

CITY OF NORTHFIELD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED
December 31, 2012

**CITY OF NORTHFIELD
TABLE OF CONTENTS**

Exhibit		Page No.
	PART I	
	Independent Auditor's Report	1-4
	CURRENT FUND	
A	Comparative Balance Sheet - Regulatory Basis	5-6
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	7-8
A - 2	Statement of Revenues - Regulatory Basis	9-12
A - 3	Statement of Expenditures - Regulatory Basis	13-19
	TRUST FUND	
B	Comparative Balance Sheet - Regulatory Basis	20-21
	GENERAL CAPITAL FUND	
C	Comparative Balance Sheet - Regulatory Basis	22
C - 1	Statement of Fund Balance - Regulatory Basis	23
	GENERAL FIXED ASSETS ACCOUNT GROUP	
G	Comparative Statement of General Fixed Assets - Regulatory Basis	24
	NOTES TO FINANCIAL STATEMENTS	25-39
	SUPPLEMENTARY INFORMATION	
	Independent Auditor's Report - Government Auditing Standards	40-41
Schedule 1	Schedule of Federal and State Financial Assistance	42
	Notes to Schedule of Federal and State Financial Assistance	43

**CITY OF NORTHFIELD
TABLE OF CONTENTS**

Exhibit		Page No.
A - 4	Schedule of Cash - Treasurer	44
A - 5	Schedule of Taxes Receivable and Analysis of Property Tax Levy	45-46
A - 6	Schedule of Sewer Rents Receivable	47
A - 7	Schedule of Liens	48
A - 8	Schedule of Revenue Accounts Receivable	49
A - 9	Schedule of Appropriation Reserves	50-51
A - 10	Schedule of County Taxes Payable	52
A - 11	Schedule of Local District School Tax	53
A - 12	Schedule of Regional High School Tax	53
A - 13	Schedule of Federal and State Grants Receivable	54
A - 14	Schedule of Federal and State Grants - Appropriated	55
A - 15	Schedule of Federal and State Grants - Unappropriated	56
 TRUST FUNDS 		
B - 1	Schedule of Cash - Treasurer	57
B - 2	Schedule of Cash - Collector	58
B - 3	Schedule of Reserve for Accumulated Absences	59
B - 4	Schedule of Reserve for Animal Control Expenditures	60
B - 5	Schedule of Amount Due from Current Fund - Animal Control Fund	61
B - 6	Schedule of Amount Due to State of New Jersey - Dept. of Health	61
B - 7	Schedule of Reserve for Law Enforcement Forfeiture	62
B - 8	Schedule of Reserve for Small Cities Program	62
B - 9	Schedule of Reserve for Escrow Review Fees	63
B - 10	Schedule of Reserve for Snow Removal Fees	63
B - 11	Schedule of Reserve for Recreation Expenditures	64
B - 12	Schedule of Outside Employment of Police	64
B - 13	Schedule of Reserve for Municipal Alliance	65
B - 14	Schedule of Reserve for Public Defender Trust	65
B - 15	Schedule of Reserve for Small Cities Revolving Loan	66
B - 16	Schedule of Reserve for Redemption of Tax Liens	67
B - 17	Schedule of Reserve for Tax Sale Premiums	67

**CITY OF NORTHFIELD
TABLE OF CONTENTS**

Exhibit		Page No.
	GENERAL CAPITAL FUND	
C - 2	Schedule of Due from Current Fund	68
C - 3	Analysis of Cash	69
C - 4	Schedule of Deferred Charges to Future Taxation - Funded	70
C - 5	Schedule of Deferred Charges to Future Taxation - Unfunded	71
C - 6	Schedule of Capital Improvement Fund	72
C - 7	Statement of Improvement Authorizations	73
C - 8	Schedule of Bond Anticipation Notes	74
C - 9	Schedule of General Serial Bonds	75
C -10	Schedule of Contracts Payable	76
C - 11	Schedule of Bonds and Notes Authorized but Not Issued	77
	PART II	
	General Comments	79-80
	Findings and Responses	81
	Status of Prior Recommendations	81
	Recommendations	81

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CITY OF NORTHFIELD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Northfield, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$158,752 and \$140,837 for 2012 and 2011 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013 on our consideration of the City of Northfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Northfield's internal control over financial reporting and compliance.

Kenneth Moore

Kenneth Moore, CPA, RMA #231

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

May 3, 2013

**EXHIBIT - A
CURRENT FUND**

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31,**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash:			
Treasurer	A-4	\$ 4,861,342	\$ 5,093,501
Change Fund		350	350
		<u>4,861,692</u>	<u>5,093,851</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	532,134	391,352
Tax Title Liens Receivable	A-7	17,638	17,353
Miscellaneous Liens Receivable	A-7	369	-
Property Acquired / Assessed Valuation		19,200	19,200
Sewer Rents Receivable	A-6	79,261	69,465
Sewer Liens Receivable	A-7	219	-
Due from the Dog Trust		1,314	2,747
Due from the Grant Fund	A	-	23,717
Revenue Accounts Receivable	A-8	7,891	9,444
	A	<u>658,026</u>	<u>533,278</u>
Deferred Charges:			
Overexpenditure of Appropriations	A-3	-	2,358
NJS 40A:4-53 Special Emergency			
Preparation of Tax Maps		10,000	20,000
Revaluation		140,000	210,000
		<u>5,669,718</u>	<u>5,859,487</u>
Federal and State Grant Fund:			
Due from Current Fund		156,453	-
Federal and State Grants Receivable	A-13	150,736	153,388
		<u>307,189</u>	<u>153,388</u>
		<u>\$ 5,976,907</u>	<u>\$ 6,012,875</u>

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31,**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Liabilities:			
Appropriation Reserves	A-3	\$ 634,347	\$ 960,891
Encumbrances Payable	A-3	222,070	257,083
Payroll Taxes Payable		36,045	44,219
Sewer Rent Overpayments		2,527	3,832
Prepaid Taxes	A-4	145,140	197,999
Tax Overpayments		23,277	17,298
Due to State of New Jersey - Senior Citizens and Veterans		30,371	11,836
Due to State of New Jersey - Marriage Fees		325	100
Due to State of New Jersey - DCA		1,446	2,617
Due to Grant Fund		156,453	-
Due to General Capital	A-4:C	-	140,000
Due to Library	A-4	-	4,067
Reserve for Sale of Land	A	-	47,692
Reserve for Tax Maps		-	5,455
Reserve for Revaluation		-	59,946
Reserve for Library Surplus	A-4	190,000	245,000
Due to County - Added Taxes	A-10	-	9,601
		<u>1,442,001</u>	<u>2,007,636</u>
Reserve for Receivables and Other Assets	A	658,026	533,278
Fund Balance	A-1	3,569,691	3,318,573
		<u>5,669,718</u>	<u>5,859,487</u>
Federal and State Grant Fund:			
Due to the Current Fund	A	-	23,717
Reserve for Grants Appropriated	A-14	280,473	110,565
Reserve for Grants Unappropriated	A-15	11,594	13,535
Encumbrances Payable	A-14	15,122	5,571
		<u>307,189</u>	<u>153,388</u>
		<u>\$ 5,976,907</u>	<u>\$ 6,012,875</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Revenue and Other Income Realized:</u>			
Fund Balance Utilized	A-2	\$ 1,400,000	\$ 1,474,000
Miscellaneous Revenues Anticipated	A-2	3,188,576	3,084,279
Receipts from Delinquent Taxes	A-2	369,238	409,710
Receipts from Current Taxes	A-2	25,448,267	25,760,891
Nonbudget Revenues	A-2	84,100	160,880
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	1,065,584	894,352
Interfund Returned	A	26,464	264,894
Sale of Municipal Assets		2,564	-
Cancelled Reserves		113,093	-
Cancelled Grants		11,529	-
Miscellaneous Cancellation		1,246	954
		<u>31,710,661</u>	<u>32,049,960</u>
<u>Expenditures:</u>			
Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	3,940,267	3,838,730
Other Expenses	A-3	3,668,439	3,771,171
Deferred Charges and			
Statutory Expenditures	A-3	906,942	960,841
Appropriations Excluded from "CAPS"			
Operations:			
Salaries and Wages	A-3	209,964	195,434
Other Expenses	A-3	1,761,887	1,563,057
Capital Improvements	A-3	326,000	395,250
Municipal Debt Service	A-3	1,051,345	1,156,660
Deferred Charges	A-3	87,250	210,150
County Taxes	A-10	3,386,937	3,456,597
Due County for Added and Omitted Taxes	A-10	13,147	9,601
Regional High School Tax	A-12	5,099,346	5,073,676
Local District School Tax	A-11	9,579,246	9,521,834
Prior Year Revenue	A-4	28,773	30,089
Interfund Created	A	-	23,717
		<u>\$ 30,059,543</u>	<u>\$ 30,206,807</u>

See Accompanying Notes to Financial Statements

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	Ref.	2012	2011
Excess in Revenues		\$ 1,651,118	\$ 1,843,153
Adjustments to Income Before Fund Balance - Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Year	A-3	-	2,358
Statutory Excess to Fund Balance		1,651,118	1,845,511
Fund Balance January 1	A	3,318,573	2,947,062
Total		4,969,691	4,792,573
Decreased by:			
Utilization as Anticipated Revenue	A-2	1,400,000	1,474,000
Fund Balance December 31	A	\$ 3,569,691	\$ 3,318,573

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,400,000	\$ -	1,400,000	\$ -
		1,400,000	-	1,400,000	-
<u>Miscellaneous Revenues:</u>					
Licenses:					
Alcoholic Beverages	A-8	7,500		5,000	(2,500)
Other	A-8	73,500		81,019	7,519
Fees and Permits	A-8	50,000		73,651	23,651
Fines and Costs:					
Municipal Court	A-8	145,000		131,947	(13,053)
Interest and Costs on Taxes	A-8	100,000		100,059	59
Interest on Investments and Deposits	A-8	35,000		73,463	38,463
Sewer Rentals	A-8	1,190,000		1,197,032	7,032
Consolidated Municipal Property Tax Relief Act	A-8	30,080		30,080	-
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	A-8	602,306		602,306	-
Uniform Construction Code Fees	A-8	125,000		110,095	(14,905)
Linwood Share - Sewerage Department Costs	A-8	120,000		122,341	2,341
Linwood Share - Court Costs	A-8	37,000		77,473	40,473
Linwood Share - Police Chief Interlocal	A-8	98,000		96,333	(1,667)
Uniform Fire Safety Act	A-8	3,750		6,652	2,902
Library Maintenance Agreement	A-8	20,500		20,500	-
Library Reimbursement per Morianity Law	A-8	55,000		55,000	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
<u>Miscellaneous Revenues: (Continued)</u>					
State and Federal Revenues Offset					
With Appropriations:					
Municipal Alliance on Alcoholism and Drug Abuse	A-13	\$ 13,145	\$	13,145	\$ -
Safe and Secure Communities Program	A-13	60,000		60,000	-
NJ Transportation Trust Fund Authority Act	A-13		220,000	220,000	-
Alcohol Education, Rehabilitation, and Enforcement	A-13		1,754	1,754	-
Click it or Ticket	A-13	4,000		4,000	-
Over the Limit Under Arrest	A-13		4,400	4,400	-
COPS in Shops	A-13		1,400	1,400	-
Body Armor	A-13		2,375	2,375	-
Community Development Block Grant	A-13		65,028	65,028	-
Drive Sober or Get Pulled Over	A-13		4,400	4,400	-
Drunk Driving Enforcement Grant	A-13	11,160		11,160	-
Cape Bank Grant	A-13		1,000	1,000	-
State Farm Grant	A-13		2,500	2,500	-
Clean Community	A-13		14,463	14,463	-
Total Miscellaneous Revenue		2,780,941	317,320	3,188,576	90,315
Receipts from Delinquent Taxes	A-2	250,000	-	369,238	119,238
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2	7,740,822		7,766,580	25,758
Minimum Library Tax	A-2	333,389	-	333,389	-
Total Amount to be Raised by Taxator		8,074,211	-	8,099,969	25,758
Budget Totals		12,505,152	317,320	13,057,783	235,311
Nonbudget Revenues	A-2	-	-	84,100	84,100
		\$ 12,505,152	\$ 317,320	\$ 13,141,883	\$ 319,411
Ref.	A-3		A-3		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>Ref.</u>	
<u>Allocation of Current Tax Collections:</u>		
Revenue from Collections	A-5	\$ <u>25,448,267</u>
Net Revenue from Collections	A-1	25,448,267
Allocated to:		
School and County Taxes	A-5	<u>18,078,676</u>
Balance for Support of Municipal Budget Appropriations		7,369,591
Add:		
Appropriations "Reserve for Uncollected Taxes"	A-3	<u>730,378</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u><u>8,099,969</u></u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	A-5	\$ 369,153
Tax Title Lien Collections	A-7	<u>85</u>
	A-2	\$ <u><u>369,238</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Ref.

ANALYSIS OF REALIZED REVENUES (Continued)

Analysis of Non-Budget Revenues:

Photocopies	\$	3,859
Books, Maps and Copies of Ordinance		94
Administrative Operations		6,650
LOSAP Surrender		4,453
Recycling Fees		2,318
Zoning Fees		7,645
Construction		29,007
Miscellaneous		30,074

A-1:A-4 \$ 84,100

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	APPROPRIATIONS		EXPENDITURES		UNEXPENDED BALANCE CANCELED	OVER EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAP"						
GENERAL GOVERNMENT:						
Administrative and Executive						
Other Expenses	\$ 55,000	\$ 50,000	\$ 42,988	\$ 7,012	\$	\$
Mayor and Council						
Salaries and Wages	75,750	75,750	75,227	523		
Other Expenses	3,500	3,500	3,039	461		
City Clerk						
Salaries and Wages	77,000	65,000	64,293	707		
Other Expenses						
Election Board	6,500	6,500	6,070	430		
Miscellaneous	13,725	20,725	18,938	1,787		
Financial Administration						
Salaries and Wages	100,000	74,901	71,446	3,455		
Other Expenses	8,500	8,500	6,880	1,620		
Municipal Prosecutor						
Other Expenses	12,000	12,000	12,000			
Audit Services						
Other Expenses	49,500	49,500	46,250	3,250		
Public Defender						
Other Expenses:	2,000	2,000		2,000		
Revenue Administration (Tax Collector)						
Salaries and Wages	94,154	94,154	94,154	504		
Other Expenses:	4,270	4,270	3,766			
Tax Assessment Administration						
Salaries and Wages	30,511	30,511	30,511	585		
Other Expenses	6,500	6,500	5,915			
Legal Services and Costs						
Other Expenses	125,000	125,000	121,198	3,802		
Insurance						
Workers' Compensation	300,000	300,000	297,169	2,831		
Group Insurance	1,475,000	1,471,000	1,412,951	58,049		
Other Insurance	125,000	120,000	113,771	6,229		
Health Benefit Waiver	4,000	4,000	-	4,000		
Municipal Court						
Salaries and Wages	99,000	99,000	87,686	11,314		
Other Expenses	11,000	12,000	10,882	1,118		
Planning Board						
Salaries and Wages	8,500	8,500	7,949	551		
Other Expenses	16,000	14,000	10,476	3,524		

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDITURES		UNEXPENDED BALANCE CANCELED	OVER EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAP": (Continued)						
Engineering Services and Costs	\$ 40,000	\$ 40,000	\$ 33,841	\$ 6,159	\$ -	
Other Expenses	2,742,410	2,697,311	2,577,400	119,911	-	
TOTAL General Government						
DEPARTMENT OF PUBLIC SAFETY:						
Fire Official						
Salaries and Wages	10,000	10,000	7,759	2,241		
Other Expenses	1,000	1,000	232	768		
Fire Department						
Salaries and Wages	548,767	548,767	481,344	67,423		
Other Expenses:						
Fire Hydrant	88,500	88,500	81,802	6,698		
Miscellaneous Other Expenses	44,468	44,468	44,466	2		
Police Department						
Salaries and Wages	1,971,350	1,971,350	1,910,812	60,538		
Other Expenses	64,300	72,300	68,094	4,206		
Office of Emergency Management						
Salaries and Wages	2,000	2,000	2,000	-		
Other Expenses	1,500	2,500	1,847	653		
TOTAL Public Safety	2,731,885	2,740,885	2,598,356	142,529		
STREETS AND ROADS:						
Streets and Road Maintenance						
Salaries and Wages	563,134	563,134	536,249	26,885		
Other Expenses	22,950	17,950	8,804	9,146		
Maintenance of Automotive Equipment						
Other Expenses	70,000	86,000	85,562	438		
Solid Waste Collection						
Tipping Fees	530,000	530,000	482,107	47,893		
Public Buildings and Grounds						
Salaries and Wages	3,000	3,000	3,000	-		
Other Expenses	80,000	88,000	86,114	1,886		
Maintenance of Bike Path	2,000	2,000	-	2,000		
TOTAL Streets and Roads	1,271,084	1,290,084	1,201,836	88,248		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	APPROPRIATIONS		EXPENDITURES		UNEXPENDED BALANCE CANCELED	OVER EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS WITHIN "CAP": (Continued)						
SANITATION						
Sewerage						
Salaries and Wages	\$ 172,000	\$ 172,000	\$ 96,054	\$ 75,946	\$ -	\$ -
Other Expenses	35,000	30,000	18,157	11,843	-	-
TOTAL Sanitation	207,000	202,000	114,211	87,789	-	-
HEALTH AND WELFARE:						
Dog Regulation						
Other Expenses	9,000	9,000	9,000	-	-	-
TOTAL Health and Welfare	9,000	9,000	9,000	-	-	-
RECREATION AND EDUCATION:						
Parks and Playgrounds						
Salaries and Wages	103,000	103,000	96,386	6,614	-	-
Other Expenses	6,000	6,000	6,000	-	-	-
Neighborhood Programs						
Miscellaneous Other Expenses:						
All Sports	13,225	13,225	12,797	428	-	-
Little League	2,500	2,500	2,500	-	-	-
Senior Citizens	1,000	1,000	600	400	-	-
Conservation Commission						
Other Expenses	500	500	-	500	-	-
TOTAL Recreation and Education	126,225	126,225	118,283	7,942	-	-
UNIFORM CONSTRUCTION CODE (N.J.A.C. 5:23-4.17)						
Construction Code Official						
Salaries and Wages	80,000	80,000	76,620	3,380	-	-
Other Expenses	19,000	21,000	19,000	2,000	-	-
Zoning / Housing Officer						
Salaries and Wages	37,700	39,200	38,830	370	-	-
Other Expenses	1,500	1,500	1,256	244	-	-
Total Uniform Construction Code	138,200	141,700	135,706	5,994	-	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	BUDGET	APPROPRIATIONS BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDITURES RESERVED	UNEXPENDED BALANCE CANCELED	OVER EXPENDED
OPERATIONS WITHIN "CAP": (Continued)						
UNCLASSIFIED:						
Utilities:						
Gasoline	\$ 90,000	\$ 95,000	\$ 80,706	\$ 14,294	\$ -	\$ -
Electricity	75,000	82,000	74,361	7,639	-	-
Telephone and Telegraph	50,000	55,000	53,284	1,716	-	-
Natural Gas	40,000	40,000	28,241	11,759	-	-
Street Lighting	120,000	120,000	108,636	11,364	-	-
Water	3,500	4,000	3,455	545	-	-
Internet	4,500	5,500	3,974	1,526	-	-
Street Sweeping	1	1		1	-	-
TOTAL Unclassified	383,001	401,501	352,657	48,844	-	-
TOTAL OPERATIONS - WITHIN "CAP"	7,608,805	7,608,706	7,107,449	501,257	-	-
Detail:						
Salaries and Wages	3,975,866	3,940,267	3,680,320	259,947	-	-
Other Expenses	3,632,939	3,668,439	3,427,129	241,310	-	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAP":						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	169,926	169,926	169,926	-	-	-
Police and Firemen's Retirement System	539,158	539,158	539,158	-	-	-
Social Security System (O.A.S.I.)	175,000	175,000	152,749	22,251	-	-
Defined Contribution Retirement Program	3,000	3,000	1,352	1,648	-	-
Reserve for Accumulated Leave	500	500	500			
Unemployment Compensation Insurance	17,000	17,000	14,149	2,851	-	-
Deferred Charges:						
Overexpenditure of Appropriation	2,358	2,358	2,358			
TOTAL Deferred Charges and Statutory Expenditures - within "CAP"	906,942	906,942	880,192	26,750	-	-
TOTAL General Appropriations for Municipal Purposes - within "CAP"	8,515,747	8,515,648	7,987,641	528,007	-	-

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDITURES		UNEXPENDED BALANCE CANCELED	OVER EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
OPERATIONS EXCLUDED FROM "CAP"						
Maintenance of Free Public Library (P.L. 1985, c.82 and 541)	\$ 333,389	\$ 333,389	\$ 333,389	\$ -	\$ -	\$ -
Atlantic County Utilities Authority Service	720,000	720,000	648,690	71,310	-	-
Charge - Contractual	22,500	22,500	15,000	7,500	-	-
LOSAP						
Dispatch	315,000	315,000	300,000	15,000	-	-
Other Expenses	120,000	120,000	114,165	5,835	-	-
Linwood Share Sewerage - Interlocal Service Agreement	98,000	98,000	98,000	-	-	-
Linwood Police Chief Interlocal						
Linwood Share of Court Costs						
Interlocal Service Agreement	37,000	37,000	37,000	-	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES - EXCLUDED FROM "CAP"						
Clean Communities Program		14,463	14,463	-	-	-
County of Atlantic Municipal Drug Alliance	13,145	13,145	13,145	-	-	-
County Share	3,287	3,287	3,287	-	-	-
City Share		1,400	1,400	-	-	-
COPS in Shops						
Safe and Secure Program:						
State Share	60,000	60,000	60,000	-	-	-
Local Share	137,050	137,050	137,050	-	-	-
Click It or Ticket	4,000	4,000	4,000	-	-	-
Drunk Driving Enforcement Grant	11,160	11,160	11,160	-	-	-
Drive Sober or Get Pulled Over		4,400	4,400	-	-	-
Cape Bank Grant		1,000	1,000	-	-	-
State Farm Grant		2,500	2,500	-	-	-
Community Development Block Grant		65,028	65,028	-	-	-
Over the Limit Under Arrest		4,400	4,400	-	-	-
Body Armor		2,375	2,375	-	-	-
NJ Alcohol Education Rehabilitation		1,754	1,754	-	-	-
TOTAL OPERATIONS - EXCLUDED FROM "CAP"	1,874,531	1,971,851	1,872,206	99,645	-	-
Detail:						
Salaries and Wages	208,210	209,964	209,964	-	-	-
Other Expenses	1,666,321	1,761,887	1,662,242	99,645	-	-

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 0**

	APPROPRIATIONS		EXPENDITURES		UNEXPENDED BALANCE CANCELED	OVER EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAP":						
Capital Improvement Fund	\$ 75,000	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -
Firefighter Protection Equipment	6,000	6,000	6,000	-	-	-
Sewer Repairs	25,000	25,000	18,305	6,695	-	-
NJ Transportation Trust Fund Authority Act		220,000	220,000	-	-	-
TOTAL Capital Improvement Fund - Excluded from "CAP"	106,000	326,000	319,305	6,695	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	820,000	820,000	820,000	-	-	-
Payment of Bond Anticipation Notes & Capital Notes	140,000	140,000	-	-	140,000	-
Interest on Bonds	195,435	195,435	195,435	-	-	-
Interest on Notes	35,811	35,910	35,910	-	-	-
TOTAL Municipal Debt Service - Excluded from "CAP"	1,191,246	1,191,345	1,051,345	-	140,000	-
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"						
Special Emergency Authorizations 5 years (N.J.S.A. 40A:4-55)	80,000	80,000	80,000	-	-	-
Deferred Charge to Future Taxation Unfundec	7,250	7,250	7,250	-	-	-
TOTAL Deferred Charges - Municipal - Excluded from "CAPS"	87,250	87,250	87,250	-	-	-
TOTAL General Appropriations for Municipal Purposes - Excluded from "CAP"	3,259,027	3,576,446	3,330,106	106,340	140,000	-
SUBTOTAL GENERAL APPROPRIATIONS	11,774,774	12,092,094	11,317,747	634,347	140,000	-
RESERVE FOR UNCOLLECTED TAXES	730,378	730,378	730,378	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 12,505,152	\$ 12,822,472	\$ 12,048,125	\$ 634,347	\$ 140,000	\$ -
<u>Ref.</u>	A-2		A			A

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	BUDGET AFTER MODIFICATION	PAID OR CHARGED	
Appropriation by N.J.S. 40A:4-47 Budget	\$ 317,320 <u>12,505,152</u> \$ <u><u>12,822,472</u></u>		
Reserve for Federal and State Grants		\$ 545,962	
Reserve for Uncollected Taxes		730,378	
Deferred Charges		89,608	
Encumbrances Payable		222,070	
Disbursed		<u>10,460,107</u>	
		<u><u>\$ 12,048,125</u></u>	

See Accompanying Notes to Financial Statements

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EXHIBIT - B
TRUST FUNDS

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31,**

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund:			
Cash - Treasurer	B-1	\$ <u>9,757</u>	<u>10,377</u>
		<u>9,757</u>	<u>10,377</u>
Other Funds:			
Cash - Treasurer	B-1	1,397,633	1,470,124
Cash - Tax Collector	B-2	103,840	83,352
Small Cities Revolving Loans Receivable	B-15	<u>44,398</u>	<u>44,398</u>
		<u>1,545,871</u>	<u>1,597,874</u>
LOSAP (Unaudited)			
Investments - Held for LOSAP		<u>158,752</u>	<u>140,837</u>
		\$ <u><u>1,714,380</u></u>	<u><u>1,749,088</u></u>

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31,**

<u>Liabilities, Reserves, and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund:			
Due to Current Fund	B-5	1,314	2,747
Due to State of New Jersey	B-6	1	-
Reserve for Animal Control Fund Expenditures	B-4	<u>8,442</u>	<u>7,630</u>
		<u>9,757</u>	<u>10,377</u>
Other Funds:			
Due to State - Sales Tax		125	-
Reserves for:			
Law Enforcement Forfeiture	B-7	34,043	42,920
Escrow Fees	B-9	209,751	236,006
Snow Removal	B-10	33,317	33,317
Small Cities Grant Appropriation	B-8	181,496	181,496
Recreation Expenditures	B-11	98,242	108,140
Cultural Committee		8,966	10,468
Municipal Alliance	B-13	1,137	1,137
Outside Employment of Police	B-12	2,591	8,822
POAA		978	70
Police Donations		5,000	-
Public Defender	B-14	6,585	6,881
Recycling		20,638	46,639
Accumulated Sick and Vacation	B-3	781,149	780,149
Small Cities Revolving Loan	B-15	44,398	44,398
Tax Sale Premiums	B-17	103,840	83,352
Joint Insurance Funds		<u>13,615</u>	<u>14,079</u>
		<u>1,545,871</u>	<u>1,597,874</u>
LOSAP (Unaudited)			
Reserve for LOSAP		<u>158,752</u>	<u>140,837</u>
		<u>\$ 1,714,380</u>	<u>1,749,088</u>

See Accompanying Notes to Financial Statements

EXHIBIT - C
GENERAL CAPITAL FUND

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**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31,**

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash - Treasurer	C-2	\$ 2,630,597	\$ 1,104,056
Due from Current Fund		-	140,000
Deferred Charges to Future Taxation:			
Funded	C-4	8,894,000	5,064,000
Unfunded	C-5	4,000	3,807,250
		<u>11,528,597</u>	<u>10,115,306</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes Payable	C-8	-	2,660,000
Serial Bonds Payable	C-9	8,894,000	5,064,000
Contracts Payable	C-10	746,819	431,707
Improvement Authorizations:			
Funded	C-7	1,484,960	340,907
Unfunded	C-7	4,000	1,491,014
Reserve for:			
Capital Improvement Fund	C-6	81,878	52,878
Fund Balance	C-1	316,940	74,800
		<u>\$ 11,528,597</u>	<u>\$ 10,115,306</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 of \$4,000 and \$1,147,250, respectively.

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 74,800
Increased by:		
Premium on Sale of Bonds	C-3	<u>242,140</u>
Balance December 31, 2012	C	<u>\$ 316,940</u>

EXHIBIT - G
GENERAL FIXED ASSETS

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GENERAL FIXED ASSET FUND
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
DECEMBER 31,

<u>Assets</u>	<u>2012</u>	<u>2011</u>
General Fixed Assets:		
Land, Building & Improvements	\$ 5,512,687	\$ 5,512,687
Machinery and Equipment	<u>4,436,801</u>	<u>4,262,074</u>
Total General Fixed Assets	<u><u>9,949,488</u></u>	<u><u>9,774,761</u></u>
 <u>Reserves</u>		
Investment in General Fixed Assets	\$ <u><u>9,949,488</u></u>	\$ <u><u>9,774,761</u></u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Northfield include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Northfield, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Northfield Public Library is a component unit of the City. A separate audit is performed for the Library and will be made available for inspection upon completion.

B. Description of Funds

The accounting policies of the City of Northfield conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the respect to public funds. Under this method of accounting, the City of Northfield accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey are as follows.

A modified accrual basis of accounting is followed with minor exceptions.

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

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the City's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

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.

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. No depreciation has been provided for in the financial statements.

Any capital assets of \$1,000 or more are capitalized

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2012.

	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
Buildings	\$ 5,512,687	\$ -	\$ -	\$ 5,512,687
Vehicles	2,524,284			2,524,284
Equipment	1,737,790	176,447	(1,720)	1,912,517
Total General Fixed Assets	<u>\$ 9,774,761</u>	<u>\$ 176,447</u>	<u>\$ (1,720)</u>	<u>\$ 9,949,488</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Capitalization of Interest -- It is the policy of the City of Northfield to treat interest on projects as a current expense and the interest is included in the current operating budget.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2012 AND 2011

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues – Regulatory Basis and the Statement of Expenditures – Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements” to improve financial reporting related to service concession arrangements (SCAs) which are a type of public-private or public-public partnership. This statement will become effective for fiscal periods beginning after December 15, 2011. This statement is not anticipated to have any effect on the City’s financial reporting.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the City’s financial reporting.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. The statement, which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The statement had no effect on the City as there are no proprietary funds.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position”. The statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. This statement is not anticipated to have any effect on the City’s financial reporting.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53”. This statement, which is effective for fiscal periods beginning after June 15, 2011, did not have any effect on the City’s financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budget included a reserve for uncollected taxes in the amount of \$730,378 and \$703,150, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 and 2011 statutory budget was \$1,400,000 and \$1,474,000, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following material transfers were made in 2012:

<u>Budget Category</u>	<u>Amount</u>
City Clerk Salaries and Wages	\$ (12,000)
Financial Administration Salaries and Wages	(25,099)
Maintenance of Vehicles Other Expenses	16,000

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. The following budget insertions were approved in the 2012 calendar year.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

<u>Grant Name</u>	<u>Amount</u>
Over the Limit Under Arrest	\$ 4,400
Drive Sober or Get Pulled Over	4,400
Alcohol, Education and Rehabilitation	1,754
COPs in Shops	1,400
Clean Communities	14,463
Body Armor	2,375
NJ DOT	220,000
Community Development Block Grant	65,028
State Farm Grant	2,500
Cape Bank Grant	<u>1,000</u>
 Total insertions for the year	 <u><u>\$ 317,320</u></u>

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. As of December 31, 2012 the City has the following special emergencies:

Revision of Tax Maps
 Revaluation

Note 3: INVESTMENTS

Interest Rate Risk: The municipality does 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. The City’s cash management plan limits maturities to one year or less.

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Concentration of Credit Risk: The municipality places no limit on the amount the City may invest in any one issuer.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the 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 municipality’s bank balance of \$8,944,978 and \$9,113,102, respectively, was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

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

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
General	\$ 5,064,000	\$ 4,650,000	\$ 820,000	\$ 8,894,000	\$ 1,030,000
Comp. Absence	1,243,033	49,426	33,709	1,258,750	
Total	<u>\$ 6,307,033</u>	<u>\$ 4,699,426</u>	<u>\$ 853,709</u>	<u>\$ 10,152,750</u>	<u>\$ 1,030,000</u>

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the City:

\$4,655,000 General Improvement Bond dated 9/1/02 payable in annual installments through 9/1/2015. Interest is paid semiannually at a rate of 2.50% to 4.00% per annum. The balance remaining as of December 31, 2012 was \$1,295,000.

\$4,999,000 General Improvement Bond dated 11/15/06 payable in annual installments through 12/1/2018. Interest is paid semiannually at a rate of 3.5% to 4.00% per annum. The balance remaining as of December 31, 2012 was \$2,949,000.

\$4,650,000 General Improvement Bond dated 10/23/12 payable in annual installments through 10/23/2027. Interest is paid semiannually at a rate of 2.00% to 3.00% per annum. The balance remaining as of December 31, 2012 was \$4,650,000.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

The aggregate debt requirements to maturity are as follows:

Year	General Capital Fund		Total
	Principal	Interest	
2013	\$ 1,030,000	\$ 253,099	\$ 1,283,099
2014	1,055,000	233,998	1,288,998
2015	1,085,000	196,423	1,281,423
2016	850,000	157,710	1,007,710
2017	875,000	131,960	1,006,960
2018-2022	2,249,000	369,960	2,618,960
2023-2027	1,750,000	154,000	1,904,000
Total	\$ 8,894,000	\$ 1,497,150	\$ 10,391,150

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

As of December 31, 2012, the carrying value of the above bonds approximates the fair value of the bonds.

At December 31, 2012 and 2011, the City has authorized but not issued debt of \$4,000 and \$1,147,250, respectively.

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

Summary of Municipal Debt

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General - Bonds, Loans and Notes	\$ 8,894,000	\$ 5,064,000	\$ 5,839,000
General - Bond Anticipation Notes	-	2,660,000	1,425,000
Authorized But Not Issued	4,000	1,147,250	1,507,650
Net Bonds, Loans and Notes Issued and Authorized But Not Issued	<u>\$ 8,898,000</u>	<u>\$ 8,871,250</u>	<u>\$ 8,771,650</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

Summary of Regulatory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a regulatory net debt of 0.893%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 4,473,000	\$ 4,473,000	\$ -
Regional School Debt	12,913,087	12,913,087	-
General Debt	8,898,000		8,898,000
	<u>\$ 26,284,087</u>	<u>\$ 17,386,087</u>	<u>\$ 8,898,000</u>

Net Debt \$8,898,000 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$996,059,560 = 0.893%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 34,862,085
Net Debt	8,898,000
Remaining Borrowing Power	<u><u>\$ 25,964,085</u></u>

Note 6: NOTES PAYABLE

The City had outstanding at December 31, 2011, bond anticipation notes in the amount of \$2,660,000. The amount was payable to Oppeheimer & Co, Inc. The notes were paid off on October 23, 2012.

Note 7: FUND BALANCES APPROPRIATED

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

Current Fund \$1,400,000

The 2013 budget has not been adopted as of the audit completion date.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 8: SCHOOL TAXES

Local District School Taxes and Regional High School Tax have been raised on a calendar year basis. There were no Local District School Taxes or Regional High School taxes payable at December 31, 2012.

Note 9: TAXES COLLECTED IN ADVANCE

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

	Balance <u>December 31, 2012</u>	Balance <u>December 31, 2011</u>
Prepaid Tax	\$ 145,140	\$ 197,999
Cash Liability for Taxes Collected in Advance	<u>\$ 145,140</u>	<u>\$ 197,999</u>

Note 10: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and Police and Fireman's Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.shtml.

Public Employees' Retirement System

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Police and Fireman's Retirement System

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The current PERS rate is 6.57% of covered payroll and for PFRS a rate of 10% of covered payroll. The City's contributions to PERS for the years ending December 31, 2012, 2011 and 2010 were \$169,926, \$164,090, and \$156,151, respectively, equal to the required contributions for each year. The City's contributions to PFRS for the years ending December 31, 2012, 2011 and 2010 were \$539,158, \$589,751, and \$542,655, respectively, equal to the required contributions for each year.

NOTE 11: POST-RETIREMENT BENEFITS

Plan Description

The New Jersey State Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' health . The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents.

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury
-----------------------	---

Members of the Police and Firemen’s Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000. Mandatory at age 65.
--------------------	---

Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
--	-----------------------------------

Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of service and is totally and permanently incapacitated from the performance of usual or available duties.
--------------------------------	--

Accidental Retirement	Disability	A member is eligible upon total and permanent incapacitation from the performance of usual and available duties as a result of injury during the performance of regular duties.
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Special Disability Retirement	A member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant.
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The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/shbp.htm>.

The City is a member of the SHBP and provides that its retirees will be covered if they have participated in either the PERS or the PFRS for 25 years. During 2012, 2011 and 2010 the City paid the SHBP \$1,432,159, \$1,331,096, and \$1,268,228 respectively for health care of employees and retirees. The amount paid for retirees was \$556,019 , \$540,437, and \$504,392 respectively.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 12: ACCRUED SICK AND VACATION BENEFITS

City employees are covered by union contracts specifying that vacation time may be carried over to the next calendar year, with prior permission. Sick leave may be accumulated from year to year and used as needed. Each contract details the amounts an employee will be compensated at retirement based on the current rate of pay upon retirement. It is estimated that the current cost of such unpaid compensation would approximate \$1,258,752 and \$1,243,033 as of December 31, 2012 and 2011, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absence liability. The City has established a reserve trust fund the balance at December 31, 2012 and 2011 is \$781,149 and \$780,149, respectively.

Note 13: UNION CONTRACTS

As of December 31, 2012, the City's employees are organized in three collective bargaining units. The contracts with the Policeman's Benevolent Association will expire December 31, 2013, the UWU contract expired December 31, 2012 and the IAFF contract will expire December 31, 2014.

Bargaining Unit	Job Category	Members
PBA	Police	All uniformed police
UWU	Supervisory Employees and White and Blue Collar Employees	All employees except exempt employees, police, and fire
IAFF	Fire	All career fire fighters

Note 14: ECONOMIC DEPENDENCY

The City of Northfield is not economically dependent on any one business or industry within the City.

Note 15: LITIGATION

During the normal course of operations, lawsuits are brought against the governmental unit. As of this date the outcome of these lawsuits is not presently determinable and the City's counsel has not given any indication that settlements would have a material adverse effect on the City.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 16: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 17: CONTRACTS AND COMMITMENTS

As of December 31, 2012, the City had outstanding balances on various contracts in the amount of \$746,819. These contracts are funded through grants from the State of New Jersey Department of Transportation, and Bond Ordinances adopted by the City.

Note 18: INTERFUND BALANCES

As of December 31, 2012, the following interfunds were included on the balance sheets of the various funds of the City of Northfield:

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Federal and State Grant Fund	\$ -	\$ 156,453
Dog Fund	1,314	
Federal and State Grant Fund:		
Current Fund	156,453	
Dog Fund:		
Current Fund		1,314
	<u>\$ 157,767</u>	<u>\$ 157,767</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

The grant appropriations are expended prior to receipt of awards. The current fund must advance funds. The dog fund had a statutory excess at year end.

Note 19: RISK MANAGEMENT

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

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds.

The City of Northfield is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”.

There was no decrease in coverage or payments in excess of the City’s coverage during 2012.

Note 20: LENGTH OF SERVICE AWARDS PROGRAM (Unaudited)

During the year 2001 the voters of the City of Northfield approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who performed qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The City has included \$22,500 in the 2013 budget for contributions to the LOSAP for volunteers who have met the established criteria.

Note 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 3, 2013, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Northfield, 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, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Kenneth W. Moore
Kenneth W. Moore
Certified Public Accountant
Registered Municipal Accountant
No. 231

May 3, 2013

**SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA #/ Pass Through Grantor's #	Grant Period		Program or Award Amount	Balance 12/31/11	Receipts or Revenue Recognized	Disbursements/Expenditures	(Cancelled Prior Encumbrance)/Cancelled	Balance 12/31/2012	Cumulative Expenditures
		From	To							
STATE OF NEW JERSEY										
Department of Environmental Protection										
Clean Communities	4900-765-042-4900-004	01/01/12	12/31/12	\$ 14,463	\$	\$ 14,463	\$	\$	\$ 14,463	\$ -
Clean Communities	4900-765-042-4900-004	01/01/11	12/31/11	14,652	14,652	-	14,454	198	-	14,454
Clean Communities	4900-765-042-4900-004	01/01/10	12/31/10	14,585	8,867	-	8,867	-	-	14,585
Substantiable Jersey		01/01/10	12/31/10	1,000	31	-	-	-	31	969
Department of Transportation										
NJ DOT - 2012	6320-480-601395-61	01/01/12	12/31/12	220,000		220,000			220,000	-
NJ DOT - 2011	6320-480-601395-61	01/01/11	12/31/11	210,000	34,651	-	-	11,548	-	210,000
NJ DOT - Mt. Vernon	6320-480-601395-61	01/01/10	12/31/10	185,000	2,655	-	-	2,655	-	182,345
NJ DOT - Mt. Vernon	6320-480-601395-61	01/01/09	12/31/09	150,000	15,657	-	-	15,657	-	150,000
NJ DOT - Safe Routes - Non Infrastructure	6320-480-601395-61	01/01/09	12/31/09	41,000	8	-	-	8	-	40,992
State of New Jersey State Police										
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001	01/01/12	12/31/12	1,754		1,754			1,754	-
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001	01/01/11	12/31/11	2,076	2,076	-	-	-	2,076	-
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001	01/01/10	12/31/10	2,539	2,539	-	-	-	2,539	-
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001	01/01/09	12/31/09	3,086	2,060	-	1,600	-	460	2,626
Safe and Secure Communities	100-066-1020-107	01/01/12	12/31/12	60,000		60,000			60,000	
Body Armor	1020-718-066-1020	01/01/12	12/31/12	2,375		2,375			2,375	
Body Armor	1020-718-066-1020	01/01/11	12/31/11	2,313	2,313	-	-	-	2,313	-
Body Armor	1020-718-066-1020	01/01/10	12/31/10	1,062	1,062	-	886	-	176	886
Body Armor	1020-718-066-1020	01/01/09	12/31/09	2,335	2,335	-	2,335	-	-	2,335
Body Armor	1020-718-066-1020	01/01/08	12/31/08	2,567	669	-	669	-	-	2,567
Click It or Ticket		01/01/12	12/31/12	4,000		4,000			4,000	
Over the Limit Under Arrest		01/01/12	12/31/12	4,400		4,400			4,400	
Over the Limit Under Arrest		01/01/11	12/31/11	4,400	1,843	-	1,843	-	4,400	-
COPS in Shops		01/01/12	12/31/12	1,400		1,400			1,000	400
COPS in Shops		01/01/11	12/31/11	1,600	416	-	416	-	-	1,600
Drive Sober or Get Pulled Over	1400-100-066-1400	01/01/12	12/31/12	4,400		4,400			355	10,805
Drunk Driving Enforcement	1400-100-066-1400	01/01/12	12/31/12	11,160	672	-	672	(23)	-	11,250
Drunk Driving Enforcement		01/01/10	12/31/10	11,250	2,454	-	2,454	(71)	-	11,250
NADD		01/01/10	12/31/10	5,000		-	-	-	12	2,513
Total State Assistance				\$ 94,960	\$ 323,952	\$ 133,786	\$ 29,774	\$ 254,815	\$ 716,727	
FEDERAL:										
Homeland Security										
Department of Environmental Protection										
Stormwater Grant	66.605	01/01/08	12/31/08	8,468	8,468	-	-	2,117	6,351	-
Total Department of Environmental Protection				8,468				2,117	6,351	
Housing and Urban Development										
Small Cities Community Development Block	14.218	01/01/12	12/31/12	65,028		65,028			11,029	53,999
Small Cities Community Development Block	14.218	01/01/10	12/31/10	58,061	4,501	-	4,501	-	-	58,061
Total Housing and Urban Development				123,099	4,501				11,029	112,060
Total Federal Assistance				\$ 123,099	\$ 65,028	\$ 58,500	\$ 2,117	\$ 17,380	\$ 112,060	

See Accompanying Notes to Schedule of Expenditures of Federal and State Awards

**Notes to the Schedules of Federal and State Financial Assistance
For the Year Ended December 31, 2012**

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the City of Northfield, State of New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining single audit threshold on major programs.

NOTE 2. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule don agree with amounts reported in the City's financial statements. Receipts from Federal and State grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Following is a reconciliation of expenditures:

Expenditure per Schedule of Federal and State Assistance	\$ 192,286
Plus: Local Assistance	13,160
Plus: Local Match	<u>137,050</u>
Expenditure per Schedule of Federal and State Grants Appropriated	<u><u>\$ 342,496</u></u>

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2011	A	\$	5,093,851
Increased by Receipts:			
Taxes Receivable	A-5	\$ 25,498,666	
Due from State of New Jersey (c.73, P.L.1976)		141,250	
Prepaid Taxes	A	145,140	
Lien Payments	A-7	1,609	
Federal and State Grants	A-13	358,322	
Miscellaneous Revenue Anticipated	A-8	2,727,951	
Miscellaneous Revenue Not Anticipated	A-2	84,100	
Unappropriated Grants	A-15	11,594	
Due from Trust	B	1,433	
Due State for Marriage Licenses		225	
		<hr/>	<hr/>
			28,970,290
Decreased by Disbursements:			
2011 Appropriation Reserves	A-9	152,391	
2012 Appropriations	A-3	10,460,107	
County Taxes	A-10	3,409,685	
Regional High School Tax	A-12	5,099,346	
Local District School Tax	A-11	9,579,246	
Due to Capital	A-3	140,000	
Due to Library		4,067	
Due State for DCA		1,171	
Refund Inspection Fees		65	
Refund of Sewer Overpayments		152	
Refund of Tax Overpayments		20,671	
Payroll Taxes Payable		8,174	
Federal and State Grant Expenditures	A-14	327,374	
		<hr/>	<hr/>
			29,202,449
Balance December 31, 2012	A	\$	<u><u>4,861,692</u></u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance 12/31/11	2012 Levy	Added Taxes	2011 Collections by Cash	2012 Collections by Cash	(Transfers) or Canceled	Overpayments	Transferred To Tax Title Liens	Balance 12/31/12
Arrears \$	11,844	\$	\$	\$	7,787	21,331	\$	\$	25,388
2011	379,508				361,366	(17,697)		445	-
2012	391,352	26,147,050	103,472	196,040	369,153	3,634	-	445	25,388
					25,252,227	343,934	(48,879)	454	506,746
	\$	26,147,050	\$	196,040	\$	347,568	\$	899	\$
					25,621,380		(48,879)		532,134
Ref.	A		A-19			Res.		A-7	A
				Ref.					
			Cash	A-4	\$				
			State of New Jersey (c.73,P.L. 1976)		25,498,666				
					122,714				
					\$				
					25,621,380				

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

	<u>Ref.</u>	
Analysis of 2012 Property Tax Levy		
Tax Yield:		
General Property Tax		\$ 26,147,050
Added Taxes (54:4-63.1 et. seq.)		<u>103,472</u>
		\$ <u><u>26,250,522</u></u>
Tax Levy:		
Regional High School Tax (Abstract)	A-12	\$ 5,099,346
Local School District Tax (Abstract)	A-11	9,579,246
County Taxes:		
County Tax (Abstract)	A-10	\$ 3,139,624
County Health Service Tax (Abstract)	A-10	196,379
County Open Space Tax (Abstract)	A-10	50,934
Due County for Added Taxes (R.S. 54:4-63.1 et seq.)	A-10	<u>13,147</u>
Total County Taxes		3,400,084
Local Tax for Municipal Purposes	A-2	7,740,822
Add: Minimum Library Tax	A-2	333,389
Add: Additional Tax Levied		<u>97,635</u>
		8,171,846
		\$ <u><u>26,250,522</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF SEWER RENTS RECEIVABLE**

	<u>Ref.</u>		
Balance December 31, 2011	A		\$ 69,465
Increased by:			
Penalties			21,540
Sewer Billings	Res.		<u>1,184,162</u>
			1,275,167
Decreased by:			
Cancelations	Res.	\$ 506	
Overpayments applied		3,832	
Collections	A-2	<u>1,191,568</u>	
			<u>1,195,906</u>
Balance December 31, 2012	A		<u>\$ 79,261</u>

**CURRENT FUND
SCHEDULE OF LIENS**

	<u>Ref.</u>		
Balance December 31, 2011	A		\$ 17,353
Increased by:			
Tax Sale	A-5	\$ 445	
Maintenance Liens		1,778	
Interest and Cost from Tax Sale		203	
Transfers			
2012 Receivable	A-5	<u>454</u>	
			<u>2,880</u>
			20,233
Decreased by:			
Sewer Lien Collections	A-4	-	
Tax Title Lien Collections	A-2	85	
Costs		15	
Miscellaneous Liens Collected in 2012	A-2:A-4	1,509	
Cancelled by Resolution		<u>398</u>	
			<u>2,007</u>
Balance December 31, 2012	A		\$ <u><u>18,226</u></u>
 <u>Analysis of Balance:</u>			
Tax Title Liens		\$ 17,638	
Costs		219	
Miscellaneous Liens		<u>369</u>	
		<u>\$ 18,226</u>	

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Ref.	Balance 12/31/11	Accrued In 2012	Collected	Balance 12/31/12
<u>Miscellaneous Revenues Anticipated:</u>					
Alcoholic Beverage Licenses	A-2	\$ -	\$ 5,000	\$ 5,000	-
Other Licenses	A-2	-	81,019	81,019	-
Fees and Permits	A-2	-	73,651	73,651	-
Municipal Court:					
Fines and Costs	A-2	9,444	130,394	131,947	7,891
Interest and Costs on Taxes	A-2	-	100,059	100,059	-
Interest on Investments and Deposits	A-2	-	73,463	73,463	-
Sewerage Rentals	A-2	-	1,197,032	1,197,032	-
Energy Receipt Taxes	A-2	-	602,306	602,306	-
Consolidated Municipal Tax Relief Act	A-2	-	30,080	30,080	-
Uniform Construction Code Fees	A-2	-	110,095	110,095	-
Linwood Share - Sewerage Department Costs-					
Interlocal Service Agreement	A-2	-	122,341	122,341	-
Linwood Share - Police Chief	A-2	-	96,333	96,333	-
Linwood Share - Court Costs	A-2	-	77,473	77,473	-
Uniform Fire Safety Act Fees	A-2	-	6,652	6,652	-
Library Reimbursement	A-2	-	55,000	55,000	-
Library Rent	A-2	-	20,500	20,500	-
		<u>\$ 9,444</u>	<u>\$ 2,781,398</u>	<u>\$ 2,782,951</u>	<u>\$ 7,891</u>
	Ref.	A			A
			Cash Receipts	\$ 2,727,951	A-4
			Prior Receipts	<u>55,000</u>	
				<u><u>2,782,951</u></u>	

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES**

	<u>Balance 12/31/11</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
Operations Within "CAP":				
General Administration				
Other Expenses	\$ 13,558	\$ 13,558	\$ 253	\$ 13,305
Mayor and Council				
Other Expenses		-		-
City Clerk				
Other Expenses	17,463	17,463	5,853	11,610
Financial Administration				
Other Expenses	2,569	2,569	486	2,083
Audit				
Other Expenses		-		-
Tax Collector				
Other Expenses	922	922	713	209
Planning Board				
Other Expenses	9,316	9,316	2,569	6,747
Tax Assessment Administration				
Other Expenses	685	685	325	360
Legal Services and Costs				
Other Expenses	30,693	30,693	9,761	20,932
Engineering				
Other Expenses	36,573	36,573	(8,104)	44,677
Insurance				
Other Insurance	67,757	67,757	18,518	49,239
Public Buildings and Grounds				
Other Expenses	4,622	4,622	1,748	2,874
Solid Waste Tipping Fees	97,562	97,562	46,576	50,986
Fire Department				
Other Expenses	3,278	3,278	3,045	233
Fire Official				
Other Expenses	1,670	1,670	147	1,523
Sewer				
Other Expenses	8,270	8,270	513	7,757
Police Services				
Salaries and Wages	98,126	95,768		95,768
Other Expenses	23,276	23,276	20,454	2,822
Municipal Court				
Other Expenses	3,385	3,385	1,408	1,977
Streets and Roads				
Other Expenses	14,729	14,729	1,353	13,376
Maintenance of Auto Equipment				
Other Expenses	19,706	19,706	12,024	7,682
Animal Control Services				
Other Expenses	750	750	750	-
Parks and Playgrounds				
All Sports	6,558	6,558	2,504	4,054

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES**

	<u>Balance 12/31/11</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
Utilities				
Gasoline	\$ 4,151	\$ 6,509	\$ 6,509	\$ -
Electricity		-		-
Internet	2,336	2,336	34	2,302
Telephone and Telegraph	10,134	10,134	1,273	8,861
Water Service	289	289	279	10
Street Lighting	9,822	9,822	6,692	3,130
Capital Improvements Excluded from "CAP":				
Firefighter Protection Equipment	4,000	4,000	4,000	-
Sewer Repairs	15,998	15,998	4,898	11,100
Insurance				
Other		-		-
LOSAP		-		-
DCRP	998	998	(119)	1,117
Social Security	26,075	26,075	581	25,494
Linwood - Interlocal Agreement	78,652	78,652	283	78,369
ACUA Service Charge - Contract		-		-
Interlocal Road Realignment		-		-
Reserve for Snow Removal		-		-
Reserve for Accumulated Leave	500	500	500	-
Recycling Tax Levy	3,267	3,267	735	2,532
City Match for DOT	21,000	21,000	5,830	15,170
Other Accounts - No Changes	<u>579,285</u>	<u>579,285</u>		<u>579,285</u>
	\$ <u>1,217,975</u>	\$ <u>1,217,975</u>	\$ <u>152,391</u>	\$ <u>1,065,584</u>
Ref.			A-4	A-1
Appropriation Reserves	\$ 152,391			
Encumbrances Payable	-			
	\$ <u>152,391</u>			

**CURRENT FUND
SCHEDULE OF COUNTY TAXES**

	<u>Ref.</u>		
Balance December 31, 2011			
County Taxes		\$ -	
Added and Omitted Taxes		9,601	
		9,601	\$ 9,601
Increased by:			
County General		3,139,624	
County Local Health		196,379	
County Open Space		50,934	
Added Taxes		13,147	
		3,400,084	
	A-1:A-5		3,400,084
Decreased by:			
Payments to County	A-4		3,409,685
Balance December 31, 2012			
County Taxes		-	
Added and Omitted Taxes		-	
		-	\$ -

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ -
Increased by:		
Levy - Calendar Year 2012	A-1:A-5	<u>9,579,246</u>
		9,579,246
Decreased by:		
Payments	A-4	<u>9,579,246</u>
Balance December 31, 2012	A	\$ <u><u>-</u></u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ -
Increased by:		
Levy - Calendar Year 2012	A-1:A-5	<u>5,099,346</u>
Decreased by:		
Payments	A-4	<u>5,099,346</u>
Balance December 31, 2012	A	\$ <u><u>-</u></u>

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Grant</u>	<u>Balance 12/31/11</u>	<u>Anticipated Revenue</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance 12/31/12</u>
Clean Communities Program	\$ -	\$ 14,463	\$ 14,463		\$ -
Safe and Secure State	26,997	60,000	86,997		-
Alcohol Education Rehabilitation Fund	-	1,754	1,754		-
NJ DOT - Mt. Vernon	300			300	-
NJ DOT - Mt. Vernon II	2,655			2,655	-
NJ DOT - Non-Infrastructure	1,521			1,521	-
NJ DOT 2011	85,563		62,460	23,103	-
NJ DOT 2012		220,000	159,750		60,250
Municipal Alliance Grant					
2010 Grant	13,145		13,141	4	-
2011 Grant	13,145		13,145		-
2012 Grant		13,145	2,387		10,758
Cape Bank Grant - Veteran's Park		1,000	1,000		-
DEP Stormwater	2,118			2,118	-
Community Development Block Grant	4,500	65,028			69,528
Click It or Ticket	-	4,000	4,000		-
Drunk Driving Enforcement		11,160	11,160		-
Over the Limit Under Arrest	1,844	4,400		1,844	4,400
Drive Sober or Get Pulled Over		4,400			4,400
COPS in Shop	1,600	1,400	1,600		1,400
	<u>\$ 153,388</u>	<u>\$ 400,750</u>	<u>\$ 371,857</u>	<u>\$ 31,545</u>	<u>\$ 150,736</u>
<u>Ref.</u>	A	A-2			A
		Current Fund	A-4	\$ 358,322	
		Transferred from Unappropriated Reserves	A-15	<u>13,535</u>	
				<u>\$ 371,857</u>	

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - APPROPRIATED**

<u>Grant</u>	Balance 12/31/11	2012 Budget Appropriation	Expended	(Canceled Prior Encumb.) Canceled	Balance 12/31/12
Drunk Driving Enforcement Fund	\$	11,160	\$ 11,500	\$ (22)	354
Police Salaries and Wages	672	\$ 11,160	\$ 11,500	\$ (22)	354
Clean Communities Program	23,519	14,463	23,321		14,661
Municipal Alliance Grant					
County Share	-	13,145	12,510		635
Local Share	-	3,287			3,287
Safe and Secure Communities Program					
State Share	-	60,000	60,000		-
Local Share	-	137,050	137,050		-
Alcohol Education Rehabilitation Fund	6,676	1,754	1,600		6,830
Body Armor	6,379	2,375	3,890		4,864
NJ DOT - Safe Routes	8			8	-
NJ DOT - Mt. Vernon Avenue II	2,655			2,655	-
NJ DOT - Mt. Vernon Avenue	15,657			15,657	-
NJ DOT 2011	34,651		23,103	11,548	-
NJ DOT 2012		220,000			220,000
Frank H Stewart Trust	2,635		150	2,485	-
State Farm Grant		2,500	500		2,000
Cape Bank Grant - Veteran's Park		1,000			1,000
Sustainable Jersey	31			(820)	851
COPS in Shops	416	1,400	816		1,000
NJ DEP Stormwater Grant	8,468			2,117	6,351
Over the Limit Under Arrest	1,843	4,400	1,843		4,400
Community Development Grant	4,501	65,028	58,500		11,029
NADDI	2,454		2,513	(70)	11
Click It Ticket	-	4,000	4,000		-
Drive Sober or Get Pulled Over	-	4,400	1,200		3,200
	\$	110,565	\$ 342,496	\$ 33,558	\$ 280,473

Ref.

A

A-3

A

Encumbered	A	\$ 15,122
Current Fund	A-4	327,374
		<u>\$ 342,496</u>

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED**

Grant	Balance Dec. 31, 2011	Received	Anticipated in 2012 Budget	Balance Dec. 31, 2012
Body Armor Grant	\$ 2,375	\$ 2,426	\$ 2,375	\$ 2,426
Recycling Tonnage		9,168		9,168
DWI	11,160		11,160	-
	<u>\$ 13,535</u>	<u>\$ 11,594</u>	<u>\$ 13,535</u>	<u>\$ 11,594</u>
Ref.	A	A-4	A-13	A

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2011		\$ 10,377	\$ 1,470,124
Increased by Receipts:			
Animal Control Fees	B-4	5,258	
State Fees	B-6	788	
Due to State - Sales Tax			125
Cultural Committee			2,895
Accumulated Sick and Vacation	B-3		1,000
Parking Offense Adjudication Act			908
Joint Insurance Funds			4,161
Public Defender	B-14		6,749
Law Enforcement Forfeiture	B-7		13,851
Escrow Review Fees	B-9		49,360
Police Department Donations			5,000
Fees and Permits -			
Birch Grove Park	B-11		85,431
Outside Employment of Police	B-12		30,674
		<u>6,046</u>	<u>200,154</u>
		<u>16,423</u>	<u>1,670,278</u>
Decreased by Disbursements:			
Dog Fund Expenditures	B-4	3,132	
State Fees	B-6	787	
Due to Current Fund	B-5	2,747	
Cultural Committee			4,397
Recycling			26,000
Joint Insurance Funds			4,626
Public Defender	B-14		7,045
Law Enforcement Forfeiture	B-7		22,728
Contractors' Expenditures	B-9		75,615
Birch Grove Park Expenditures	B-11		95,329
Outside Employment of Police	B-12		36,905
		<u>6,666</u>	<u>272,645</u>
Balance December 31, 2012	B	<u>\$ 9,757</u>	<u>\$ 1,397,633</u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

	<u>Ref.</u>		
Balance December 31, 2011			\$ 83,352
Increased By Receipts:			
Redemption of Liens	B-16	\$ 194,251	
Premiums on Sales	B-17	<u>25,538</u>	
			<u>219,789</u>
			303,141
Decreased by Disbursements:			
Redemption of Liens	B-16	194,251	
Premiums on Sales	B-17	<u>5,050</u>	
			<u>199,301</u>
Balance December 31, 2012			\$ <u><u>103,840</u></u>

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES**

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	780,149
Increased by:			
Budget Transfer	A-3:B-1		<u>1,000</u>
Balance December 31, 2012	B	\$	<u><u>781,149</u></u>

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

Balance December 31, 2011	<u>Ref.</u> B		\$	7,630
Increased by:				
Animal Control Fees Collected - 2012	B-1			5,258
				<u>12,888</u>
Decreased by:				
Dog License Expenses	B-1	\$		3,132
Excess Reserve Due to Current	B-5			<u>1,314</u>
				<u>4,446</u>
Balance December 31, 2012	B		\$	<u><u>8,442</u></u>

License Fees Collected:	
<u>Year</u>	<u>Amount</u>
2010	\$ 4,190
2011	<u>4,252</u>
	<u>\$ 8,442</u>

**TRUST FUND
SCHEDULE OF AMOUNT DUE (TO)FROM CURRENT FUND -
ANIMAL CONTROL FUND**

	<u>Ref.</u>		
Balance December 31, 2011	A:B	\$	(2,747)
Increased by:			
Excess reserve paid to Current	B-1		<u>2,747</u>
			-
Decreased by:			
Statutory Excess Due to Current	B-4	\$	<u>1,314</u>
			<u>1,314</u>
Balance December 31, 2012	A:B	\$	<u><u>(1,314)</u></u>

**SCHEDULE OF AMOUNT DUE TO(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH**

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	-
Increased by:			
2012 State License Fees	B-1		<u>788</u>
			788
Decreased by:			
Disbursements to the State	B-1		<u>787</u>
Balance December 31, 2012	B	\$	<u><u>1</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT FORFEITURE

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 42,920
Increased by:		
Cash Receipts	B-1	<u>13,851</u>
		56,771
Decreased by:		
Expenditures	B-1	<u>22,728</u>
	B	<u>\$ 34,043</u>

Exhibit B-8

SCHEDULE OF RESERVE FOR SMALL CITIES PROGRAM

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 181,496
No Current Year Activity		
Balance December 31, 2012	B	<u>\$ 181,496</u>

**TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW REVIEW FEES**

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 236,006
Increased by:		
Escrow Deposits Received	B-1	<u>49,360</u>
		285,366
Decreased by:		
Disbursements	B-1	<u>75,615</u>
Balance December 31, 2012	B	<u><u>\$ 209,751</u></u>

SCHEDULE OF RESERVE FOR SNOW REMOVAL FEES

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 33,317
No current year activity		
Balance December 31, 2012	B	<u><u>\$ 33,317</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	108,140
Increased by:			
Fees and Permits - Birch Grove Park	B-1	\$	<u>85,431</u>
			<u>85,431</u>
			193,571
Decreased by:			
Birch Grove Park Expenditures	B-1		<u>95,329</u>
			<u>95,329</u>
Balance December 31, 2012	B	\$	<u><u>98,242</u></u>

SCHEDULE OF OUTSIDE EMPLOYMENT OF POLICE

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	8,822
Increased by:			
Fees	B-1		<u>30,674</u>
			39,496
Decreased by:			
Payments to Current Fund	B-1		<u>36,905</u>
Balance December 31, 2012	B	\$	<u><u>2,591</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL ALLIANCE**

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	1,137
No current year activity			
			<hr/>
Balance December 31, 2012	B	\$	<u><u>1,137</u></u>

SCHEDULE OF RESERVE FOR PUBLIC DEFENDER TRUST

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	6,881
Increased by:			
Cash Receipts	B-1		<u>6,749</u>
			13,630
Decreased by:			
Cash Disbursements	B-1		<u>7,045</u>
Balance December 31, 2012	B	\$	<u><u>6,585</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING LOAN**

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	44,398
No activity in the current year			
Balance December 31, 2012	B	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> 44,398

TRUST FUND
SCHEDULE OF RESERVE FOR REDEMPTION OF TAX LIENS

Balance December 31, 2011	<u>Ref.</u> B	\$	-
Increased by:			
Redemption of Third Party Liens	B-2		<u>194,251</u>
			194,251
Decreased by Disbursements:			
Cash Disbursed to Lienholders	B-2		<u>194,251</u>
Balance December 31, 2012	B	\$	<u><u>-</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2011	<u>Ref.</u> B	\$	83,352
Increased by:			
Tax Sale Premiums Received	B-2		<u>25,538</u>
			108,890
Decreased by Disbursements:			
Cash Disbursed	B-2		<u>5,050</u>
Balance December 31, 2012	B	\$	<u><u>103,840</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 1,104,056
Increased by Receipts:			
Other	C-3	\$ 242,140	
Bonds Issued	C-8	1,990,000	
Due from Current Fund		147,250	
Capital Improvement Fund	C-6	75,000	
		<hr/>	<hr/>
			2,454,390
			3,558,446
Decreased by Disbursements:			
Improvement Authorizations	C-3	927,849	
Due from Current Fund	C-3	-	
		<hr/>	<hr/>
			927,849
Balance December 31, 2012	C		<u>\$ 2,630,597</u>

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	----- Receipts -----		----- Disbursements -----		Balance 12/31/12		
	Balance 12/31/11	Bonds	Miscellaneous	Improvement Authorizations		Miscellaneous	From
Fund Balance	\$ 74,800	\$ -	\$ 242,140	\$ -	\$ -	\$ -	\$ 316,940
Capital Improvement Fund	52,878	-	75,000	-	-	-	81,878
Encumbrances Payable	431,707	-	-	-	-	46,000	746,820
Due from Current Fund	(140,000)	-	140,000	-	-	431,707	-
Improvement Authorizations:							
Ordinance No.							
4-04 amend 9-01	4	-	-	4	-	53,906	-
5-05	-	-	-	15,648	-	3,450	-
5-04	100,010	-	-	37,051	-	8,016	59,509
4-06	-	-	-	-	-	4,147	-
4-06	28,807	-	-	1,669	-	6,484	-
4-06	5,823	-	-	28,807	-	18,755	-
4-08	452	-	-	4,250	-	5,791	-
4-08	101,195	-	-	6,243	-	27,762	-
4-08	-	-	-	73,433	-	8,443	-
4-08	65,400	-	-	8,443	-	4,740	32,509
14-09	-	-	-	28,151	-	644	-
14-09	-	-	-	-	-	14,756	-
1-10	589,371	1,750	-	404,468	-	197,323	147,841
1-10	28,676	-	-	65,015	-	5,700	7,961
1-10	-	-	-	20,454	-	6,536	-
1-10	24,250	750	-	20,000	-	-	5,000
18-10	30,763	-	-	-	-	324,950	30,763
11-02a	25,750	4,750	-	-	-	69,651	190,050
11-02b	(315,873)	-	-	96,927	-	-	37,612
11-02c	5,500	-	-	93,579	-	-	16,421
11-02d	(8,457)	-	-	23,707	-	-	1,293
11-02e	3,000	-	-	-	-	-	60,000
10-12a	-	-	-	-	-	30,000	600,000
10-12b	-	-	-	-	-	5,000	100,000
10-12c	-	-	-	-	-	1,000	15,000
10-12d	-	-	-	-	-	3,000	60,000
10-12e	-	-	-	-	-	2,000	30,000
10-12f	-	-	-	-	-	1,000	20,000
10-12g	-	-	-	-	-	4,000	71,000
TOTAL	\$ 1,104,056	\$ 1,990,000	\$ 464,390	\$ 927,849	\$ -	\$ 1,224,527	\$ 2,630,597
	C-C-2	C-8	C-2	C-2; C-8	C-2	C-2; C-8	C-C-2

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 5,064,000
Increased by:		
Bonds Issued	C-9	4,650,000
Decreased by:		
Bond Payments	C-9	<u>820,000</u>
Balance December 31, 2012	C	<u>\$ 8,894,000</u>

**GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance Number	Improvement Description	Balance		2012 Authorizations	Raised in Bond Issue	Raised in Budget	Balance Dec. 31, 2012	Analysis of Balance December 31, 2012		Unexpended Improvement Authorization
		Dec. 31, 2011	\$					Expended	\$	
4-08	Various Stormwater improvements	\$ 455,810	\$		\$ 455,810	\$	-	\$	\$	
4-08	Various Sewer Repairs	42,500			42,500		-			
4-08	Improvements to Recreation Fields	186,200			186,200		-			
4-08	Various Road Improvements	95,000			95,000		-			
4-08	Various Equipment and Vehicles	30,490			30,490		-			
14-09	Purchase of Dump Truck and Plow	80,750			80,750		-			
14-09	Various Road Improvements	289,750			289,750		-			
14-09	Lights and Fencing at Rec Field	104,500			104,500		-			
1-10	Storm Water Drainage Improvements	1,163,750			1,162,000	1,750	-			
1-10	Various Roadway Improvements	57,000			57,000		-			
1-10	Equipment, Communications & Signs	95,000			95,000		-			
1-10	Improvement to Recreation Area	38,000			38,000		-			
1-10	Improvement to City Hall	23,750			23,000	750	-			
11-02a	Storm Water Drainage	489,250			484,500	4,750	-			
11-02b	Road Improvements	470,250			470,250		-			
11-02c	Purchase of Equipment	104,500			104,500		-			
11-02d	All-Sports Recreation Area Improvements	23,750			23,750		-			
11-02e	Sanitary Sewer Improvements	57,000			57,000		-			
10-12a	Road Projects		570,000		570,000		-			
10-12b	PW Vehicles and Equipment		95,000		95,000		-			
10-12c	PW Vehicles and Equipment		14,000		14,000		-			
10-12d	Communication		57,000		57,000		-			
10-12e	Various Sewer Repairs		28,000		28,000		-			
10-12f	Veteran Park Improvements Phase II		19,000		19,000		-			
10-12g	Rec Field Improvements		71,000		67,000	4,000	-			4,000
		<u>\$ 3,807,250</u>	<u>\$ 854,000</u>		<u>\$ 4,650,000</u>	<u>\$ 7,250</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000</u>
		C	C-7/C-11		A-3	C	C-8	C-3		Improvement Authorizations Unfunded\$
										<u>\$ 4,000</u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2011	<u>Ref.</u> C		\$	52,878
Increased by:				
2012 Budget Appropriation	C-2	\$	<u>75,000</u>	75,000
				<u>127,878</u>
Decreased by:				
Improvement Authorizations	C-7			<u>46,000</u>
Balance December 31, 2012	C		\$	<u><u>81,878</u></u>

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Ord. #	Improvement Description	Date	Amount	Balance December 31, 2011		2012 Authorizations		P.O.'s Cancelled	Paid or Charged	Cancelled	Balance December 31, 2012	
				Funded	Unfunded	Downpayment or Capital Improvement Fund	Deferred Charges to Future Taxation				Funded	Unfunded
General Improvements												
Amended												
9-01 4-04	Various Building Improvements	4/6/2004	\$ 25,000	\$	\$	\$	\$	\$	\$ 40,501	\$	\$	\$ -
5-04	Improvements to City Buildings	4/20/2004	114,000	100,010								59,509
04-06	Acquisition of vehicles and equip	4/4/2006	172,000	28,807					28,807			-
12-06	Various Sewer Repairs	9/19/2006	50,000	5,823					5,823			-
4-08	Various Stormwater improvements	6/17/2008	479,800		452				452			
4-08	Various Sewer Repairs	6/17/2008	150,000	100,000	1,195				101,195			
4-08	Various Equipment and Vehicles	6/17/2008	74,200	40,000	25,400				32,891			32,509
1-10	Storm Water Drainage Improvements	1/26/2010	1,225,000		591,121				443,280			147,841
1-10	Equipment, Communications & Signs	1/26/2010	100,000		28,676				20,715			7,961
1-10	Improvement to City Hall	1/26/2010	25,000	1,250	23,750							25,000
18-10	Improvements to Jack Sloan & Joseph	12/18/2010	137,000	30,763	-				20,000			10,763
11-02a	Storm Water Drainage	4/23/2011	515,000	25,750	489,250				324,950			190,050
11-02b	Road Improvements	4/23/2011	495,000		154,377				116,765			37,612
11-02c	Purchase of Equipment	4/23/2011	110,000	5,500	104,500				93,579			16,421
11-02d	All-Sports Recreation Area Improvements	4/23/2011	25,000		15,293				14,000			1,293
11-02e	Sanitary Sewer Improvements	4/23/2011	60,000	3,000	57,000							60,000
10-12a	Road Projects	9/11/2012	600,000			30,000	570,000					600,000
10-12b	PW Vehicles and Equipment	9/11/2012	100,000			5,000	95,000					100,000
10-12c	PW Vehicles and Equipment	9/11/2012	15,000			1,000	14,000					15,000
10-12d	Communication	9/11/2012	60,000			3,000	57,000					60,000
10-12e	Various Sewer Repairs	9/11/2012	30,000			2,000	28,000					30,000
10-12f	Veteran Park Improvements Phase II	9/11/2012	20,000			1,000	19,000					20,000
10-12g	Rec Field Improvements	9/11/2012	75,000			4,000	71,000					71,000
				\$ 340,907	\$ 1,491,014	\$ 46,000	\$ 854,000	\$ -	\$ 1,242,962	\$ -	\$ -	\$ 1,484,960
				C	C	C-6	C-5	C-10	Encum	C	C	C
									315,113	Cash C-3		4,000
									927,849			
									1,242,962			

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Maturity Date	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
4-08	Various Improvements	11/2/2010	11/1/2011	10/31/2012	1.35%	\$ 810,000	\$	810,000	\$ -
14-09	Various Improvements	11/2/2010	11/1/2011	10/31/2012	1.35%	475,000		475,000	-
01-10	Various Improvements	11/1/2011	11/1/2011	10/31/2012	1.35%	1,375,000		1,375,000	-
						<u>\$ 2,660,000</u>	<u>-</u>	<u>\$ 2,660,000</u>	<u>-</u>
						C	C-2		C

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Improvement Description	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2011	Issued	Decreased	Balance Dec. 31, 2012
			Outstanding						
			Date	Amount					
General Improvements	9/1/2002	4,655,000	9/1/2013	\$ 430,000	4.00%	\$ 1,715,000	\$	420,000	\$ 1,295,000
			9/1/2014	430,000	4.00%				
			9/1/2015	435,000	4.00%	1,715,000	-	420,000	1,295,000
General Improvements	11/15/2006	4,999,000	12/1/2013	425,000	3.75%	3,349,000		400,000	2,949,000
			12/1/2014	450,000	3.75%				
			12/1/2015	475,000	3.75%				
			12/1/2016	500,000	3.75%				
			12/1/2017	600,000	3.75%				
			12/1/2018	499,000	4.00%				
General Improvements	10/23/2012	4,650,000	9/1/2013	175,000	2.00%	-	4,650,000		4,650,000
			9/1/2014	175,000	2.00%				
			9/1/2015	175,000	2.00%				
			9/1/2016	350,000	2.00%				
			9/1/2017	275,000	2.00%				
			9/1/2018	350,000	2.00%				
			9/1/2019	350,000	2.00%				
			9/1/2020	350,000	2.00%				
			9/1/2021	350,000	2.00%				
			9/1/2022	350,000	2.00%				
			9/1/2023	350,000	2.00%				
			9/1/2024	350,000	3.00%				
			9/1/2025	350,000	3.00%				
9/1/2026	350,000	3.00%							
9/1/2027	350,000	3.00%							
						3,349,000	4,650,000	400,000	7,599,000
						\$ 5,064,000	\$ 4,650,000	\$ 820,000	\$ 8,894,000

C

C-4

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CONTRACTS PAYABLE**

Balance December 31, 2011	<u>Ref.</u> C		\$ 431,707
Increased by:			
Additional Contracts	C-7		746,819
Decreased by:			
Cash Disbursed	C-2:C-3	\$ 431,707	
Canceled	C-7	-	
		431,707	
Balance December 31, 2012	C		\$ 746,819

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Issued	Raised in Budget	Balance Dec. 31, 2012
<u>General Improvements</u>						
1-10	Storm Water Drainage Improvements	\$ 1,750	\$		1,750	-
1-10	Improvement to City Hall	750			750	-
11-02a	Storm Water Drainage	489,250		484,500	4,750	-
11-02b	Road Improvements	470,250		470,250		-
11-02c	Purchase of Equipment	104,500		104,500		-
11-02d	All-Sports Recreation Area Improvements	23,750		23,750		-
11-02e	Sanitary Sewer Improvements	57,000		57,000		-
10-12a	Various Improvements		570,000	570,000		-
10-12b	PW Vehicles and Equipment		95,000	95,000		-
10-12c	PW Vehicles and Equipment		14,000	14,000		-
10-12d	Communication		57,000	57,000		-
10-12e	Various Sewer Repairs		28,000	28,000		-
10-12f	Veteran Park Improvements Phase II		19,000	19,000		-
10-12g	Rec Field Improvements		71,000	67,000		4,000
		<u>\$ 1,147,250</u>	<u>\$ 854,000</u>	<u>\$ 1,990,000</u>	<u>\$ 7,250</u>	<u>\$ 4,000</u>
			C-7	C-3	A-3	

See Accompanying Auditor's Report

CITY OF NORTHFIELD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

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GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate \$17,500 (\$36,000 effective July 1, 2012)."

The governing body of the City of Northfield has the responsibility of determining whether the expenditures in any category will exceed \$17,500 through June 30, 2012 and \$36,000 effective July 1, 2012. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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

- Paving of roads
- Walkways at Birch Grove Park
- Drainage
- Replace Valves
- Plumbing for Birch Grove Park

Our examination of expenditures did not reveal any payments in excess of \$17,500 through June 30, 2012 and \$36,000 effective July 1, 2012 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 3, 2012, adopted the following resolutions authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED by the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 435 P.L., 1978, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date that they would become delinquent is hereby fixed at eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent and eighteen percent (18%) per annum on any amount in excess of \$1,500.00, provided, however, that no interest shall be charged if payment is made within ten (10) days of the date upon which the tax or assessment becomes payable.

"IT IS FURTHER RESOLVED that nothing contained within this Resolution shall be construed to extend the time when taxes are due and payable nor the obligations to pay interest which shall commence on the due date if taxes are not paid within the ten (10) day grace period.

"BE IT RESOLVED by the the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 75 P.L., 1991, the governing body of the City of Northfield hereby establishes a penalty in the amount of six percent (6%) to be charged to a taxpayer with a delinquency in excess of Ten Thousand Dollars (\$10,000) who fails to pay that delinquency prior to the end of the calendar year.

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held on June 12, 2012 and was complete. Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number</u>
2012	9
2011	13
2010	13

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	5
Payments of 2012 and 2013 Sewer	5
Delinquent Taxes	4
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2012	\$ 26,250,522	\$ 25,447,372	96.94%
2011	26,301,579	25,760,894	97.94%
2010	25,606,243	25,029,234	97.75%
2009	24,482,861	23,863,345	97.47%
2008	23,613,363	23,096,148	97.81%

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	2.676	2.657	2.570	4.428	4.239
Apportionment of Tax Rate					
Municipal	0.792	0.792	0.799	1.327	1.268
Library	0.034	0.036			
County	0.349	0.350	0.319	0.609	0.570
Local School	0.980	0.965	0.949	1.643	1.569
Regional High School	0.521	0.514	0.503	0.849	0.832
Assessed Valuation	977,094,553	986,787,846	995,528,917	551,162,023	553,688,917
* Revaluation Completed in 2010					

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 18,226	\$ 532,134	\$ 550,360	2.10%
2011	17,353	391,352	408,705	1.55%
2010	13,941	419,741	433,682	1.69%
2009	13,111	354,699	367,810	1.50%
2008	11,207	382,400	393,607	1.67%

CURRENT YEAR FINDINGS

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

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

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

Very truly yours,

Kenneth W. Moore

Kenneth W. Moore, CPA
Registered Municipal Accountant
No. 231

Ford Scott, & Associates, LLC

Ford, Scott & Associates, LLC