Terminal Leave	62.15			62.15			62.15
Construction Code Official	63,987.93	(60,000.00)		3,987.93	3,987.93		3,987.93
Public Defender	1,750.00			1,750.00	1,750.00		1,750.00
				-			
<b>TOTAL SALARIES AND WAGES WITHIN "CAPS"</b>	<b>1,154,250.30</b>	<b>10,000.00</b>	<b>-</b>	<b>1,164,250.30</b>	<b>838,600.00</b>	<b>325,650.30</b>	<b>-</b>
<b>Other Expenses Within "CAPS"</b>							
Administrative and Executive	23,846.00		6,613.35	30,459.35	6,695.25		23,764.10
Purchasing							
Human Resources- (Labor Attorney)	36,650.67	(15,000.00)	1,171.20	22,821.87	21,171.20		1,650.67
Mayor and Council	46,116.21	(50,000.00)	33,416.91	29,533.12	20,239.20		9,293.92
Municipal Clerk	12,460.23		2,791.20	15,251.43	3,043.79		12,207.64
Financial Administration:							
Other Expenses	9,408.65		1,742.30	11,150.95	3,046.30		8,104.65
Audit Services	24,000.00	10,000.00		34,000.00	34,000.00		
Assessment of Taxes:							
Other Expenses	1,189.00			1,189.00			1,189.00
Collection of Taxes	4,156.70			4,156.70			4,156.70
Legal Services and Costs:							
Other Expenses	64,380.00	(75,000.00)	64,225.97	53,605.97	51,496.08		2,109.89
Engineering Services and Costs:							
Other Expenses	11,100.58		108.07	11,208.65	88.25		11,120.40
Planning Board	27,778.71		9,638.59	37,417.30	285.29		37,132.01
Zoning Board of Adjustment	15,865.52		4,288.20	20,151.72	5,549.07		14,602.65
Insurance:							
Self Insurance Program							
Liability Insurance		75,000.00		75,000.00	75,000.00		
Group Insurance Plan for Employee's:							
Hospital Service Insurance	957,133.40		250,000.00	1,207,133.40	1,200,000.00		7,133.40
Other Insurance Premiums	4,514.50		725.00	5,239.50	2,725.00		2,514.50
Police:							
Other Expenses	8,397.85		49,499.83	57,897.68	23,013.66		34,884.02
Emergency Management Services	6,829.20	55,000.00	62,416.44	124,245.64	91,586.32		32,659.32
Fire Protection	17,998.15		7,877.38	25,875.53	2,446.23		23,429.30
Ambulance	82.22		2,396.67	2,478.89	1,416.00		1,062.89
Uniform Fire Safety Act	32.30		1,606.21	1,638.51	1,207.22		431.29
Municipal Court	3,974.25		1,828.52	5,802.77	1,688.67		4,114.10
Road Repairs and Maintenance	3,092.39	35,000.00	10,388.44	48,480.83	48,040.93		439.90
Shade Tree	13,156.91	(10,000.00)	56,527.94	59,684.85	56,450.29		3,234.56
Electrical Services	1,049.34		5.40	1,054.74	5.40		1,049.34
Public Buildings and Grounds	10,576.67		13,699.92	24,276.59	8,301.64		15,974.95
Maintenance of Garage	13,669.85		33,494.39	47,164.24	47,156.15		8.09
Community Services Act	38,877.92			38,877.92			38,877.92
Administration of Public Works	375.44			375.44			375.44
Sewer System	293.27		23,501.92	23,795.19	16,903.25		6,891.94
Recycling Program	13,268.00	(10,000.00)		3,268.00			3,268.00
Health Department	58,094.67		27,004.02	85,098.69	22,003.42		63,095.27
Administration of Public Assistance	341.93			422.86	419.86		344.93
Recreation	12,626.09	(10,000.00)	22,893.12	25,519.21	21,577.41		3,941.80
Park and Playgrounds	865.80		4,147.02	5,012.82	2,712.12		2,300.70
Celebration of Public Events:							
Other Expenses	650.24			650.24	619.78		30.46
Postage-Other Expenses	594.27		567.38	1,161.65	567.38		594.27

See independent auditor's report and the notes to the financial statements.

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BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF APPROPRIATION RESERVES

A-17

	Balance Dec. 31, 2011	Transfers	Encumbrances	Modified by Transfers	Paid or Changed	Unused	Reserved / Overexpenditures
Electricity	72,500.00	90,000.00	10,647.41	173,147.41	117,834.60	55,312.81	
Street Lighting	34,191.00			34,191.00	23,033.07	11,157.93	
Telephone	3,410.00		15,286.30	18,696.30	9,182.86	9,513.44	
Natural Gas	28,628.00	(5,000.00)	13,026.19	36,654.19	8,026.53	28,627.66	
Fuel Oil	5,000.00		4,528.24	9,528.24	270.11	9,258.13	
Gasoline	843.00		39,719.57	40,562.57	27,178.26	13,384.31	
Garbage and Trash-Contractual	400.00			400.00		400.00	
Garbage and Trash-Other Expenses	49,852.62		67,164.37	117,016.99	67,803.28	49,213.71	
Construction Code Official	1,689.02		1,611.98	3,301.00	1,388.72	1,912.28	
Special Emergency Hurricane Irene	3,425.00		56,575.00	60,000.00	56,575.00	3,425.00	
Revaluation	50,000.00		378,396.55	428,396.55	393,297.55	35,099.00	
Contingent	1,000.00			1,000.00		1,000.00	
<b>TOTAL OTHER EXPENSES WITHIN "CAPS"</b>	<b>1,694,383.57</b>	<b>90,000.00</b>	<b>1,279,973.86</b>	<b>3,064,357.43</b>	<b>2,474,045.14</b>	<b>590,312.29</b>	<b>-</b>
<b>Deferred Charges and Statutory Expenditures Within "CAPS"</b>							
Social Security Systems (O.A.S.I.)	119,789.00	(100,000.00)		19,789.00		19,789.00	
Consolidated Police and Firemen's Pension	4,696.00			4,696.00		4,696.00	
DGRP	33.00			33.00		33.00	
<b>Total Deferred Charges and Statutory Expenditure Within "CAPS"</b>	<b>124,518.00</b>	<b>(100,000.00)</b>	<b>-</b>	<b>24,518.00</b>	<b>-</b>	<b>24,518.00</b>	<b>-</b>
<b>OTHER EXPENSES EXCLUDED FROM "CAPS"</b>							
Passaic Valley Sewer Commission Share of Costs	54,365.58			54,365.58		54,365.58	
Maintenance of Free Public Library	114,306.01		5,970.76	120,276.77	113,552.01	6,724.76	
LOSAP	192.00			192.00		192.00	
Recycling Tax Appropriation	989.09		1,926.66	2,915.75	2,569.44	346.31	
<b>TOTAL OTHER EXPENSES EXCLUDED FROM "CAPS"</b>	<b>169,852.68</b>	<b>-</b>	<b>7,897.42</b>	<b>177,750.10</b>	<b>116,121.45</b>	<b>61,628.65</b>	<b>-</b>
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>							
Flood Insurance Grant	15,690.00			15,690.00	15,690.00	-	
Matching Funds for Grants	5,230.00			5,230.00	5,230.00	-	
<b>TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>	<b>20,920.00</b>	<b>-</b>	<b>-</b>	<b>20,920.00</b>	<b>20,920.00</b>	<b>-</b>	<b>-</b>
<b>Total Reserves</b>	<b>\$ 3,163,924.55</b>	<b>\$ -</b>	<b>\$ 1,287,871.28</b>	<b>\$ 4,451,795.83</b>	<b>\$ 3,449,686.59</b>	<b>\$ 1,002,109.24</b>	
					Below		
Appropriation Reserves	3,163,924.55						
Encumbrances	1,287,871.28						
	<u>\$ 4,451,795.83</u>						
Transfer to Special Reserves				A-20	974,601.39		
Cash Disbursements				A-4	2,475,085.20		
				Above	<u>\$ 3,449,686.59</u>		

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF ENCUMBRANCES PAYABLE**

**A-18**

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 1,287,871.28
Increased by:		
Transferred from Current Year Budget	A-3	930,901.75
		<u>2,218,773.03</u>
Decreased by:		
Transferred to Appropriation Reserves	A-17	1,287,871.28
		<u>1,287,871.28</u>
Balance December 31, 2012	A	<u><u>\$ 930,901.75</u></u>

**SCHEDULE OF ACCOUNTS PAYABLE**

**A-19**

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 133,463.08
Decreased by:		
Cash Disbursements	A-4	27,058.14
		<u>27,058.14</u>
Balance December 31, 2012	A	<u><u>\$ 106,404.94</u></u>

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF VARIOUS RESERVES

A-20

<u>Reserve for:</u>	Balance Dec. 31, 2011	Increased by Cash Receipts	Decreased by Cash Disbursements	<u>Levy/Adjustment</u>	Transfer from Appropriations/ Appropriation Reserve	Balance Dec. 31, 2012
Recycling	\$ 522,613.36	\$ 278,804.09	\$ 100,000.00	\$ -	\$ 525,000.00	\$ 1,226,417.45
Police - Outside Service	76,716.27	300,725.94	140,010.00			237,432.21
Elevator Surcharge	3,152.00					3,152.00
Terminal Leave	1,101,922.40					1,101,922.40
Police Contract	118,087.92					118,087.92
Retiree's Insurance	152,360.26	54,234.58	7,689.77			198,905.07
Supervisors Contract	59,400.00				213,600.00	273,000.00
Community Center	81,963.68	61,182.05	7,407.19		100,000.00	235,738.54
Open Space	830,316.68		188,526.25	460,174.00		1,101,964.43
Special Assessments					76,001.39	76,001.39
Hurricane Irene Costs- Insurance		497,500.00				497500
October Snow Storm		147,559.38				147,559.38
Hurricane Sandy- FEMA					195,620.55	195,620.55
Snow					60,000.00	60,000.00
						-
	<u>\$ 2,946,532.57</u>	<u>\$ 1,340,006.04</u>	<u>\$ 443,633.21</u>	<u>\$ 460,174.00</u>	<u>\$ 1,170,221.94</u>	<u>\$ 5,473,301.34</u>
	A	A-4	A-4	Below	Below	A
		2012 Levy	A-1,9	\$ 206,657.00		
		PY Levy Adjustment	A-1	253,517.00		
			Above	<u>\$ 460,174.00</u>		
		Transfer from Current Year Appropriations		A-3	\$ 195,620.55	
		Transfer from Appropriation Reserves		A-17	974,601.39	
					<u>\$ 1,170,221.94</u>	

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR LIBRARY EXPENDITURES**

A-21

	<u>Reference</u>		
Balance December 31, 2011	A		\$ 49,429.16
Increased by:			
State Library Aid		14,364.00	
Book Fines		50,359.56	
	A-4	64,723.56	64,723.56
Decreased by:			
State Library Aid		\$ 14,957.00	
Expenditures		12,736.58	
	A-4	27,693.58	27,693.58
Balance December 31, 2012	A		\$ 86,459.14

Analysis of Balance

State Library Aid	\$	14,364.00
Book Fines		72,095.14
		86,459.14
		\$ 86,459.14

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF AMOUNT DUE TO THE STATE OF NEW JERSEY  
Construction Training Fees**

A-22

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 7,646.08
Increased by:		
Collections	A-4	53,557.00
		61,203.08
Decreased by:		
Payments	A-4	30,673.00
		30,673.00
Balance December 31, 2012	A	\$ 30,530.08

**SCHEDULE OF TAX OVERPAYMENTS**

A-23

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 33,162.93
Increased by:		
Judgements	A-1	56,371.03
Collections	A-4	232,106.61
		288,477.64
		321,640.57
Decreased by:		
Taxes Refunded	A-4	202,248.59
		202,248.59
Balance December 31, 2012		\$ 119,391.98

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

A-24

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 559,017.00
Increased by:		
2012 Levy	A-1,9	75,797,886.00
		<u>76,356,903.00</u>
Decreased by:		
Payments	A-4	<u>75,797,886.00</u>
Balance December 31, 2012	A	<u><u>\$ 559,017.00</u></u>

**SCHEDULE OF COUNTY TAXES PAYABLE**

A-25

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 12,436.76
Increased by:		
2012 Levy	A-1,9	\$ 9,712,865.85
2012 Open Space	A-1,9	112,842.15
2012 Added Assessment	A-1,9	<u>63,700.00</u>
	A-1	<u>9,889,408.00</u>
Decreased by:		
Payments	A-4	<u>9,838,144.76</u>
Balance December 31, 2012	A	<u><u>\$ 63,700.00</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF SPECIAL IMPROVEMENT TAXES PAYABLE**

A-26

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 411.95
Increased by:		
Tax Levy	A-1,9	268,200.00
		268,611.95
Decreased by:		
Payments	A-4	268,200.00
		268,200.00
Balance December 31, 2012	A	\$ 411.95

**SCHEDULE OF PREPAID REVENUE**

A-27

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 30,971.00
Increased by:		
Collections- Police Parking Fees	A-4	31,736.00
		62,707.00
Decreased by:		
Applied to 2012 Revenue	A-8	30,971.00
		30,971.00
Balance December 31, 2012	A	\$ 31,736.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF PREPAID TAXES**

A-28

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 543,313.19
Increased by:		
Collections	A-4	473,700.67
		1,017,013.86
Decreased by:		
Applied to 2012 Taxes	A-9	543,313.19
		543,313.19
Balance December 31, 2012	A	\$ 473,700.67

**SCHEDULE OF RESERVE FOR EMERGENCY NOTES**

A-29

	<u>Reference</u>	
Balance December 31, 2011	A	\$ 510,000.00
Increased by:		
Receipts	A-4	360,000.00
		870,000.00
Decreased by:		
Payments	A-4	510,000.00
		510,000.00
Balance December 31, 2012	A	\$ 360,000.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
FEDERAL AND STATE GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF GRANTS RECEIVABLE - FEDERAL AND STATE GRANT FUND

A-30

<u>Grant</u>	Balance Dec. 31, 2011	<u>Budget Revenue</u>	<u>Received</u>	<u>Cancelled</u>	Balance Dec. 31, 2012
Municipal Alliance on Alcoholism and Drug Abuse - 2008	\$ 14,061.00			\$ 14,061.00	\$ -
Municipal Alliance on Alcoholism and Drug Abuse - 2009	16,764.90			16,764.90	-
Municipal Alliance on Alcoholism and Drug Abuse - 2010	1,347.00			1,347.00	-
Municipal Alliance on Alcoholism and Drug Abuse - 2011	10,112.28		10,112.28		-
Municipal Alliance on Alcoholism and Drug Abuse - 2012		15,759.00	718.92		15,040.08
Office Environmental Services - 1997	330.48			330.48	-
Health Priority Funding	2,456.00			2,456.00	-
Green Acres Grant	450,000.00			450,000.00	-
Statewide Local Domestic Preparedness	4,196.68			4,196.68	-
Statewide Local Domestic Preparedness - 2005	20,000.00			20,000.00	-
Speed/ Aggressive Driving Enforcement - 2006	3,500.00			3,500.00	-
Body Armor	33,327.03		6,154.80		27,172.23
DCA- Domestic Violence Training Grant	3,499.82			3,499.82	-
DCA- Domestic Violence Training Grant - 2007	5,786.00			5,786.00	-
Fair Lawn Carbon Grant	1,000,000.00				1,000,000.00
Drunk Driving Enforcement Fund	4,662.41			4,662.41	-
Drunk Driving Enforcement Fund-2012		6,633.14	4,924.37		1,708.77
Emergency Preparedness	0.74			0.74	-
Smart Growth Grant	7,000.00		7,000.00		-
HI-NJ Grant	49,326.00			49,326.00	-
Public Health Priority Funding	8,576.00			8,576.00	-
Over the Limit Under Arrest 2011	39.00			39.00	-
COPS Secure our School	24,980.00			24,980.00	-
Forestry Grant	3,000.00		2,400.00		600.00
Flood Insurance	27,975.00		20,920.00		7,055.00
Clean Communities-2012		45,751.52			45,751.52
Emergency Management Assistance Funding		10,000.00	10,000.00		-
Cops in Shop-2012		1,111.12	1,111.12		-
	<u>\$ 1,690,940.34</u>	<u>\$ 79,254.78</u>	<u>\$ 63,341.49</u>	<u>\$ 609,526.03</u>	<u>\$ 1,097,327.60</u>
	A	A-2	A-4	Below	A

Canceled Grant Reserves	A-32	619,622.93
Less: Canceled Current Operations	A-1,16	\$ (10,096.90)
	Above	<u>\$ 609,526.03</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 FEDERAL AND STATE GRANT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 SCHEDULE OF UNAPPROPRIATED RESERVES FOR GRANTS

A-31

<u>Grant</u>	Balance Dec. 31, <u>2011</u>	Transfer to 2012 <u>Budget</u>	<u>Received</u>	Balance Dec. 31, <u>2012</u>
Recycling Tonnage Grant	\$ 166,091.12	\$ -	\$ 44,865.27	\$ 210,956.39
Drunk Driving Enforcement Fund	25,636.39	25,636.39	-	-
Over the Limit Under Arrest	4,400.00	4,400.00	-	-
Alcohol Education Rehabilitation	161.80	161.80	-	-
Bullet Proof Vests	16,704.89	16,704.89	-	-
Police - County	2,250.00	2,250.00	-	-
Cops in Shops	4,500.00	4,500.00	-	-
Body Armor	10,489.71	10,489.71	-	-
Clean Communities	45,616.57	45,616.57	-	-
Recreation ROID Grant for the Handicapped	14,197.85	14,197.85	-	-
Emergency Management Assistance Funding	-	-	5,000.00	5,000.00
Cops in Shops	-	-	5,061.68	5,061.68
	<u>\$ 290,048.33</u>	<u>\$ 123,957.21</u>	<u>\$ 54,926.95</u>	<u>\$ 221,018.07</u>
	A	A-2	A-4	A

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
FEDERAL AND STATE GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF APPROPRIATED RESERVES FOR GRANTS - FEDERAL AND STATE GRANT FUND

A-32

Grant	Balance Dec. 31, 2011	Budget Revenue	Expended	Canceled	Balance Dec. 31, 2012
Municipal Alliance on Alcohol and Drug Abuse - 2008	\$ 6,165.81			\$ 6,165.81	\$ -
Municipal Alliance on Alcohol and Drug Abuse - 2009	277.57			277.57	-
Municipal Alliance on Alcohol and Drug Abuse - 2011	5,010.04		(2,186.68)		7,196.72
Municipal Alliance on Alcohol and Drug Abuse - 2012	-	19,700.00	13,612.85		6,096.15
Public Health Priority Funding - 2008	3,446.50			3,446.50	-
Public Health Priority Funding - 2009	1,823.00			1,823.00	-
Public Health Priority Funding - 2010	3,078.00			3,078.00	-
Public Health Priority Funding - 2011	793.93			793.93	-
Clean Communities Grant - 2009	3,183.57		1,581.98		1,601.59
Clean Communities Grant - 2011	-	45,616.57	45,040.73		575.84
Clean Communities Grant - 2012	-	45,751.52	14,260.00		31,491.52
Body Armor Replacement Program - 2005	1,603.11		926.25		676.86
Body Armor Replacement Program - 2006	1,194.00				1,194.00
Body Armor Replacement Program - 2007	17,613.00				17,613.00
Body Armor Replacement Program - 2008	6,198.48				6,198.48
Body Armor Replacement Program - 2009	5,196.17				5,196.17
Body Armor Replacement Program - 2010	2,062.75				2,062.75
Body Armor Replacement Program - 2012	-	10,489.71			10,489.71
Click it or Ticket - 2010	611.12			611.12	-
Emergency Management Assistance Funding - 2008	5,000.00			5,000.00	-
Emergency Management Assistance Funding - 2009	5,000.00			5,000.00	-
Emergency Management Assistance Funding - 2010	5,000.00			5,000.00	-
Emergency Management Assistance Funding - 2011	5,000.00				5,000.00
Emergency Management Assistance Funding - 2012	-	10,000.00	10,000.00		-
Emergency Management Programming-1993	181.00				181.00
Statewide Local Domestic Preparedness Program - 2005	4,961.08			4,961.08	-
DCA - Domestic Violence Training Grant - 2007	4,500.00			4,500.00	-
Drunk Driving Enforcement Grant - 2007	8,798.69			8,798.69	-
Drunk Driving Enforcement Grant - 2008	1,749.39			1,749.39	-
Drunk Driving Enforcement Grant - 2010	6,306.30			6,306.30	-
Drunk Driving - Bergen County	13,899.21			13,899.21	-
Drunk Driving Enforcement Grant	9,068.00		227.50	8,840.50	-
Drunk Driving Enforcement Grant - 2011	-	25,636.39			25,636.39
Drunk Driving Enforcement Grant - 2012	-	6,633.14			6,633.14
Recreation for Individuals with Disabilities Grant	6,860.00			6,860.00	-
Pandemic Influenza Preparedness Grant 2008	60.00			60.00	-
Pandemic Influenza Preparedness Grant 2011	2,241.28				2,241.28
Alcohol Education / Rehab Program	969.61				969.61
Alcohol Education / Rehab Program	884.00				884.00
Alcohol Education / Rehab Program 2007	1,692.00				1,692.00
Alcohol Education / Rehab Program 2011	804.37				804.37
Alcohol Education / Rehab Program 2012	-	161.80			161.80
Recycling Tonnage Grant	67,530.44				67,530.44
Green Communities	2,000.00			2,000.00	-
Bergen County Cultural Arts - 2006	323.00			323.00	-
Fair Lawn Granular Activated Carbon Grant	86,627.00				86,627.00
Green Acres Program - Open Space	450,000.00			450,000.00	-
Municipal Recycling Assistance Program 2006	605.41				605.41
Emergency Preparedness	0.79			0.79	-
Smart Growth	7,000.00				7,000.00
Alcohol Education Rehabilitation	1,253.06				1,253.06
Under Age Drinking	1,177.00			1,177.00	-
H1N1 Grant	49,532.04			49,532.04	-
Police County- 2012	-	2,250.00			2,250.00
Over the Limit Under Arrest-2011	39.00			39.00	-
Over the Limit Under Arrest	4,400.00			4,400.00	-
Over the Limit Under Arrest-2012	-	4,400.00			4,400.00
Bullet Proof Vest	4,200.00				4,200.00
Bullet Proof Vest-2012	-	16,704.89			16,704.89
COPS in Shops	4,500.00				4,500.00
COPS in Shops-2011	-	4,500.00			4,500.00
COPS in Shops-2012	-	1,111.12			1,111.12
COPS Secure Our Schools Grant	24,980.00			24,980.00	-
Forestry Grant	3,000.00				3,000.00
Flood Insurance	27,975.00				27,975.00
Recreation ROIID Grant for the Handicapped	-	14,197.85			14,197.85

<u>\$ 876,374.72</u>	<u>\$ 207,161.99</u>	<u>\$ 83,462.63</u>	<u>\$ 619,622.93</u>	<u>\$ 380,451.15</u>
A	A-3, Below	A-4	A-30	A

Budget	A-3	203,211.99
Municipal Match	A-4	3,950.00
Budget		<u>\$ 207,161.99</u>

Cash Disbursed	A-4	68,962.31
Canceled Encumbrance	A-33	(2,186.68)
Encumbrances	A-33	16,687.00
		<u>\$ 83,462.63</u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
 FEDERAL AND STATE GRANT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF ENCUMBRANCES PAYABLE-FEDERAL AND STATE GRANTS**

A-33

	<u>Reference</u>		
Balance December 31, 2011	A		\$ 345,516.21
Increased by:			
Encumbrances	A-32		<u>16,687.00</u>
			362,203.21
Decreased by:			
Canceled Encumbrances	A-32	2,186.68	
Cash Disbursements	A-4	<u>269,644.71</u>	<u>271,831.39</u>
Balance December 31, 2012	A		<u><u>\$ 90,371.82</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS

SCHEDULE OF CASH - COLLECTOR - TREASURER

B-1

	Reference	Animal License Fund	Other Trust Funds	Council on Affordable Housing Trust	Unemployment Comp. Ins. Fund	Self-Insurance Trust Fund	Free Public Library Trust Fund	Cafeteria Plan Trust Fund	Emergency Service LOSAP Fund
Balance December 31, 2011	B	\$82,381.66	\$892,337.48	\$20,466.32	\$95,615.10	\$1,235,295.98	\$112,841.00	\$10,202.94	\$651,087.20
Increased by:									
Prepaid Dog License Fees Collected	B-1	3,741.80							
Dog License Fees Collected	B-9	21,462.80							
Cat License Fees Collected	B-9	3,736.00							
Other Miscellaneous Fees	B-9	6,740.00							
State Fees	B-4	3,998.40	4,255.00						
Other Trust Receipts- Sundry Reserves and Deposits	B-6		914,376.84						
Escrow Deposits	B-7		169,005.03						
Other Trust Receipts- Donations and Deposits	B-8		52,404.12						
Animal Trap Deposits	B-3	690.00							
Due to Current Fund	B-5					559,000.00			
Contributions Deposited	B-18								83,600.00
Interest Income/ Gain on Investments	B-5,10,11,12,13,14,15,18	219.12	3,341.17	4,440.23	251.56	6,241.16	61.28	32.31	72,152.10
Payroll Deductions	B-10,17				38,993.72			8,992.00	
Insurance Reimbursements	B-11,12					343,502.04			
Worker's Compensation /Liability Budget Approp. -Current	B-11,12					1,020,000.00			
Worker's Compensation /Liability Budget Approp. -Water	B-11,12					250,000.00			
Budget Appropriation	B-10,13				90,000.00	7,916,270.04			
		<u>40,588.12</u>	<u>1,143,382.16</u>	<u>4,440.23</u>	<u>129,245.28</u>	<u>10,095,013.24</u>	<u>61.28</u>	<u>9,024.31</u>	<u>155,752.10</u>
		<u>122,969.78</u>	<u>2,035,719.64</u>	<u>24,906.55</u>	<u>224,860.38</u>	<u>11,330,309.22</u>	<u>112,902.28</u>	<u>19,227.25</u>	<u>806,839.30</u>
Decreased by:									
Animal License Expenditures	B-9	62,578.34							
State Fees	B-4	3,593.40	2,810.00		13,480.00				
Animal Trap Refunds	B-3	300.00							
Due to Current Fund	B-5					79,000.00			
Other Trust Disbursements- Sundry Reserves and Deposits	B-6		883,282.94						
Escrow Disbursements	B-7		226,596.13						
Other Trust Disbursements- Donations and Deposits	B-8		22,432.63						
Due to State of NJ- Unemployment Fees	B-10				73,517.30				
Insurance Health Benefits	B-13					6,878,395.56			
Insurance- Liability Claims	B-11					654,459.59			
Insurance- Worker's Compensation Claims	B-12					556,562.96			
Adjustment of Balance	B-15						4,077.65		
Cafeteria Plan Disbursements	B-17							6,300.00	
Plan Service Charges	B-19								370.81
Distributions	B-19								25,277.76
		<u>66,471.74</u>	<u>1,135,121.70</u>	<u>0.00</u>	<u>86,997.30</u>	<u>8,168,418.11</u>	<u>4,077.65</u>	<u>6,300.00</u>	<u>25,648.57</u>
Balance December 31, 2012	B	<u>\$56,498.04</u>	<u>\$900,597.94</u>	<u>\$24,906.55</u>	<u>\$137,863.08</u>	<u>\$3,161,891.11</u>	<u>\$108,824.63</u>	<u>\$12,927.25</u>	<u>\$781,190.73</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF PREPAID DOG LICENSES**

**B-2**

	<u>Reference</u>	
Balance December 31, 2011	B	\$ 1,088.00
Increased by:		
Collections	B-1	3,741.80
		4,829.80
Decreased by:		
Applied to 2012 Licenses	B-9	1,088.00
		1,088.00
Balance, December 31, 2012	B	\$ 3,741.80

**SCHEDULE OF ANIMAL TRAP DEPOSITS**

**B-3**

	<u>Reference</u>	
Balance December 31, 2011	B	\$ 6,370.00
Increased by:		
Collections	B-1	690.00
		7,060.00
Decreased by:		
Refunds	B-1	300.00
		300.00
Balance, December 31, 2012	B	\$ 6,760.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF DUE TO STATE OF NEW JERSEY**

	<u>Reference</u>	Dog License Fees	Marriage/ Civil Union Fees	Burial Permit Fees	Quarterly Unemployment Taxes Due
Balance December 31, 2011	B	\$ 171.00	\$ 700.00	\$ 5.00	\$ 13,480.00
Increased by:					
Dog License Fees	B-1	3,998.40			
Civil Union Fees	B-1		25.00		
Marriage License Fees	B-1		4,225.00		
Burial Permit Fees	B-1			5.00	
Withholdings Payable	B-10				10,812.27
		<u>4,169.40</u>	<u>4,950.00</u>	<u>10.00</u>	<u>24,292.27</u>
Decreased by:					
Cash Disbursements	B-1	3,593.40	2,805.00	5.00	13,480.00
Balance - December 31, 2012	B	<u>\$ 576.00</u>	<u>\$ 2,145.00</u>	<u>\$ 5.00</u>	<u>\$ 10,812.27</u>

B-4

**SCHEDULE OF INTERFUNDS RECEIVABLES/PAYABLES**

		Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2012</u>
Animal Control Trust:					
Current Fund	B	\$ (26,944.66)		\$ 219.12	\$ (27,163.78)
Other Trust Fund:					
Current Fund	B	(80,463.54)		3,341.17	(83,804.71)
Council on Affordable Housing Trust:					
Current Fund	B	(3.00)	3.00		-
Unemployment Compensation Insurance Trust Fund:					
Payroll Fund	B	3,551.15			3,551.15
		<u>3,551.00</u>			<u>3,551.00</u>
Self-Insurance Trust Fund:					
Current Fund - Due from Worker's Compensation	B		79,000.00	559,000.00	(480,000.00)
Current Fund - Due to Health Benefits Fund	B		278,568.25		278,568.25
Current Fund - Due from Self-Insurance Liability	B			2,501.81	(2,501.81)
		<u>-</u>	<u>357,568.25</u>	<u>561,501.81</u>	<u>(203,933.56)</u>
Cafeteria Plan Trust Fund:					
Current Fund	B	(368.25)		32.31	(400.56)
		<u>\$ (104,228.45)</u>	<u>\$ 357,571.25</u>	<u>\$ 565,094.41</u>	<u>\$ (311,751.61)</u>
			Below	Below	
Receipts	B-1			559,000.00	
Disbursements	B-1		79,000.00		
Interest on Investments	B-1			3,592.60	
Audit Adjustment	B-14		3.00		
Reimburse Expenses Paid by Current	B-12			2,501.81	
Employee Health Benefits Withholding	B-13		278,568.25		
			<u>357,571.25</u>	<u>565,094.41</u>	
		Above	<u>\$ 357,571.25</u>	<u>\$ 565,094.41</u>	

B-5

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF SUNDRY RESERVE AND DEPOSITS

B-6

	Reference	Balance December 31, 2011	Increased	Decreased	Balance December 31, 2012
Parking Offense Adjudication Act	B	\$ 24,378.04	1,486.00	-	\$ 25,864.04
Tax Title Lien Redemptions	B	243,689.62	906,527.44	883,282.94	266,934.12
Found Money	B	558.00	6,363.40	-	6,921.40
Insurance Proceeds- Damage to Borough Cars	B	2,047.36	-	-	2,047.36
State Nextel Purchase	B	3.53	-	-	3.53
Miscellaneous Reserves	B	4,844.80	-	-	4,844.80
		<u>\$ 275,521.35</u>	<u>\$ 914,376.84</u>	<u>\$ 883,282.94</u>	<u>\$ 306,615.25</u>
		B	B-1	B-1	B

SCHEDULE OF ESCROW RESERVE AND DEPOSITS

B-7

	Reference	Balance December 31, 2011	Increased	Decreased	Balance December 31, 2012
Street Opening Deposits	B	\$ 5,400.00	1,000.00	-	\$ 6,400.00
Performance Bond	B	1,000.00	-	-	1,000.00
Performance Bond Paramus Auto Mall	B	98,130.00	-	-	98,130.00
Board of Education	B	1,250.00	-	-	1,250.00
Fisher Scientific	B	6,000.00	-	-	6,000.00
Damage to Borough Property	B	7,829.27	95.10	-	7,924.37
Fair Lawn Commons Restoration Bond		26,922.04	-	-	26,922.04
Eldorado Village - Rent Board Capital Imp		2,665.87	-	-	2,665.87
Maintenance Bond-Hockey Rink		1,213.36	-	-	1,213.36
18-35 River Road LLC Escrow		93,060.00	-	75,628.40	17,431.60
CDBG- Senior Kitchen		5,000.00	-	-	5,000.00
Zoning Board Escrow		54,854.19	37,019.93	49,941.12	41,933.00
Planning Board Escrow		116,304.87	126,090.00	93,466.61	148,928.26
Council Escrow		17,540.00	4,800.00	7,560.00	14,780.00
		<u>\$ 437,169.60</u>	<u>\$ 169,005.03</u>	<u>\$ 226,596.13</u>	<u>\$ 379,578.50</u>
		B	B-1	B-1	B

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF DONATION RESERVE AND DEPOSITS**

**B-8**

	Balance December 31, 2011	Increase	Decrease	Balance December 31, 2012
Human Services Donations	\$ 19,894.68	\$ 14,874.49	\$ 8,731.28	\$ 26,037.89
Tree Planting Donations	1,713.00	500.00		2,213.00
Economic Development Donations	2,141.72			2,141.72
Flower Pot Donations	976.00			976.00
Community Police Donations	12,308.83	700.00	858.50	12,150.33
Reserve Police Donations	2,093.17			2,093.17
Concert Donations	16,461.00	3,000.00		19,461.00
Fireworks Donations	13,529.12	18,922.00	3,425.60	29,025.52
Fire Victims Donations	984.63			984.63
Camp Donations	343.06			343.06
Civil War Event Donations	921.71			921.71
Fire Department Donations	4,482.84		1,399.50	3,083.34
Hepatitis Shot Donations	2,023.96			2,023.96
LEPC Account Donations	31.00			31.00
Senior Center Donations	1,934.98	1,639.28	1,597.75	1,976.51
Adopt a Bench Donations	3,229.00			3,229.00
Safety Program Donations	252.11			252.11
Police Explorers Donations	3,206.77	10,550.00	5,070.00	8,686.77
Collura Memorial Donations	2,890.00			2,890.00
Police Vests Donations	5,750.00	1,350.00	1,350.00	5,750.00
F1 Vol Coalition Donations	14.65	368.35		383.00
Certification Donations	3,295.76	500.00		3,795.76
	<u>\$ 98,477.99</u>	<u>\$ 52,404.12</u>	<u>\$ 22,432.63</u>	<u>\$ 128,449.48</u>
	B	B-1	B-1	B

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR ANIMAL TRUST FUND EXPENDITURES**

	<u>Reference</u>		<b>B-9</b>
Balance December 31, 2011	B		\$ 47,808.00
Increased by:			
Dog License Fees:			
Collections	B-1	21,462.80	
Prepays Applied	B-2	<u>1,088.00</u>	
			<u>22,550.80</u>
Cat License Fees	B-1		3,736.00
Miscellaneous Revenue:			
Impound Fees		1,880.00	
Late Fees - Dog		4,725.00	
Animal Removal Fees		<u>135.00</u>	
	B-1		<u>6,740.00</u>
			<u>33,026.80</u>
			80,834.80
Decreased by:			
Cash Disbursements	B-1		<u>62,578.34</u>
Balance December 31, 2012	B		<u>\$ 18,256.46</u>
Animal License Fees Collected:			
		<u>Year</u>	
		2010	\$ 26,086.00
		2011	<u>31,025.00</u>
			<u>Maximum Reserve</u>
			<u>\$ 57,111.00</u>

**SCHEDULE OF RESERVE FOR STATE UNEMPLOYMENT**

	<u>Reference</u>		<b>B-10</b>
Balance December 31, 2011	B		\$ 85,686.25
Increased by:			
Budget Appropriation	B-1	90,000.00	
Payroll Deductions	B-1	38,993.72	
Interest on Investments	B-1	<u>251.56</u>	
			<u>129,245.28</u>
			214,931.53
Decreased by:			
Accounts Payable- State of NJ	B-4	10,812.27	
Due to State of New Jersey	B-1	<u>73,517.30</u>	
			<u>84,329.57</u>
Balance - December 31, 2012	B		<u>\$ 130,601.96</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR WORKER'S COMPENSATION TRUST**

	Reference		
Balance - December 31, 2011	B		\$ 140,581.45
Increased by:			
Budget Appropriations	B-1	370,000.00	
Water Operating Utility - Budget Appropriation	B-1	100,000.00	
Insurance Reimbursements	B-1	51,166.83	
Interest on Investments	B-1	<u>243.91</u>	
			<u>521,410.74</u>
			661,992.19
Decreased by:			
Payment of Claims	B-1		<u>654,459.59</u>
Balance - December 31, 2012	B		<u><u>\$ 7,532.60</u></u>

**SCHEDULE OF RESERVE FOR LIABILITY  
INSURANCE TRUST FUND EXPENDITURES**

	Reference		
Balance - December 31, 2011	B		\$ 713,084.80
Increased by:			
Budget Appropriations	B-1	650,000.00	
Water Opening Utility Budget Appropriation	B-1	150,000.00	
Insurance Reimbursements	B-1	292,335.21	
Interest on Investments	B-1	<u>2,243.51</u>	
			<u>1,094,578.72</u>
			\$ 1,807,663.52
Decreased by:			
Due to Current Fund	B-5	2,501.81	
Payment of Claims	B-1	<u>556,562.96</u>	
			<u>559,064.77</u>
Balance - December 31, 2012	B		<u><u>\$ 1,248,598.75</u></u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR HEALTH BENEFITS PLAN EXPENDITURE**

	Reference			B-13
Balance - December 31, 2011	B	\$ 381,629.73		
Increased by:				
Due from Current Fund	B-5	278,568.25		
Cash Receipts	B-1	7,916,270.04		
Interest on Investments	B-1	<u>3,753.74</u>		
			8,198,592.03	
			<u>8,580,221.76</u>	
Decreased by:				
Payment of Claims	B-1		<u>6,878,395.56</u>	
Balance - December 31, 2012	B		<u><u>\$ 1,701,826.20</u></u>	

**SCHEDULE OF RESERVE FOR COUNCIL ON AFFORDABLE HOUSING EXPENDITURES**

	Reference			B-14
Balance - December 31, 2011	B	\$ 20,463.32		
Increased by:				
Audit Adjustment	B-5	3.00		
Receipts	B-1	<u>4,440.23</u>		
			<u>4,443.23</u>	
Balance - December 31, 2012	B		<u><u>\$ 24,906.55</u></u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR LIBRARY EXPENDITURES**

**B-15**

	Reference	
Balance December 31, 2011	B	\$ 20,370.00
Increased by:		
Interest	B-1	61.28
		20,431.28
Decreased by:		
Adjustment- Prior Year Disbursements	B-1	4,077.65
		4,077.65
Balance December 31, 2012	B	\$ 16,353.63

**SCHEDULE OF RESTRICTED RESERVE FOR LIBRARY EXPENDITURES**

**B-16**

Balance December 31, 2011	\$ 92,471.00
Balance December 31, 2012	\$ 92,471.00

Analysis of Balance

Eva Kaplan Trust Fund	\$ 17,921.00
Shirley T. Rosen Trust Fund	69,050.00
Endowment Program - Pavers	5,500.00
	\$ 92,471.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR CAFETERIA PLAN EXPENDITURES**

B-17

	Reference	
Balance December 31, 2011	B	\$ 9,834.69
Increased by:		
Cash Receipts	B-1	8,992.00
		<u>18,826.69</u>
Decreased by:		
Cash Disbursements	B-1	6,300.00
		<u>6,300.00</u>
Balance December 31, 2012	B	<u>\$ 12,526.69</u>

**SCHEDULE OF SERVICE AWARD CONTRIBUTIONS RECEIVABLES**

B-18

Balance December 31, 2011	B	\$ 83,600.00
Increased by:		
Service Award Contributions Receivable	B-19	77,714.00
		<u>161,314.00</u>
Decreased by:		
Contributions Deposited	B-1	83,600.00
		<u>83,600.00</u>
Balance December 31, 2012	B	<u>\$ 77,714.00</u>

**SCHEDULE OF NET ASSETS AVAILABLE FOR BENEFITS**

B-19

Balance December 31, 2011		\$ 734,687.20
Increased by:		
Contributions- Receivable	B-18	77,714.00
Additional Contributions - Prior Year		-
Interest/ Gain on Investments	B-1	72,152.10
		<u>149,866.10</u>
Decreased by:		
Plan Service Charges	B-1	370.81
Distributions	B-1	25,277.76
		<u>25,648.57</u>
Balance December 31, 2012		<u>\$ 858,904.73</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

C-2

**SCHEDULE OF CASH**

	<u>Reference</u>		
Balance December 31, 2011	C		\$ 3,586,026.20
Increased By:			
State Grants and County Grants	C-4	\$ 196,903.86	
Federal Grants	C-5	101,295.35	
Open Space Trust Fund	C-7,19	185,500.00	
Premium on Note Sale	C-1	54,560.00	
Capital Improvement Fund	C-16	175,000.00	
Bond Anticipation Notes	C-11	6,600,000.00	
Special Reserves	C-12	14,700.00	
Interest on Investments	C-17	<u>10,891.94</u>	
			<u>7,338,851.15</u>
Decreased by Disbursements:			
Bond Anticipation Notes Paid	C-11	5,500,000.00	
Improvement Authorizations	C-13	490,185.49	
Interfunds	C-17	1,300,000.00	
Encumbrances payable	C-10	<u>750,914.67</u>	
			<u>8,041,100.16</u>
Balance December 31, 2012	C		<u><u>2,883,777.19</u></u>

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF CASH

C-3

Fund Balance	\$ 74,817.59
State and County Grants Receivable	(290,927.50)
Federal Grants Receivable	(425,897.08)
Interfund Accounts Receivable	(1,544,042.82)
Encumbrances Payable	1,762,777.16
Special Reserves	40,839.00
Reserve for Public Works Employment Act of 1976	1,750.21
Reserve for Unappropriated State Grant	15,464.00
Capital Improvement Fund	150,881.50
Reserve for Grants Receivable	18,243.00

Improvement Authorizations:

Ordinance

<u>Number</u>	<u>Improvement Description</u>	
1460	Improvements to Municipal Building	12,812.21
1548/1578	Improvement to Library	830.00
1565/1571	Improvements to Pollitt and Banta Place	253,874.07
1592	Improvements to Columbia Terrace Park	2,226.87
1641/1700	Improvement of Plaza Road, Section 3 & 4 (DOT)	13,396.76
1735	Improvement to River Road (DOT)	2,969.72
1736	Lyncrest Flashing Lights (DOT)	5,990.26
1767	Improvements to Radburn Pathways (DOT)	769.00
1794/1807	Various Improvements - Pool/Tennis Courts	(27,800.00)
1801	Acquisition of Telephone System, ATM, Improvements to Walsh Pool	(18,325.00)
1809	Multiple Purpose	126,994.30
1845	Multiple Purpose	153,528.81
1884	Multiple Purpose	64,147.36
1917	Pollitt Drive Improvements	851.54
1922	Multiple Purpose	31,920.40
1929	Multiple Purpose	31,002.39
1941	Multiple Purpose	72,688.73
1953	Multiple Purpose	(79,116.22)
1965	Multiple Purpose	(11,485.74)
1992	Multiple Purpose	(5,147.65)
2017	Multiple Purpose	146,944.45
2021	Improvements to Library	40.58
2030	Multiple Purpose	52,706.61
2053	Multiple Purpose	(39,028.04)
2074	Multiple Purpose	510,498.81
2090	Acquisition of Computers and Network	(437.99)
2122	Multiple Purpose	567,986.86
2155	Acquisition of Lands	149,500.00
2156	Installation of Athletic Field and Pool Fencing	1.00
2159	Various Public Improvements	203,960.99
2170	Senior Center Building Renovations	5,820.00
2182	Acquisition of Equipment - Police Department	6,067.00
2183	ADA ramps/ Curbs/ Sidewalks	7,427.50
2185	Fire Department Equipment/ Equipment and Supplies for Fire Prevention Office	499.70
2188	Construction of Warren Point Skate Park	3,640.00
2194	Varios Improvements	422,867.69
2210	Varios Improvements	(322,118.36)
2212	County-wide ADA Ramps, Curbs and Sidewalks	65,000.00
2214	Acquisition of Real Property, 1206/18	402,688.47
2217	Emergency Services Equipment	75,000.00
2219	Various Improvements	178,275.19
2220	Improvement of Various Roads	439,323.13
2233	Broadway Corridor	150,000.00
2235	Bergen County Open Space	39,000.00
2244	Road Improvements	(5,750.00)
2245	Various Improvements	(1,083,795.52)
2246	Barrier Free ADA Curbs	20,000.00
2247	Broadway Corridor Phase 2	146,500.00
2254	4-50 Second Street	305,126.25

\$ 2,883,777.19

Reference

C, C-2

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

C-4

SCHEDULE OF STATE & COUNTY GRANTS RECEIVABLE

<u>New Jersey Transportation Trust Fund:</u>	Grant Amount	Year	Ordinance	Balance Dec. 31, 2011	2012 Grants Authorized	Canceled/ Received	Balance Dec. 31, 2012
Improvement of Plaza Road - Section 3	\$ 350,000.00	1996/97	1641/1700	28,394.60		28,394.60	-
Installation of School Warning Flashers at Lyndcrest School	20,000.00	1998	1736	6,296.02		6,296.02	-
Improvement of Radburn Pathways	95,000.00	1999	1767	32.90		32.90	-
Columbia Terrace Bike Path	60,000.00	2000	1779	8,283.20		8,283.20	-
Improvements to 17th Street	50,000.00	2004	1986	20,000.00		20,000.00	-
Improvements to Various Streets	50,000.00	2004	1970	50,000.00		50,000.00	-
Improvements to River Road	25,000.00	2007	2082	1,664.36		1,664.36	-
Improvements to Pellack Drive	100,000.00	2009	2162	100,000.00		100,000.00	-
Improvements to Berdan Avenue & Phillip St.	115,000.00	2010	2187	115,000.00		115,000.00	-
<u>New Jersey Department of Environment Protection</u>							
Statewide Livable Communities Grant	252,500.00	2003	1951	36,134.36		36,134.36	-
<u>Bergen County Open Space Preservation Trust Fund:</u>							
Ball Field Improvements	50,000.00	2004	1988	50,000.00		50,000.00	-
Berdan Grove Park	50,000.00	2004	1988	18,223.25		18,223.25	-
Berdan Grove Basketball Lighting	17,500.00	2006	2055	3,332.00		3,332.00	-
Installation of Athletic Field and Pool Fencing	56,500.00	2009	2156	5,873.75		5,873.75	-
Construction of Warren Point State Park	30,000.00	2010	2188	30,000.00			30,000.00
Naugle Plan	19,500.00	2012	2235		19,500.00		19,500.00
<u>Green Acres</u>							
2nd Street Property	146,000.00	2012	2254		146,000.00		146,000.00
<u>Bergen County Dept. of Public Works</u>							
County-wide ADA Ramps/Curbs/Sidewalks	88,270.00	2010	2183	7,427.50			7,427.50
County-wide ADA Ramps/Curbs/Sidewalks	65,000.00	2011	2212	65,000.00			65,000.00
<u>New Jersey Department of Law &amp; Public Safety</u>							
Body Armor Replacement Grant	14,412.00	2010	2182				-
<u>New Jersey Department of Community Affairs</u>							
<u>State-wide Livable Communities Grant:</u>							
Improvements to Library	23,000.00	2005	2021	23,000.00			23,000.00
				<u>\$ 568,661.94</u>	<u>165,500.00</u>	<u>443,234.44</u>	<u>290,927.50</u>
				C	C-19	Below	C
				Canceled	C-1	246,330.58	
				Cash Received	C-2	<u>196,903.86</u>	
					Above	<u>\$ 443,234.44</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF FEDERAL GRANTS RECEIVABLE

C-5

<u>Community Development Block Grant:</u>	Grant <u>Amount</u>	<u>Year</u>	<u>Ordinance</u>	Balance <u>Dec. 31, 2011</u>	2012 Grants <u>Authorized</u>	Canceled/ <u>Received</u>	Balance <u>Dec. 31, 2012</u>
Heights Area Roadway Improvement	\$ 95,000.00	1989	1440	\$ 28,811.30		\$ 28,811.30	\$ -
Various Road Improvements			1351/1406	0.41			0.41
Various Road Improvements	69,100.00	1993	1542	8,267.27		5,799.00	2,468.27
Barrier-Free Municipal Buildings	98,000.00	1994	1562b	60,063.50		60,063.50	-
Barrier-Free Senior Center	60,000.00	1955	1601	367.15		367.15	-
Road Resurfacing and Barrier-Free Curb Cuts	80,000.00	1996	1644	6,325.19		6,325.19	-
	40,000.00	1999	Reserve	2,814.83		2,814.83	-
Improvements to Public Library	39,280.00	1997	1704a	13,408.36		13,408.36	-
Memotail Park Rink; Warren Pt. Playground	45,000.00	2001	1864	2,421.00		2,421.00	-
Multiple Purpose	125,000.00	2002	1900	17,422.30		17,422.30	-
Improvements to Senior Center	38,000.00	2004	1971	3,000.00		3,000.00	-
Senior Center Improvements	49,879.00	2006	2045	20,479.00		20,479.00	-
Roadway Improvements	108,000.00	2006	2046	6,319.06		6,319.06	-
Senior Center Building Improvements	40,000.00	2010	2170	40,000.00		33,430.00	6,570.00
Barrier-Free Curb Cuts	25,000.00	2011	2206	25,000.00		25,000.00	-
ADA Access Improvements to Memorial Pool	40,000.00	2011	2206	40,000.00		40,000.00	-
ADA Barrier Free Curb Cuts	20,000.00	2012	2246		20,000.00		20,000.00
Senior Center Improvements	30,000.00	2012	2248		30,000.00		30,000.00
<b>Total Community Development Block Grants</b>				<u>274,699.37</u>	<u>50,000.00</u>	<u>265,660.69</u>	<u>59,038.68</u>
<u>New Jersey Transportation Trust Fund</u>							
(Pass-through from Federal)							
Pollitt Extensions and McBride Ave.	90,000.00	2002	1917	7.91			7.91
20th, Fairclough, Kipp, and Romaine St.	45,000.00	2003	1950	13,979.49			13,979.49
Improvements to B'Way- Phase I	150,000.00	2012	2233		150,000.00		150,000.00
Improvements to B'Way- Phase II	146,500.00	2012	2247		146,500.00		146,500.00
				<u>13,987.40</u>	<u>296,500.00</u>		<u>310,487.40</u>
<u>U.S. Department of Homeland Security:</u>							
Assistance to Firefighters Grant - FEMA	87,638.00	2010	2185	121.00			121.00
Assistance to Firefighters Grant - FEMA	56,250.00	2011	2217	56,250.00			56,250.00
<b>Total U.S. Department of Homeland Security</b>				<u>56,371.00</u>	<u>0.00</u>	<u>0.00</u>	<u>56,371.00</u>
				<u>\$ 345,057.77</u>	<u>\$ 346,500.00</u>	<u>\$ 265,660.69</u>	<u>\$ 425,897.08</u>
				C	C-19	Below	C
				Canceled	C-1	164,365.34	
				Cash Received	C-2	<u>101,295.35</u>	
						<u>\$ 265,660.69</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

C-6

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance December 31, 2011	C		\$ 29,900,000.00
Decreased by:			
Current Year Budget Appropriations:			
Capital Lease Principal	C-9	515,000.00	
Serial Bond Principal	C-8	<u>1,750,000.00</u>	<u>2,265,000.00</u>
Balance December 31, 2012	C		<u>\$ 27,635,000.00</u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

C-7

Ordinance Number	Improvement Description	Balance December 31, 2011	2012 Authorizations	Canceled/ Funded	Balance December 31, 2012	Expenditures	Unexpended Improvement Authorization
<u>General Improvements</u>							
1794/1807	Various Improvements- Pool/Tennins Courts	\$ 27,800.00			27,800.00	27,800.00	-
1801	Acquisition of Telephone System, ATM and Improvements to Walsh Pool	18,325.00			18,325.00	18,325.00	-
1884	Multiple Purpose	119,000.00			119,000.00		119,000.00
1922	Multiple Purpose	70,850.00			70,850.00		70,850.00
1929	Multiple Purpose	214,995.00			214,995.00		214,995.00
1941	Multiple Purpose	1,055,000.00			1,055,000.00	27,311.27	1,027,688.73
1953	Multiple Purpose	80,000.00			80,000.00	79,116.22	883.78
1965	Multiple Purpose	375,000.00			375,000.00	11,485.74	363,514.26
1992	Multiple Purpose	271,000.00			271,000.00	5,147.65	265,852.35
2017	Multiple Purpose	250,000.00			250,000.00	53,055.55	196,944.45
2030	Multiple Purpose	76,000.00			76,000.00		76,000.00
2053	Multiple Purpose	1,250,000.00			1,250,000.00	339,028.04	910,971.96
2074	Multiple Purpose	1,080,000.00			1,080,000.00	239,501.19	840,498.81
2090	Acquisition of Computers and Network	600.00			600.00	437.99	162.01
2122	Multiple Purpose	1,096,000.00			1,096,000.00	432,013.14	663,986.86
2155	Acquisition of Lands	2,990,000.00			2,990,000.00		2,990,000.00
2159	Various Public Improvements	1,619,500.00			1,619,500.00	846,039.01	773,460.99
2182	Acquisition of Equipment - Police Department	43,300.00			43,300.00	33,933.00	9,367.00
2185	Fire Department Equipment/Equipment and Supplies for Fire Prevention Office	12,218.90			12,218.90	9,500.30	2,718.60
2194	Various Improvements	1,232,000.00		13,408.36	1,218,591.64	777,132.31	441,459.33
2210	Reapeal 2204-10: Acquisition of the Naugle House Property	1,761,000.00		1,195,481.00	565,519.00	372,118.36	193,400.64
2214	Acquisition of Real Property, 1206/18	413,250.00			413,250.00		413,250.00
2219	Various Improvements	1,051,000.00			1,051,000.00	821,724.81	229,275.19
2220	Improvements to Various Roads	580,000.00			580,000.00	60,676.87	519,323.13
2233	Broadway Corridor		150,000.00	150,000.00	-		-
2235	Bergen County Open Space		39,000.00	39,000.00	-		-
2244	Road Improvements		510,000.00	25,000.00	485,000.00	5,750.00	479,250.00
2245	Various Improvements		2,781,000.00	133,000.00	2,648,000.00	1,083,795.52	1,564,204.48
2246	Barrier Free ADA Curbs		20,000.00	20,000.00	-		-
2247	Broadway Corridor Phase 2		146,500.00	146,500.00	-		-
2248	Senior Center Improvements		30,000.00	30,000.00	-		-
2254	4-50 Second Street		312,000.00	312,000.00	-		-
		<u>\$ 15,686,838.90</u>	<u>\$ 3,988,500.00</u>	<u>\$ 2,064,389.36</u>	<u>\$ 17,610,949.54</u>	<u>\$ 5,243,891.97</u>	<u>\$ 12,367,057.57</u>
		C	C-19	Below	C	C-13	C-13

Funded by Federal Grants	C-5	346,500.00
Funded by State and County Grants	C-4	165,500.00
Funded by Open Space Trust Fund	C-2	185,500.00
Canceled	C-7	13,408.36
Reserve for Payment of Debt	C-12	1,195,481.00
Capital Imp Fund	C-16	158,000.00
	Above	<u>\$ 2,064,389.36</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

C-8

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2012		Interest Rate	Balance		Balance December 31, 2012
			Date	Amount		December 31, 2011	Decreased	
Multiple - Purpose	December 1, 2001	15,255,000.00	12/01/13-14	1,200,000.00	4.500%	\$ 6,005,000.00	1,200,000.00	4,805,000.00
			12/01/15	1,200,000.00	4.500%			
			12/01/16	1,205,000.00	4.625%			
Multiple - Purpose	December 15, 2010	13,415,000.00	12/15/13	575,000.00	3.000%	12,865,000.00	550,000.00	12,315,000.00
			12/15/14	650,000.00	3.000%			
			12/15/15	725,000.00	3.000%			
			12/15/16	785,000.00	3.000%			
			12/15/17	880,000.00	3.000%			
			12/15/18	905,000.00	3.000%			
			12/15/19	920,000.00	3.000%			
			12/15/20	935,000.00	3.250%			
			12/15/21	950,000.00	3.500%			
			12/15/22	965,000.00	3.500%			
			12/15/23	980,000.00	3.750%			
			12/15/24	995,000.00	3.750%			
			12/15/25	1,025,000.00	3.875%			
			12/15/26	1,025,000.00	4.000%			
						<u>\$ 18,870,000.00</u>	<u>\$ 1,750,000.00</u>	<u>17,120,000.00</u>
						C	C-6	C

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF CAPITAL LEASES PAYABLE

C-9

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturates of Bonds Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>New Issuance</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
Recreation Center	11/15/2004	12,860,000.00	9/15/2015	405,000.00	2.000%	\$ 11,030,000.00		\$ 515,000.00	10,515,000.00
			9/15/2016	410,000.00	1.500%				
			9/15/2017	415,000.00	1.500%				
			9/15/2018	420,000.00	3.000%				
			9/15/2019	435,000.00	4.000%				
			9/15/2020	450,000.00	2.000%				
			9/15/2021	460,000.00	2.000%				
			9/15/2022	470,000.00	2.000%				
			9/15/2023	480,000.00	2.125%				
			9/15/2024	490,000.00	2.250%				
			9/15/2025	500,000.00	4.000%				
			9/15/2026	520,000.00	4.000%				
			9/15/2027	540,000.00	2.750%				
			9/15/2028	555,000.00	5.000%				
			9/15/2029	585,000.00	5.000%				
			9/15/2030	610,000.00	5.000%				
			9/15/2031	640,000.00	5.000%				
9/15/2032	675,000.00	5.000%							
9/15/2033	710,000.00	5.000%							
9/15/2034	745,000.00	5.000%							
						<u>\$ 11,030,000.00</u>	<u>\$ -</u>	<u>\$ 515,000.00</u>	<u>10,515,000.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR ENCUMBRANCES PAYABLE**

	<u>Reference</u>	C-10
Balance December 31, 2011	C	\$ 750,914.67
Increased by:		
Charged to Improvement Authorizations	C-13	<u>1,762,777.16</u> \$ 2,513,691.83
Decreased by:		
Payments	C-2	<u>750,914.67</u>
Balance December 31, 2012	C	<u><u>\$ 1,762,777.16</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE**

C-11

Ord. No.	Improvement Description	Date of Issue Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
1941	Multiple Purpose (CDBG)	9/22/2011	9/22/2012	09/20/2013	1.00%	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
2017	Multiple Purpose	9/22/2011	9/22/2012	09/20/2013	1.00%	200,000.00	200,000.00	200,000.00	200,000.00
2053	Multiple Purpose	9/22/2011	9/22/2012	09/20/2013	1.00%	300,000.00	300,000.00	300,000.00	300,000.00
2074	Multiple Purpose	9/22/2011	9/22/2012	09/20/2013	1.00%	250,000.00	750,000.00	250,000.00	750,000.00
2122	Multiple Purpose	9/22/2011	9/22/2012	09/20/2013	1.00%	500,000.00	1,000,000.00	500,000.00	1,000,000.00
2159	Various Public Improvements	9/22/2011	9/22/2012	09/20/2013	1.00%	900,000.00	1,050,000.00	900,000.00	1,050,000.00
2182	Acquisition of Equipment - Police Department	9/22/2011	9/22/2012	09/20/2013	1.00%	40,000.00	40,000.00	40,000.00	40,000.00
2185	Fire Department Equipment/ Equipment and Supplies for Fire Prevention Office	9/22/2011	9/22/2012	09/20/2013	1.00%	10,000.00	10,000.00	10,000.00	-
2194	Various Improvements	9/22/2011	9/22/2012	09/20/2013	1.00%	500,000.00	1,200,000.00	500,000.00	1,200,000.00
2210	Various Improvements	9/22/2011	9/22/2012	09/20/2013	1.00%	1,250,000.00	50,000.00	1,250,000.00	50,000.00
2214	Acquisition of Real Property, 1206/18	9/22/2011	9/22/2012	09/20/2013	1.00%	400,000.00	400,000.00	400,000.00	400,000.00
2219	Various Improvements	9/22/2011	9/22/2012	09/20/2013	1.00%	550,000.00	1,000,000.00	550,000.00	1,000,000.00
2220	Improvement of Various Roads	9/22/2011	9/22/2012	09/20/2013	1.00%	500,000.00	500,000.00	500,000.00	500,000.00
						<u>\$ 5,500,000.00</u>	<u>\$ 6,600,000.00</u>	<u>\$ 5,500,000.00</u>	<u>\$ 6,600,000.00</u>
						C	C-2, Below	C-2, Below	C
						New Issues	C-19	2,300,000.00	
						Non Renewed BANS		4,519.00	
						Reserve for Pmt Bond Ant Notes	C-7	1,195,481.00	
						Renewals	<u>4,300,000.00</u>	<u>4,300,000.00</u>	
						Above	<u>\$ 6,600,000.00</u>	<u>\$ 5,500,000.00</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF SPECIAL RESERVES**

C-12

	Balance <u>December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>December 31, 2012</u>
Ordinance 1737	\$ 1,127.00	-		1,127.00
Community Development Block Grants	25,012.00	-		25,012.00
JP Morgan Co-operative Parking Lot		14,700.00		14,700.00
Ordinance 2210	<u>1,195,481.00</u>		<u>1,195,481.00</u>	<u>-</u>
	<u>\$ 1,221,620.00</u>	<u>\$ 14,700.00</u>	<u>\$ 1,195,481.00</u>	<u>\$ 40,839.00</u>
	C	C-2	C-7,11	Below

Analysis of Balance

Reserve for Payment of Debt- Barrier Free Curb Cuts	C	\$ 26,139.00
Reserve for JP Morgan Co-operative Parking Lot	C	<u>14,700.00</u>
	Above	<u>\$ 40,839.00</u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF RESERVE FOR PUBLIC WORKS ACT OF 1976

C-14

	<u>Reference</u>	
Balance December 31, 2011	C	\$ 1,750.21
Balance December 31, 2012	C	<u>\$ 1,750.21</u>

SCHEDULE OF RESERVE FOR UNAPPROPRIATED STATE GRANT  
NEW JERSEY STORMWATER MANAGEMENT GRANT

C-15

	<u>Reference</u>	
Balance December 31, 2011	C	\$ 15,464.00
Balance December 31, 2012	C	<u>\$ 15,464.00</u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

C-16

	Reference	
Balance December 31, 2011	C	\$ 133,881.50
Increased by:		
Budget Appropriation	C-2	<u>175,000.00</u> 308,881.50
Decreased by:		
Appropriation to Finance Improvement Authorizations	C-7, 19	<u>158,000.00</u>
Balance December 31, 2012	C	<u><u>\$ 150,881.50</u></u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF INTERFUNDS**

C-17

	Due From/(to) Balance <u>December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(to) Balance <u>December 31, 2012</u>
Current Fund	\$ (40,375.37)	-	10,891.94	(51,267.31)
Federal and State Grant Fund	300,000.00	200,000.00	-	500,000.00
Water Utility Capital Fund		1,100,000.00		1,100,000.00
Water Utility Operating Fund	(4,689.87)		-	(4,689.87)
	<u>\$ 254,934.76</u>	<u>\$ 1,300,000.00</u>	<u>\$ 10,891.94</u>	<u>1,544,042.82</u>
 <u>Analysis of Balance</u>				
Due to General Capital Fund	\$ 300,000.00	1,300,000.00	-	1,600,000.00
Due from General Capital Fund	(45,065.24)	-	10,891.94	(55,957.18)
	<u>\$ 254,934.76</u>	<u>1,300,000.00</u>	<u>10,891.94</u>	<u>1,544,042.82</u>
	C	Below	Below	C
 Cash Receipts:				
Interest on Investments	C-2	-	10,891.94	
Cash Disbursements	C-2	1,300,000.00	-	
	Above	<u>\$ 1,300,000.00</u>	<u>\$ 10,891.94</u>	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF FAIR LAWN  
 CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR GRANTS RECEIVABLE**

C-18

	Reference	
Balance December 31, 2011	C	<u>\$ 18,243.00</u>
Balance December 31, 2012	C	<u><u>\$ 18,243.00</u></u>
 <u>Analysis of Balance</u>		
Salt Shed/Glen Road		\$ 3,255.00
Various Other Grants		<u>14,988.00</u>
	C	<u><u>\$ 18,243.00</u></u>

See independent auditor's report and the notes to the financial statements.



BOROUGH OF FAIR LAWN  
WATER UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF CASH AND CASH EQUIVALENTS - TREASURER**

D-5

	<u>Reference</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2011	D	\$ <u>1,247,331.72</u>	\$ <u>687,395.65</u>
Increased by Cash Receipts:			
Water Collector	D-8	5,882,134.94	
Interest on Investments- Water Capital	D-7		2,115.83
Interest on Investments- Water Operating	D-3	5,136.79	
Miscellaneous Income	D-3	7,405.86	
Water Rent Overpayment	D-14	2,587.50	
Capital Improvement Fund	D-20		12,000.00
Bond Anticipation Notes	D-24		1,400,000.00
Interfunds	D-19		2,100,000.00
		<u>5,897,265.09</u>	<u>3,514,115.83</u>
Decreased by Cash Disbursements:			
2012 Appropriations	D-4	4,300,506.66	
2011 Appropriation Reserves	D-12	140,958.56	
Water Rent Overpayments	D-14	2,290.50	
Accrued Interest Payment	D-15	9,322.00	
Bond Anticipation Notes Paid	D-24		700,000.00
Improvement Authorizations	D-18		130,953.13
		<u>4,453,077.72</u>	<u>830,953.13</u>
Balance December 31, 2012	D	\$ <u><u>2,691,519.09</u></u>	\$ <u><u>3,370,558.35</u></u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**ANALYSIS OF CASH**

D-6

	Balance <u>December 31, 2012</u>
Fund Balance	\$ 97,356.35
Capital Improvement Fund	13,500.00
Encumbrance Payable	66,646.07
Interfunds Accounts Payable	2,431,713.97
Improvement Authorizations Ordinance	-

<u>Number</u>	<u>General Improvements</u>		
1371	Multiple Purpose		(8,614.00)
1456	Multiple Purpose		(1,318.00)
1729	Multiple Purpose	1572	(33,724.95)
1756	Multiple Purpose		7,339.13
1771	Multiple Purpose	1597	3,707.47
1810	Multiple Purpose		7,577.23
1846	Improvements to the Water System		(7,400.65)
1863	Multiple Purpose		4,267.79
1930	Improvements to the Water System		783.00
1942	Multiple Purpose		4,242.00
1993	Multiple Purpose		172.99
2031	Multiple Purpose		519,914.91
2054	Improvements to the Water System		28,444.07
2123	Improvements to the Water System		(61,521.70)
2160	Improvements to the Water System		80,238.72
2195	Improvements to the Water System		(50,500.00)
2218	Various Improvements to Water System		203,618.95
2243	Improvements to the Water System		<u>64,115.00</u>
	Water Capital Cash	D	<u><u>3,370,558.35</u></u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF INTERFUNDS**

D-7

	Due from/(To) Balance <u>December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(To) Balance <u>December 31, 2012</u>
Current Fund	\$ 164,374.46	\$ -	\$ 6,980.56	\$ 157,393.90
General Capital Fund	4,689.87	-		4,689.87
Water Utility Capital Fund	<u>404,098.14</u>	<u>2,115.83</u>	<u>74,500.00</u>	<u>331,713.97</u>
	<u>\$ 573,162.47</u>	<u>\$ 2,115.83</u>	<u>\$ 81,480.56</u>	<u>\$ 493,797.74</u>
	D	Below	Below	D
Cash Receipts	D-5,7	\$ 2,115.83		
Bond Anticipation Note Interest	D-4		\$ 6,980.56	
Capital Improvement Fund	D-21		<u>74,500.00</u>	
	Above	<u>\$ 2,115.83</u>	<u>\$ 81,480.56</u>	

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF CONSUMERS' ACCOUNTS RECEIVABLE - OPERATING FUND**

**D-8**

	<u>Reference</u>	
Balance December 31, 2011	D	\$ 464,417.97
Increased by:		
2012 Levy		<u>5,933,292.92</u>
		6,397,710.89
Decreased by:		
Cash Receipts	D-3,5	<u>5,882,134.94</u>
Balance December 31, 2012	D	<u><u>\$ 515,575.95</u></u>

**INVENTORY - MATERIAL AND SUPPLIES**

**D-9**

Balance December 31, 2011	D	64,043.78
Increased by:		
Inventory Adjustment		<u>31,819.83</u>
Balance December 31, 2012	D	<u><u>\$ 95,863.61</u></u>

See independent auditor's report and the notes to financial statements.



BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

D-10

**SCHEDULE OF FIXED CAPITAL**

<u>Account</u>	<u>Balance</u> <u>December 31, 2011</u>	<u>Increased By</u> <u>Completed Projects</u>	<u>Balance</u> <u>December 31, 2012</u>
Springs and Wells	\$ 1,726,211.00	\$ 64,276.86	\$ 1,790,487.86
Land and Pumping Stations	231,878.00	23,218.00	255,096.00
Structure and Pumping Stations	149,876.00		149,876.00
Electrical Pumping Equipment	161,456.00		161,456.00
Miscellaneous Pumping Equipment	68,622.00		68,622.00
Storage Reservoirs and Tanks	567,062.00		567,062.00
Distribution Mains and Accessories	7,537,556.00		7,537,556.00
Meters	648,774.00	28,625.21	677,399.21
Fire Hydrants	74,201.00		74,201.00
Garage	39,068.00		39,068.00
Other Tangible Water Capital	424,436.00	31,151.00	455,587.00
Distribution Equipment	10,642.00	8,500.00	19,142.00
Engineering During Construction	156,076.00		156,076.00
Legal Expenses During Construction	20,243.00	824.67	21,067.67
Interest During Construction	35,641.00		35,641.00
Miscellaneous Charges During Construction	47,257.00	1,904.26	49,161.26
	<u>\$ 11,898,999.00</u>	<u>\$ 158,500.00</u>	<u>\$ 12,057,499.00</u>
	D	D-11	D

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

D-11

Ord. Number	Improvement Description	Original Issue		Balance December 31, 2011	2012 Authorizations	Decreased by Completed Projects	Balance December 31, 2012
		Date	Amount				
1572	Improvement of Water Supply and Distribution System	9/13/1994	\$ 232,400	\$ 232,400.00	-		232,400.00
1597	Improvement of Water Supply and Distribution System	5/20/1995	671,000	671,000.00	-		671,000.00
1639	Improvement of Water Supply and Distribution System	5/24/1996	488,600	458,600.00	-		458,600.00
1678	Multiple Purpose	3/25/1997	205,200	205,200.00	-		205,200.00
1729	Multiple Purpose	6/9/1998	434,600	434,600.00	-		434,600.00
1756	Multiple Purpose	5/4/1999	84,000	84,000.00	-		84,000.00
1771	Multiple Purpose	10/12/1999	55,900	55,900.00	-		55,900.00
1810	Multiple Purpose	9/5/2000	302,400	302,400.00	-		302,400.00
1846	Improvements to Water System	3/27/2001	265,965	265,965.00	-		265,965.00
1863	Multiple Purpose	7/25/2001	133,665	133,665.00	-		133,665.00
1930	Improvements to Water System	11/11/2002	257,145	257,145.00	-		257,145.00
1942	Multiple Purpose	3/25/2003	904,050	904,050.00	-		904,050.00
1993	Multiple Purpose	10/12/2004	690,900	690,900.00	-		690,900.00
2031	Multiple Purpose	10/11/2005	814,800	814,800.00	-		814,800.00
2054	Improvements to Water System	5/23/2006	373,800	373,800.00	-		373,800.00
2123	Improvements to Water System	8/19/2008	94,200	92,400.00	-		92,400.00
2160	Improvements to Water System	7/21/2009	294,000	294,000.00	-		294,000.00
2195	Improvements to Water System	9/21/2010	158,500	158,500.00	-	158,500.00	-
2218	Various Improvements to Water System	7/19/2011	280,500	280,500.00			280,500.00
2243	Various Improvements to Water System	9/11/2012	1,688,000		1,688,000.00		1,688,000.00
				\$ 6,709,825.00	\$ 1,688,000.00	\$ 158,500.00	\$ 8,239,325.00
				D	D-25	D-10	D

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND -CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF 2011 APPROPRIATION RESERVES

D-12

	<u>Balance</u> <u>December 31, 2011</u>	<u>Balance after</u> <u>Transfers and</u> <u>Encumbrances</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 29,077.00	\$ 29,077.00	\$ -	\$ 29,077.00
Other Expenses	481,691.29	627,482.23	140,958.56	486,523.67
Social Security	31,000.00	31,000.00	-	31,000.00
	<u>\$ 541,768.29</u>	<u>\$ 687,559.23</u>	<u>\$ 140,958.56</u>	<u>\$ 546,600.67</u>
	D	Below	D-5	D-1
Appropriation Reserves		D \$ 541,768.29		
Encumbrances		D <u>145,790.94</u>		
	Above	<u>\$ 687,559.23</u>		

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF ACCOUNTS PAYABLE

D-13

Balance December 31, 2011	D		\$ 3,233.56
Balance December 31, 2012	D		<u>\$ 3,233.56</u>

Analysis of Balance

<u>Purchase Order Number</u>	<u>Vendor</u>		
66679	Tilcon N.J. Inc.	\$	399.00
36118	Pagenet Inc.		51.00
	Pagenet Inc.		525.00
57217	American Nursery		35.00
58027	Ridgewood Water Department		2,224.00
			<u>(0.44)</u>
		\$	<u>3,233.56</u>

SCHEDULE OF WATER RENT OVERPAYMENTS

D-14

Balance December 31, 2011	D		\$ 6,820.72
Increased by:			
Current Year Overpayments	D-5		<u>2,587.50</u>
			9,408.22
Decreased by:			
Refunded	D-5		<u>2,290.50</u>
Balance December 31, 2012	D		<u>\$ 7,117.72</u>

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES

D-15

Balance December 31, 2011		\$	29,026.73
Increased by:			
Accrued Interest on Bonds -Budget Adjustmen	D-4		3,827.44
			32,854.17
Decreased by:			
Payments	D-5		9,322.00
			9,322.00
Balance December 31, 2012	D	\$	23,532.17

Analysis of Accrued Interest

<u>Principal Outstanding December 31, 2012</u>	<u>Period</u>	<u>Interest Rate</u>	<u>Amount</u>
Serial Bonds			
\$ 230,000.00	12/01/12-12/31/12	4.55%	975.00
2,000,000.00	12/15/12-12/31/12	3.00%	2,500.00
Bond Anticipation Notes			
1,400,000.00	09/22/12-12/31/12	1.00%	4,083.00
Unallocated Accruals			15,974.17
			\$ 23,532.17

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**SCHEDULE OF RESERVE FOR SUPERVISOR CONTRACT**  
**WATER UTILITY FUND**

D-16

	<u>Reference</u>	
Balance December 31, 2011	D	<u>\$ 7,200.00</u>
Balance December 31, 2012	D	<u><u>\$ 7,200.00</u></u>

**SCHEDULE OF RESERVE FOR ENCUMBRANCES PAYABLE**  
**WATER UTILITY FUND - CAPITAL FUND**

D-17

	<u>Reference</u>	
Balance December 31, 2011	D	\$ -
Increased by:		
Charged to Improvement Authorizations	D-18	<u>66,646.07</u>
Balance December 31, 2012	D	<u><u>\$ 66,646.07</u></u>

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

D-18

Ord. Number	Improvement Description	Ordinance		Balance December 31, 2011		2012 Authorizations	Expended	Balance December 31, 2012	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
1572	Improvement of Water Supply and Distribution System	9/13/1994	\$232,400.00		21,300.00				21,300.00
1597	Improvement of Water Supply and Distribution System	5/20/1995	671,000		150.00				150.00
1729	Multiple Purpose	6/9/1998	434,600		56,608.05				56,608.05
1756	Multiple Purpose	5/4/1999	84,000	7,339.13	10,000.00			7,339.13	10,000.00
1771	Multiple Purpose	10/12/1999	55,900	3,707.47				3,707.47	
1810	Multiple Purpose	9/5/2000	302,400	7,577.23	28,000.00			7,577.23	28,000.00
1846	Improvements to Water System	3/27/2001	265,965	563.36	23,300.00		7,964.01	-	15,899.35
1863	Multiple Purpose	6/25/2001	133,665	4,267.79	27,300.00			4,267.79	27,300.00
1930	Improvements to Water System	11/11/2002	257,145	8,283.00	39,898.00		7,500.00	783.00	39,898.00
1942	Multiple Purpose	3/25/2003	904,050	7,328.00	136,000.00		3,086.00	4,242.00	136,000.00
1993	Multiple Purpose	10/12/2004	690,900	172.99	129,000.00			172.99	129,000.00
2031	Multiple Purpose	10/11/2005	814,800		609,702.69		18,782.33		590,920.36
2054	Improvements to Water System	5/23/2006	373,800		89,614.62		1,170.55		88,444.07
2123	Improvements to Water System	9/19/2008	92,400		29,424.96		3,046.66		26,378.30
2160	Improvements to Water System	7/21/2009	92,400		111,709.10		1,470.38		110,238.72
2195	Improvements to Water System	9/21/2010	158,500		77,891.92		77,891.92		-
2218	Various Improvements to Water System	7/19/2011	280,500	13,421.00	267,000.00		59,802.35	-	220,618.65
2243	Various Improvements to Water System	9/11/2012	1,688,000			1,688,000.00	16,885.00	64,115.00	1,607,000.00
				<u>\$ 52,659.97</u>	<u>1,656,899.34</u>	<u>1,688,000.00</u>	<u>197,599.20</u>	<u>92,204.61</u>	<u>3,107,755.50</u>
				D	D	D-25	Below	D	D
						Encumbrances	D-17	66,646.07	
						Cash Disbursements	D-5	130,953.13	
								<u>197,599.20</u>	

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF INTERFUNDS  
WATER UTILITY CAPITAL FUND

D-19

	Due from/(To) Balance <u>December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(To) Balance <u>December 31, 2012</u>
Current Fund			\$ 1,000,000.00	\$ (1,000,000.00)
Capital Fund			1,100,000.00	(1,100,000.00)
Water Utility Operating Fund	<u>(404,098.14)</u>	<u>74,500.00</u>	<u>2,115.83</u>	<u>(331,713.97)</u>
	<u>\$ (404,098.14)</u>	<u>\$ 74,500.00</u>	<u>\$ 2,102,115.83</u>	<u>\$ (2,431,713.97)</u>
 <u>Analysis</u>				
Due From Water Utility Capital Fund	<u>(404,098.14)</u>	<u>74,500.00</u>	<u>2,102,115.83</u>	<u>(2,431,713.97)</u>
	<u>\$ (404,098.14)</u>	<u>\$ 74,500.00</u>	<u>\$ 2,102,115.83</u>	<u>\$ (2,431,713.97)</u>
	D	Below	Below	D
Capital Imp. Fund		74,500.00		
Cash Receipts	D-5		2,100,000.00	
Interest on Investments			<u>2,115.83</u>	
	Above	<u>\$ 74,500.00</u>	<u>\$ 2,102,115.83</u>	
		D-20	D-5	

See independent auditor's report and the notes to financial statements.



BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF CAPITAL IMPROVEMENT FUND

D-20

	<u>Reference</u>		
Balance December 31, 2011	D		\$ 8,000.00
Increased by:			
Due from Water Operating	D-7,19	74,500.00	
Cash Receipts	D-5	12,000.00	
2012 Budget Appropriation			86,500.00
			94,500.00
Decreased by:			
Appropriation to Finance Authorizations	D-25		81,000.00
Balance December 31, 2012	D		\$ 13,500.00

SCHEDULE OF RESERVE FOR AMORTIZATION

D-21

Balance December 31, 2011	D		\$ 12,846,444.24
Increased by:			
Completed Projects	D-22	8,000.00	
Budget Appropriation - Serial Bond Principal	D-23	366,000.00	
			374,000.00
Balance December 31, 2012	D		\$ 13,220,444.24

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF RESERVES FOR DEFERRED AMORTIZATION

D-22

Ord. Number	Improvement Description	Date	Balance			Balance
			December 31, 2011	Increased	Decreased	December 31, 2012
1371	Multiple Purpose	6/23/1987	\$ 86,349.00			\$ 86,349.00
1398	Multiple Purpose	6/28/1988	220,995.00			220,995.00
1456	Multiple Purpose	9/11/1990	138,361.00			138,361.00
1486	Multiple Purpose	6/20/1991	4,200.00			4,200.00
1506	Improvement of Water Supply and Distribution System	7/28/1992	5,300.00			5,300.00
1531	Multiple Purpose	6/22/1993	11,200.00			11,200.00
1534	Improvement of Water Supply and Distribution System	10/12/1993	59,750.00			59,750.00
1572	Improvement of Water Supply and Distribution System	9/13/1994	11,100.00			11,100.00
1597	Improvement of Water Supply and Distribution System	5/9/1995	32,000.00			32,000.00
1639	Improvement of Water Supply and Distribution System	5/24/1996	21,850.00			21,850.00
1678	Multiple Purpose	3/25/1997	12,717.00			12,717.00
1729	Multiple Purpose	6/9/1998	21,750.00			21,750.00
1756	Multiple Purpose	5/4/1999	(225.39)			(225.39)
1771	Multiple Purpose	10/12/1999	15,559.00			15,559.00
1810	Multiple Purpose	9/5/2000	31,056.00			31,056.00
1846	Improvements to Water System	3/27/2001	18,488.00			18,488.00
1863	Multiple Purpose	6/25/2001	24,547.00			24,547.00
1930	Improvements to Water System	11/11/2002	18,299.00			18,299.00
1942	Multiple Purpose	3/25/2003	61,370.00			61,370.00
1993	Multiple Purpose	10/12/2004	42,137.00			42,137.00
2031	Multiple Purpose	10/11/2005	40,159.00			40,159.00
2054	Improvements to Water System	5/23/2006	17,800.00			17,800.00
2123	Improvements to Water System	8/19/2008	4,500.00			4,500.00
2160	Improvements to Water System	7/21/2009	14,000.00			14,000.00
2195	Improvements to Water System	9/21/2010	8,000.00		8,000.00	-
2218	Various Improvements to Water System	7/19/2011	13,500.00	-		13,500.00
2243	Various Improvements to Water System	9/11/2012		81,000.00		81,000.00
			<u>\$ 934,761.61</u>	<u>\$ 81,000.00</u>	<u>\$ 8,000.00</u>	<u>\$ 1,007,761.61</u>
			D	D-25	D-21	D

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF WATER UTILITY SERIAL BONDS

D-23

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2012		Interest Rate	Balance		Balance December 31, 2012
			Date	Amount		December 31, 2011	Decreased	
Water Improvements	8/1/1997	2,621,000	8/1/2012	166,000	4.70%	\$ 166,000.00	166,000.00	\$ -
Water Improvements	12/1/2001	715,000	12/1/2013	60,000	4.40%	290,000.00	60,000.00	230,000.00
			12/1/2014	60,000	4.50%			
			12/1/2015	60,000	4.60%			
			12/1/2016	50,000	4.70%			
Water Improvements	12/15/2010	2,245,000	12/15/2013-19	200,000	3.00%	2,140,000.00	140,000.00	2,000,000.00
			12/15/2020	200,000	3.00%			
			12/15/2021	200,000	3.25%			
			12/15/2022	200,000	3.50%			
						2,596,000.00	366,000.00	2,230,000.00
						D	D-21	D

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
 WATER UTILITY FUND - CAPITAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

D-24

Ord Number	<u>Improvement Description</u>	Date of Issue <u>Original Notes</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Interest <u>Rate</u>	Balance <u>December 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>December 31, 2012</u>
2031	Multiple Purpose	9/22/2011	9/22/2012	9/20/2013	1.00%	\$ 300,000.00	600,000.00	\$ 300,000.00	\$ 600,000.00
2054	Improvement to Water System	9/22/2011	9/22/2012	9/20/2013	1.00%	100,000.00	200,000.00	100,000.00	200,000.00
2160	Improvement to Water System	9/22/2011	9/22/2012	9/20/2013	1.00%	150,000.00	250,000.00	150,000.00	250,000.00
2195	Improvement to Water System	9/22/2011	9/22/2012	9/20/2013	1.00%	100,000.00	100,000.00	100,000.00	100,000.00
2218	Various Improvements to Water System	9/22/2011	9/22/2012	9/20/2013	1.00%	<u>50,000.00</u>	<u>250,000.00</u>	<u>50,000.00</u>	<u>250,000.00</u>
						<u>\$ 700,000.00</u>	<u>1,400,000.00</u>	<u>700,000.00</u>	<u>\$ 1,400,000.00</u>
						D	D-5, Below	D-5, Below	D
					Renewals	Contra	700,000.00	700,000.00	
					New Issues	D-25	<u>700,000.00</u>		
						Above	<u>1,400,000.00</u>	<u>700,000.00</u>	

See independent auditor's report and the notes to financial statements.

BOROUGH OF FAIR LAWN  
WATER UTILITY FUND - CAPITAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE OF BONDS AND NOTES AUTHORIZED NOT ISSUED

D-25

Ord. Number	Improvement Description	Balance December 31, 2011	2012 Authorizations	Decreased by:	Balance December 31, 2012
1371	Multiple Purpose	\$ 8,614.00			8,614.00
1456	Multiple Purpose	1,318.00			1,318.00
1572	Improvement of Water Supply and Distribution System	21,300.00			21,300.00
1597	Improvement of Water Supply and Distribution System	150.00			150.00
1729	Multiple Purpose	90,333.00			90,333.00
1756	Multiple Purpose	10,000.00			10,000.00
1771	Multiple Purpose	1,238.00			1,238.00
1810	Multiple Purpose	28,000.00			28,000.00
1846	Improvements to Water System	23,300.00			23,300.00
1863	Multiple Purpose	27,300.00			27,300.00
1930	Improvements to Water System	39,898.00			39,898.00
1942	Multiple Purpose	136,000.00			136,000.00
1993	Multiple Purpose	129,000.00			129,000.00
2031	Multiple Purpose	410,000.00		300,000.00	110,000.00
2054	Improvements to Water System	160,000.00		100,000.00	60,000.00
2123	Improvements to Water System	87,900.00			87,900.00
2160	Improvements to Water System	130,000.00		100,000.00	30,000.00
2195	Improvements to Water System	50,500.00			50,500.00
2218	Various Improvements to Water System	217,000.00		200,000.00	17,000.00
2243	Various Improvements to Water System		1,688,000.00	81,000.00	1,607,000.00
		<u>\$ 1,571,851.00</u>	<u>\$ 1,688,000.00</u>	<u>\$ 781,000.00</u>	<u>\$ 2,478,851.00</u>
		D	D-11,18	Below	D
	Capital Improvement Fund		D-20,22	\$ 81,000.00	
	Bond Anticipation Notes		D-24	<u>700,000.00</u>	
			Above	<u>\$ 781,000.00</u>	

See independent auditor's report and the notes to financial statements.

**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**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Fair Lawn, State of New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements- regulatory basis (the "financial statements") of the Borough of Fair Lawn (the "Borough"), State of New Jersey, prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough'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 Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any 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 deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 12-01 and 12-02 that we consider to be significant deficiencies in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which are described in the accompanying schedule of findings and questioned costs as item 12-01 and 12-02.

We noted certain matters that we reported to management of the Borough in the schedule of audit comments and recommendations as item numbers 12-03.

### **Borough's Response to Findings**

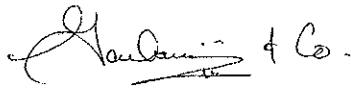
The Borough's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the auditing procedures applied in the audit of financial statements, and, accordingly, we express no opinion on it.

## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Paul W. Garbarini, CPA  
Registered Municipal Accountant  
No. 534



Garbarini & Co. P.C.  
Certified Public Accountants

July 22, 2013  
Carlstadt, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY'S OMB CIRCULAR 04-04**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Fair Lawn, State of New Jersey

**Report on Compliance for Each Major Federal Program**

We have audited the Borough of Fair Lawn, Bergen County, State of New Jersey (the "Borough") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the New Jersey State Office of Management and Budget's (OMB) State Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012. The Borough's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Borough's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the *Comptroller General of the United States*; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey's OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, *OMB Circular A-133 and State Circular 04-04* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Borough's compliance.

## Opinion on Each Major Federal and State Program

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

### Report on Internal Control Over Compliance

Management of Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Boroughs' internal control over compliance.

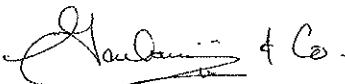
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Non-Profit Organizations and State of New Jersey's OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Accordingly, this report is not suitable for any other purpose.



Paul W. Garbarini, CPA  
Registered Municipal Accountant  
No. 534



Garbarini & Co. P.C.  
Certified Public Accountants

July 22, 2013  
Carlstadt, New Jersey

BOROUGH OF FAIR LAWN

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule I-1

Name of Federal Agency or Department	Federal Program	Federal CEDA#	Total Grant Award Amount	Grant Year	Balance Dec. 31, 2011	Reclassify from State	Cash Received	Program Expenditures	Adjusted/ Canceled	Balance Dec. 31, 2012	Memo
											Cumulative Total Expenditures
Department of Environmental Protection	Municipal Stormwater Regulation Program	66.605	\$ 15,464.00	2005	\$ 15,464.00					\$ 15,464.00	
	State Forestry Grant	10.664	3,000.00	2010			2,400.00			2,400.00	-
Department of Housing and Urban Development	Community Development Block Grant:	14.218									
Pass through County of Bergen	Various Road Improvements, Ord. 1542		69,100.00	1993	\$ (8,267.27)		5,799.00			(2,468.27)	69,100.00
	Barrier-Free Municipal Building, Ord. # 1562b		98,000.00	1994	367.00				(367.00)	-	37,569.00
	Barrier-Free Senior Center, Ord. # 1601		60,000.00	1995	(375.00)				375.00	-	60,000.00
	Impr. To Public Library, Ord. # 1704a		31,940.00	1997	(13,408.36)				13,408.36	-	31,940.00
	Hearing Center Building Conversion, Ord. # 1900		125,000.00	2002	(2,442.00)				2,442.00	-	110,020.00
	Senior Center Building Improvements, Ord # 2170		40,000.00	2010	(33,430.00)		33,430.00	750.00		(750.00)	34,153.00
	Barrier Free Curb Cuts, Ord. # 2207		25,000.00	2011			22,066.35		(22,066.35) *	-	22,066.35
	ADA Access Imp to Memorial Pool, Ord # 2206		40,000.00	2011			40,000.00		(40,000.00) *	-	40,000.00
	ADA Barrier Free Curbs Ord # 2246		20,000.00	2012						-	-
	Senior Center Impr Ord # 2248+C74		30,000.00	2012				30,000.00		(30,000.00)	30,000.00
										-	-
U.S. Department of Homeland Security	Assistance to Firefighters Grant - FEMA -Ord. 2185	97.044	87,638.00	2010	(13,391.00)				13,270.00	(121.00)	87,638.00
	Assistance to Firefighters Grant - FEMA -Ord. 2217	97.044	56,250.00	2011						-	-
U.S. Department of Transportation	Improvement to Plaza Road- Section III- Ord. 1641/1700	20.205	350,000.00	1996/97		13,576.00			(179.24)	13,396.76	308,029.00
National Highway Safety	Improvement to River Road District- Ord. # 1735		500,000.00	1998		2,969.72				2,969.72	466,115.00
Pass thru State of NJ	Installation of School Warning Flashers- Lyndecrest School- Ord # 1736		20,000.00	1998		5,990.26			-	5,990.26	7,714.00
	Improvement of Radburn Pathways- Ord. # 1767		95,000.00	1999		769.00				769.00	94,197.00
	Columbia Terrace Bike Path- Ord # 1779		60,000.00	2000		2,147.00			(2,147.00)	-	49,569.00
	Pollitt Drive Extension & McBride Ave. Ord # 1917		90,000.00	2002		(7.91)				(7.91)	90,000.00
	Improvements to Streets-20th, Fairclough, Kipp, and Romaine St. Ord. # 1950		45,000.00	2003		(13,979.49)				(13,979.49)	45,000.00
	Improvements to 17th St. Ord. # 1986		50,000.00	2004		(20,000.00)			20,000.00	-	50,000.00
	Improvements to Various Streets- Ord. # 1970		50,000.00	2004		(7,959.00)			7,959.00	-	7,959.00
	Improvements to River Road - Ord # 2082		25,000.00	2007		(1.00)			1.00	-	23,337.00
	Improvements to Pellack Drive- Ord. # 2162		100,000.00	2009		(81,903.86)	81,903.86		-	-	81,903.86
	Improvements to Berdan Ave. & Phillips St.- Ord # 2187		115,000.00	2010		(115,000.00)	115,000.00			-	115,000.00
	Improvements to Broadway Corridor Ord# 2233		150,000.00	2012						-	-
	Improvements to Broadway Corridor Phase 2- Ord # 2247		146,500.00	2012						-	-
U.S. Department of Justice	Cops in Shops	16.727	9,500.00	2010	9,500.00				(5,000.00)	4,500.00	-
	Cops in Shops		4,500.00	2011	4,500.00					4,500.00	-
	Cops in Shops		6,172.80	2012			6,172.80			6,172.80	-
	Cops Secure our Schools	16.727	24,980.00	2011	-					-	-
	Bullet Proof Vest Grant		4,200.00	2010	4,200.00					4,200.00	-
	Bullet Proof Vest Grant		16,704.89	2010	16,704.89					16,704.89	-
US Department of Law & Public Safety	Public Assistance Grants	97.036			-					-	618,884.42
	Hurricane Irene		336,003.82	2011	-		336,003.82	25,523.61	(310,480.21) *	-	336,003.82
	October 29, 2011 Snow Storm		54,163.74	2011	-		54,163.74		(54,163.74) *	-	54,163.74
	Hurricane Sandy		580,383.91	2012	-			580,383.91		(580,383.91)	580,383.91
	HINI Grant	93.069	147,022.00	2009	206.00				(206.00)	-	97,490.00
	Drunk Driving Prevention	20.601	5,000.00	2012			5,000.00			5,000.00	-
	Emergency Management Program	97.042	10,000.00	2012			10,000.00	10,000.00		-	10,000.00
Total Federal Financial Assistance					\$ (20,371.74)	\$ (213,399.28)	\$ 711,939.57	\$ 646,657.52	\$ (377,154.18)	\$ (545,643.15)	\$ 3,558,236.10

\* Expended prior year



BOROUGH OF FAIR LAWN  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2012

State Grantor Department	Program Title	State Program/ Account Number	Program Amount	Grant Year	Balance Dec. 31, 2011	Reclassify to Federal Grant	Cash Received	Program Expenditures	Adjusted/ Canceled	Schedule I-2		
										Balance Dec. 31, 2012	Memo Cumulative Total Expenditures	
Department of Law & Public Safety (Continued)	Click-it or Ticket		4,000.00	2010	611.12					611.12	3,389.00	
	Speed/Aggressive Driving Enforcement		7,500.00	2006	(3,500.00)				3,500.00	-	7,500.00	
	Drunk Driving Enforcement Fund	4230-100-046-4750-241	19,920.00	2007	8,798.69				(8,798.69)	-	2,588.00	
			9,845.00	2008	1,749.39				(1,749.39)	-	8,096.00	
			4,156.00	2008	4,156.00					(4,156.00)	-	
			9,068.00	2009	8,928.00			227.50		(8,700.50)	-	367.50
			21,156.00	2010	21,154.00					(2,150.61)	19,003.39	
			6,633.00	2011	6,633.00						6,633.00	
	4,924.37	2012				4,924.37			4,924.37			
	Statwide Local Domestic Preparedness Program	1020-100-066-1020-354	100,000.00	2003	(4,196.68)				4,196.68	-		
			20,000.00	2005	(15,039.00)				15,039.00	-		
	Emergency Management Assistance Fund			PY	181.00					181.00		
			5,000.00	2008	5,000.00				(5,000.00)	-	5,000.00	
			5,000.00	2009	5,000.00				(5,000.00)	-		
			5,000.00	2011	5,000.00					5,000.00		
Underage Drinking		1,177.00	2009	1,177.00				(1,177.00)	-			
Department of Community Affairs	Statewide Livable Communities Grant- Library Ord # 2021		23,000.00	2005	(22,959.42)					(22,959.42)	22,959.42	
	Domestic Violence Training Program	100-006-1020-246-FY06	(3,499.82)	2006	(3,499.82)				3,499.82	-	3,499.82	
			7,060.00	2007	(1,286.00)				1,286.00	-	1,955.00	
	Smart Future Growth Grant		7,000.00	2009			7,000.00			7,000.00		
	Recreation for Individuals with Disability Grant	100-022-8050-035	7,300.00	2003	6,860.00				(6,860.00)	-		
14,197.85			2011			14,197.85			14,197.85			
Total State Financial Assistance:					\$ (777,710.36)	\$ 213,399.28	\$ 77,142.29	\$ 68,910.21	\$ (20,309.71)	\$ (576,388.71)	\$ 1,485,830.60	
County of Bergen	Municipal Alliance on Alcoholism and Drug Abuse		17,500.00	2008	(7,895.00)				7,895.00	-	11,334.00	
			16,765.00	2009	(16,487.00)				16,487.00	-	16,487.00	
			15,759.00	2010	(1,347.00)				1,347.00	-	15,759.00	
			15,759.00	2011	(5,101.00)		10,112.28	(2,186.68)		7,197.96	8,561.32	
			15,759.00	2012			718.92	9,662.85		(8,943.93)	9,662.85	
	Municipal Recycling Assistance Program		21,859.00	2007	605.41					605.41	21,254.00	
	Open Space Preservation Trust Fund	Ball Field Improvements- Ord # 1988	100,000.00	2004	(3,530.00)				3,530.00	-	35,308.00	
			56,500.00	2009	(1,042.00)				1,042.00	-	51,668.00	
			30,000.00	2010						-	26,360.00	
			19,500.00	2012						-	-	
	Department of Public Works:	County-wide ADA ramps/curbs/sidewalks- Ord # 2183	88,270.00	2010	(1.00)				1.00	-	80,842.50	
			65,000.00	2011						-		
	Police Grant		2,250.00	2010	2,250.00					2,250.00		
	Drunk Driving		28,228.00	2009	9,377.00				(9,377.00)	-	14,189.00	
	Bergen County Arts Grant		1,295.00	2004	323.00				(323.00)	-	972.00	
Total County Financial Assistance					(22,847.59)	-	10,831.20	7,476.17	20,602.00	1,109.44	292,397.67	
Total Federal, State, and County Financial Assistance					\$ (820,929.69)	\$ -	\$ 799,913.06	\$ 723,043.90	\$ (376,861.89)	\$ (1,120,922.42)	\$ 5,336,464.37	

BOROUGH OF FAIR LAWN  
 NOTES TO THE SCHEDULES OF EXPENDITURES  
 OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**1. General**

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

**2. Basis of Accounting**

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

**3. Relationship of Financial Statements**

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

	<u>Federal</u>	<u>State/Other</u>	<u>Total</u>
Current /Grant Fund	\$ 615,907.55	\$ 69,512.63	\$ 685,420.18
Capital	30,750.00	6,873.75	37,623.75
	\$ 646,657.55	\$ 76,386.38	\$ 723,043.93

**4. Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

[Reference – Section .510 of Circular OMB-133]

Type of Auditors Report Issued	<u>Unqualified</u>		
Internal Control over Financial Reporting:			
1) Material weakness(s) identified?	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Significant deficiencies identified?	<u>X</u>	<u>Yes</u>	<u>No</u>
Noncompliance material to basic financial statement noted?	<u>Yes</u>	<u>X</u>	<u>No</u>

**Federal Awards**

Internal Control over major programs:			
1) Material weakness(s) identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Significant deficiencies identified?	<u>Yes</u>	<u>X</u>	
Type of auditor’s report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u>Yes</u>	<u>X</u>	<u>No</u>

Identification of major programs:			
	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
(Type A)	<u>97.036</u>	<u>Public Assistance Grants-FEMA</u>	
Dollar threshold used to determine type A and type B programs:	<u>\$ 300,000</u>		
Auditee qualified as low-risk auditee?	<u>X</u>	<u>Yes</u>	<u>No</u>

Borough of Fair Lawn  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2012

*Section I – Summary of Auditor’s Results (Continued)*

**State Awards – Not Applicable**

Dollar threshold used to determine Type A and Type B Programs:

\$300,000

Audited qualified as low-risk auditee?

Yes

No

Internal Control over Major Programs

1) Material weakness identified

Yes

No

2) Significant deficiencies identified that are not considered to be material weaknesses?

Yes

No

Type of Auditor’s Report Issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?

Yes

No

Identification of major programs:

State Grant/ Project Number

Name of State Program

None



## ***Section II – Financial Statement Findings***

[This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Circular A-133 and New Jersey OMB Circular 04-04 audit. See paragraphs 13.15 and 13.35. See the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* for further guidance on this schedule]

### **Finding 12-01:**

The Borough did not implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. (“OBEB”) State of New Jersey Local Finance Notice 2009-13R also dictates that municipalities implement this GASB.

#### **Criteria:**

GASB 45 and State of New Jersey Local Finance Notice 2009-13R.

#### **Condition:**

The Borough was not able to provide information on their OBEB liability.

#### **Cause:**

The Borough has hired the vendor to perform the required actuarial study, however the engagement has not commenced as of the date of the audit.

#### **Effect:**

The disclosure on “Other Post Employment Benefits “ did not include information on the OBEB liability.

#### **Recommendation:**

That the Borough implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

#### **Management’s Response:**

The Borough is currently under contract with Aquarius Capitol to calculate the liability for Other Post Employment Benefits through an actuarial study, in accordance with of Governmental Accounting Standards Board (GASB), Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

*Section II – Financial Statement Findings*

**Payroll Department:**

**Finding 12-02:**

Health insurance deductions withheld from employees were not calculated correctly.

**Criteria:**

- NJ Pension LFN 2011-20R
- NJ Pension LFN 2011-34

**Condition:**

Seven (7) out of thirteen (13) health insurance deductions tested were not calculated correctly, due to incorrect premiums.

**Cause:**

All employees, which were under new contracts, did not have the correct calculated premium as per the borough ordinance.

**Effect:**

The health insurance deductions withheld from employees, which were under new contracts, were calculated based on the on the old contract premiums.

**Recommendation:**

That health insurance deductions be calculated correctly and premiums be based on new contracts and ordinances.

**Management's Response:**

The payroll department is currently correcting the premiums for the employees affected.

***Section III – Schedule of Federal and State Award Findings and Questioned Cost***

[This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04].

**FEDERAL AWARDS**

No matters were reported.

**STATE AWARDS**

No matters were reported.

***Section IV: Summary Schedule of Prior – Year Audit Findings  
and Questioned Costs as Prepared by Management***

[This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (section .315(a)(b)) and NJOMB's Circular Letter 04-04].

“None”

BOROUGH OF FAIR LAWN  
 ROSTER OF OFFICIALS AND SURETY BONDS  
 AT DECEMBER 31, 2012

<u>Name</u>	<u>Title</u>	
Jeanne Baratta	Mayor	
John Cosgrove	Deputy- Mayor	
Kurt Peluso	Council Member	
Lisa Swain	Council Member	
Edward Trawinski	Council Member	
Thomas Metzler	Borough Manager	(A)
Joanne M. Kwasniewski	Borough Clerk	(A)
Karen Palermo	Chief Financial Officer	(A)
Alice Lee	Tax Collector	(A)
Steven Schechter	Judge	(A)
Clare Cabibbo	Municipal Court Administrator	(A)
Kenneth R. Garrison	Engineer	
Dennis Kolano	Construction Code Official	
Erik Rose	Police Chief	
Carol Wagner	Health Officer and Registrar of Vital Statistics	
Timothy H. Murphy	Library Director	
Ronald Mondello	Borough Attorney	
James Graff	Superintendent of Recreation	

(A) -Public Official Bonds provided by the Municipal Excess Joint Insurance Fund in the amount of \$1,000,000.

All Other Employees are covered by a Faithful Performance and Employee Dishonesty Bond Coverage under the terms of an agreement with the Municipal Excess Joint Insurance Fund in the amount of \$1,000,000 with a \$500 deductible. Coverage also includes \$50,000 for theft, disappearance, etc. of money with a \$500 deductible.

Borough of Fair Lawn  
General Comments  
For the Year Ended December 31, 2012

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS40A:11-4 states "Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 "a contract year the total sum of \$17,500. 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 \$36,000.00"], 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 therefore, except as is provided otherwise in this act or specifically by any other law."

NJS40A:11-9 states "The governing body of any contracting unit may by ordinance, in the case of a municipality, by ordinance or resolution, as the case may be, in the case of a county, or by resolution in all other cases, establish the office of purchasing agent, or a purchasing department or a purchasing board, with the authority, responsibility, and accountability as its contracting agent, for the purchasing activity for the contract in unit, to prepare public advertising for bids and to receive bids for the provision or performance of goods or services on behalf of the contracting unit and to award contracts permitted pursuant to subsection a. of section 3 of P.L.1971, c. 198 (C.40A:11-3) in the name of the contracting unit, and conduct any activities as may be necessary or appropriate to the purchasing function of the contracting unit."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the above limits within the calendar year or any twelve-month period. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

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

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500.00 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

Expenditure of \$2,625 or more and less than \$17,500 Per N.J.S.A. 40A:11-6.1

N.J.S.A 40A:11-6.1 states, "a. For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L.1971, c.198 (C.40A:11-5), except for paragraph (a) of that subsection professional services and paragraph (b) of the subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. Whenever two or more responses to a request of a contracting agent offer equal prices and are the lowest responsible bids or proposals, the contracting unit may award the contract to the vendor whose response, in the discretion of the contracting unit, is the most advantageous, price and other factors considered. In such a case, the award resolution or purchase order documentation shall explain why the vendor selected is the most advantageous."

BOROUGH OF FAIR LAWN  
General Comments (Continued)  
For the Year Ended December 31, 2012

Collection of Interest of Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000.00 prior to the end of the calendar year;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Fair Lawn, County of Bergen, State of New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in areas beyond December 31, and additional penalty of 6% shall be charged against the delinquency.
2. Effective January 1, 2012 there will be a ten-day grace period of quarterly tax payments made by cash, check, or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

It appears from an examination of the Collector's records, that interest was collected in accordance with the foregoing resolution.

**RECOMMENDATIONS**

1. That all expenditures be charged to the correct budget account.

**Status:**

Corrective action has been taken.

**Municipal Court**

2. That all tickets over 180 days be recalled by Court Administrator.

**Status:**

Corrective action has *not* been taken.

3. That monies collected be deposited within 48 hours of receipt per N.J.S.A. 40A:5-15.

**Status:**

Corrective action has *not* been taken.

4. That monies collected be turned over to the proper agencies on or before the fifteenth of the following month.

**Status:**

Partial corrective action has been taken.

5. That stale dated checks be investigated and cancelled by resolution..

**Status:**

Corrective action has been taken.

**Administration:**

6. That all fixed assets be capitalized when put into use.

**Status:**

Corrective action has been taken.

Borough of Fair Lawn  
Audit Comments and Recommendations  
For the Year Ended December 31, 2012

**\*Comment # 12-03**

- \*1. Review of ATS/ACS Monthly Management Report dated December 31, 2012 indicated a backlog in ticket processing resulting in the following:
  - a). There were 75 tickets assigned but not issued over 180 days.
  - b). There was 1 parking ticket over three (3) years old.
- \*2. Deposits were not always being made within the 48 hours in the Bail Account as required by N.J.S.A. 40A:5-15.
- \*3. In the General Account, there were four months during 2012 that monies collected were not turned over to the proper agencies on or before the 15th of the following month, as per Rule 7:14-4(a). This was corrected for the remainder of the year from June 2012.
- 4. When bail monies are collected for an out-of-town municipal court and the payment is in the form of a check, the check is made payable to another town and mailed directly there. These payments are not processed through the Fair Lawn Municipal Court ATS/ACS system as "out of town bail" as they should be.

**Recommendation:**

- \*1. The following case management processing issues should be corrected:
  - a). All tickets assigned over six (6) months not issued should be recalled.
  - b). The Cases Eligible for Dismissal Report and Follow-Up Incomplete Report should be reviewed. As per Rule 7:8-9(f), once the case is over 3 years old, and the follow-up procedures available to the municipal court have not been completed, the ticket must be dismissed.
- \*2. All funds collected in are to be deposited into the designated legal depository within 48 hours of receipt and preferably daily, as per N.J.S.A. 40A:5-15.
- \*3. All monies collected by the court should be disbursed to the appropriate agencies on or before the 15<sup>th</sup> day of the following month, as per Rule 7:14-4 (a). Corrective action was taken from June 2012.
- 4. All out-of-town traffic and criminal bail monies posted for outside agencies should be receipted and disbursed through the ATS/ACS automated system. When accepting bail in the form of a check for an out-of-town summons/warrant, the check should be made payable to Fair Lawn Municipal Court.



Appreciation

We desire to express our appreciation of the assistance and courtesies rendered by the Borough Officials and employees during the year.

\*\*\*\*\*

July 22, 2013