BOROUGH OF PENNINGTON
COUNTY OF MERCER
NEW JERSEY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2008 and 2007

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Pennington
County of Mercer, New Jersey

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Borough of Pennington as of December 31, 2008 and 2007 the related statements of operations and changes in fund balance- regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2008. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements referred to in the first paragraph include the Statement of Governmental Fixed Assets. As disclosed in Note 2 to the financial statements, the Statement of Governmental Fixed Assets is unaudited and represents 100 percent of the assets of the governmental fixed asset group.

The financial statements and schedules referred to in the first paragraph include the assets and reserves of the Borough's Length of Service Award Program, which is unaudited. The Length of Service Award Program is included in the Trust Funds.

As described in Note 2, these financial statements – regulatory basis were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

In our opinion, because the prescribed regulatory basis of accounting as described in the preceding paragraph is utilized by the Borough of Pennington, County of Mercer, New Jersey for the purpose of financial statement preparation, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2008 and 2007or the results of its operations, or cash flows of its proprietary fund type for the year then ended.

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined had we audited the Statement of Governmental Fixed Assets, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2008 and 2007 and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2008 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 7, 2009 on our consideration of the Borough of Pennington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Pennington, County of Mercer, New Jersey taken as a whole. The information included in the supplementary data and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Pennington, County of Mercer, New Jersey. Such information contained in the Supplementary Data and Supplementary Schedules has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects to the financial statements taken as a whole.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Robert S. Morrison

Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
September 7, 2009

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

Honorable Mayor and Members
of the Borough Council
Borough of Pennington
County of Mercer, New Jersey

We have audited the financial statements of the Borough of Pennington as of and for the year ended December 31, 2008, and have issued our report thereon dated September 7, 2009. The Borough of Pennington prepares its financial statements in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our report expressed a qualified opinion on the financial statements in conformity with this regulatory basis because we did not audit the Statement of Governmental Fixed Assets and the Length of Service Awards Program(included in the Trust Funds) and due to the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2. Our report also expressed an adverse opinion on the conformity of the financial statements to accounting principles generally accepted in the United States of America, due to the differences between those principles and the prescribed regulatory basis which is more fully described in Note 2. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Borough's financial statements that is more than inconsequential will not be prevented or detected by the Borough's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Borough of Pennington's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters, including matters of control deficiencies, which we reported to the Borough in the General Comments section of this report.

This report is intended solely for the information and use of the Mayor and Borough Council, management and Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
September 7, 2009

HODULIK & MORRISON, P.A.
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Pennington
County of Mercer, New Jersey

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Pennington Length of Service Award Program (LOSAP) as of December 31, 2008, and the related statement of revenues, expenses and other changes in net assets for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the administration of the Borough.

A review consists primarily of inquiries of the administration of the Borough and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Length of Service Award Program is a Borough sponsored program and has no separate legal status or existence. The program prepares its financial statements in conformity with the accounting principles and practices 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in the note.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
August 28, 2009

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2008 AND 2007

ASSETS	REF.	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Cash and Investments - Treasurer	A-4	$ 860,055.49	$ 1,239,653.31
Change Funds	A-5	115.00	115.00
Due from State of N.J. Ch.73, L.1996	A-8	495.00	587.26
		860,665.49	1,240,355.57
Receivables and Other Assets With Full Reserves:			
Delinquent Prop. Taxes Receivable	A-7	125,210.91	96,456.05
Tax Title Lien	A-10	2,809.52	
Property Acquired for Taxes (At Assessed Valuation)	A-9	17,810.00	17,810.00
Revenue Accounts Receivable	A-11	5,951.36	2,024.00
Interfunds Receivable	A-13	93,113.99	
		244,895.78	116,290.05
Deferred Charges:			
Special Emergency Approp.	A-6	20,000.00	54,000.00
		20,000.00	54,000.00
Total Current Fund		1,125,561.27	1,410,645.62
Grant Fund:			
Cash And Investments	A-4	$ 25,869.33	$ 79,985.99
Deferred Charge	A-21	300,000.00	
State and Federal Grants Receivable	A-17	436,010.90	563,727.14
Total Grant Fund		761,880.23	643,713.13
		$ 1,887,441.50	$ 2,054,358.75

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Liabilities:			
Appropriation Reserves	A-3, A-14	$ 150,418.45	$ 178,743.78
Prepaid Property Taxes	A-15	58,294.53	68,893.12
Reserve for Encumbrances	A-3	65,257.82	88,694.35
Var. Reserves and Accts. Payable	A-16	26,504.43	32,379.18
Interfunds Payable	A-13	52,346.25	62,666.93
Taxes Payable	A-12	6,712.61	183,945.60
		359,534.09	615,322.96
Reserve for Receivables	Reserve	244,895.78	116,290.05
Fund Balance	A-1	521,131.40	679,032.61
Total Current Fund		1,125,561.27	1,410,645.62
Grant Fund:			
Reserve for Encumbrances	A-19	$ 4,940.43	$ 240,557.70
Interfunds Payable	A-18	107,740.00	
Reserve for State and Federal Grants:			
Appropriated	A-19	349,199.80	402,546.62
Unappropriated	A-20	300,000.00	608.81
Total Grant Fund		761,880.23	643,713.13
		$ 1,887,441.50	$ 2,054,358.75

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2008	YEAR 2007
Fund Balance Appropriated	A-1,A-2	$ 335,358.50	$ 330,736.00
Miscellaneous Revenues Anticipated	A-2	749,125.50	913,242.44
Receipts from Delinquent Taxes	A-2	91,966.88	122,598.97
Receipts from Current Taxes	A-2	10,665,568.18	10,278,768.94
Non-Budget Revenue	A-2	52,279.25	11,899.34
Other Credits to Income:			
Interfund Loans Returned (Net)			66,461.51
Unexpended Balance of Approp. Reserves	A-14	149,052.00	145,984.49
Total Revenues		12,043,350.31	11,869,691.69
EXPENDITURES AND OTHER CHARGES			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,013,485.00	964,343.00
Other Expenses	A-3	1,335,161.40	1,556,504.30
Capital Improvements	A-3	265,000.00	104,000.00
Municipal Debt Service	A-3	390,877.76	402,256.50
Def. Charges and Statutory Expend.	A-3	111,100.00	106,136.00
Regional School Tax	A-12	6,054,509.91	5,706,198.92
County Tax	A-12	2,358,033.81	2,246,673.04
County Added Tax	A-12	6,712.61	28,632.60
Special District Tax	A-12	155,308.00	155,313.00
Local Open Space Tax	A-2,A-12	52,346.25	51,824.80
Grants Cancelled	A-13	25,118.28	
Interfund Loans Advanced (Net)	Var.	97,240.00	
Accounts Receivable	Reserve	1,000.00	
Total Expenditures		11,865,893.02	11,321,882.16
Excess (Deficit) in Revenue (Balance Forward)		177,457.29	547,809.53

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	REF.	YEAR 2008	YEAR 2007
Statutory Excess to Fund Balance		$ 177,457.29	$ 547,809.53
FUND BALANCE			
Balance - January 1	A	679,032.61	461,959.08
		856,489.90	1,009,768.61
Decreased by:			
Utilization as Anticipated Revenue	A-1	335,358.50	330,736.00
Balance - December 31	A	$ 521,131.40	$ 679,032.61

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	REF.	ANTICIPATED 2008 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	$ 335,358.50	$	$ 335,358.50	$
Fees and Permits	A-11	11,800.00		14,107.00	$ 2,307.00
Fines and Costs:					
Municipal Court	A-11	59,000.00		58,268.69	(731.31)
Interest and Costs on Taxes	A-11	23,000.00		27,808.95	4,808.95
Interest on Investments and Deposits	A-11	20,000.00		35,316.29	15,316.29
Trash Collection Fees	A-11	32,000.00		30,616.75	(1,383.25)
Consolidated Municipal Property Tax Relief Aid	A-11	48,577.00		48,577.00	
Energy Receipts Taxes	A-11	199,830.00		199,830.00	
Dedicated Uniform Construction Code Fees Offset	A-11				
with Appropriations (N.J.S.A. 40A:4-36 and	A-11				
N.J.A.C. 5:23-4.17):	A-11				
Uniform Construction Code Fees	A-11	70,000.00		70,204.92	204.92
Public and Private Revenues Offset with Approps.:					
N.J. Transportation Trust Fund Authority Act	A-3	250,000.00		250,000.00	
Clean Communities	A-3	4,000.00		4,000.00	
Recyling Tonnage Grant	A-3		3,708.60	3,708.60	
Body Armor Grant	A-3	608.81	596.58	1,205.39	
Alcohol Ed./Rehab.	A-3	481.91		481.91	
Other Special Items:					
Interlocal Agreement-Hopewell Boro/Twp.		5,000.00		5,000.00	
Total Miscellaneous Revenues	A-1	724,297.72	4,305.18	749,125.50	20,522.60
Receipts from Delinquent Taxes	A-1, A-7	96,000.00		91,966.88	(4,033.12)
Subtotal General Revenues		820,297.72	4,305.18	841,092.38	16,489.48
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes	A-2	2,178,285.00		2,248,657.60	70,372.60
Budget Totals		3,333,941.22	4,305.18	3,425,108.48	$ 86,862.08
Non-Budget Revenues	A-1,A-10			52,279.25	
		$ 3,333,941.22	$ 4,305.18	$ 3,477,387.73	
	Ref.	A-3			

( ) Denotes Deficit

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Tax Collections:			
2008 Collections	A-7	10,575,267.32	
Prepaid Taxes Applied	A-7	68,893.12	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	21,407.74	
	A-1		$ 10,665,568.18
Allocated to:			
Regional School Tax	A-12	6,054,509.91	
County Taxes	A-12	2,358,033.81	
Added County Taxes	A-12	6,712.61	
Special District Tax	A-12	155,308.00	
Local Open Space Tax	A-1	52,346.25	
			8,626,910.58
			2,038,657.60
Add: Reserve for Uncollected Taxes	A-3		210,000.00
Amount for Support of Municipal Budget	A-2		$ 2,248,657.60

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS"						
GENERAL GOVERNMENT:						
Office of Business Administrator						
Salaries and Wages	$ 7,500.00	$ 7,500.00	$ 7,500.00	$	$	
Other Expenses	14,830.00	14,830.00	14,335.69	466.92	27.39	
Elections						
Other Expenses	1,780.00	3,780.00	1,915.38		1,864.62	
Financial Administration						
Salaries and Wages	31,500.00	34,500.00	34,147.41		352.59	
Other Expenses	14,550.00	14,500.00	13,907.41	232.95	359.64	
Assessment of Taxes						
Salaries and Wages	13,250.00	13,250.00	13,032.80		217.20	
Other Expenses						
Mainenance of Tax Map	2,500.00	3,500.00	2,974.00		526.00	
Misc. Other Expenses	3,420.00	3,420.00	2,181.30	114.96	1,123.74	
Collection of Taxes						
Salaries and Wages	16,200.00	15,200.00	15,141.02		58.98	
Other Expenses	5,520.00	5,520.00	5,426.41	79.39	14.20	
Mayor & Council						
Other Expenses	2,377.00	1,377.00	761.30		615.70	
Office of the Borough Clerk						
Salaries and Wages	51,000.00	52,010.00	52,006.99		3.01	
Other Expenses	9,680.00	8,070.00	7,202.39	260.62	606.99	
Municipal Court						
Salaries and Wages	26,150.00	26,150.00	24,612.87		1,537.13	
Other Expenses	3,905.00	9,905.00	2,314.06	6,257.65	1,333.29	
Public Defender						
Other Expenses	1,000.00	1,000.00			1,000.00	
Legal Services and Costs						
Other Expenses	88,500.00	98,500.00	84,074.12	5,944.00	8,481.88	
Municipal Prosecutor						
Salaries and Wages	3,525.00	3,525.00	3,451.70		73.30	
Engineering Services and Costs						
Other Expenses	100,000.00	100,000.00	40,139.99	3,070.70	56,789.31	
Public Bldgs. and Grounds						
Salaries and Wages	9,200.00	11,200.00	9,768.57		1,431.43	
Other Expenses	31,130.00	31,130.00	25,989.15	4,271.39	869.46	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	41,200.00	41,200.00	41,067.24		132.76	
Other Expenses	12,815.00	12,815.00	7,793.05	179.59	4,842.36	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operations Within "CAPS" (Cont'd.)	2008 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
GENERAL GOVERNMENT:						
Shade Tree						
Salaries and Wages	$ 6,750.00	6,750.00	$ 4,321.93	$	$ 2,428.07	
Other Expenses	13,940.00	7,940.00	6,267.48	43.77	1,628.75	
Insurance						
Group Insurance	131,000.00	131,000.00	115,115.19		15,884.81	
Workers Compensation	19,706.40	19,706.40	19,706.40			
Liability and Other Insurance	20,045.70	20,045.70	20,043.70		2.00	
Unemployment Compensation Insurance						
PUBLIC SAFETY:						
Police						
Salaries and Wages	517,500.00	517,500.00	513,841.62		3,658.38	
Other Expenses	40,950.00	44,950.00	37,405.27	5,697.19	1,847.54	
First Aid Organization - Contribution	30,000.00	30,000.00	30,000.00			
STREETS AND ROADS:						
Road Repairs and Maintenance						
Salaries and Wages	185,250.00	180,250.00	177,708.72		2,541.28	
Other Expenses	90,200.00	80,600.00	63,729.08	14,766.13	2,104.79	
Street Lighting						
Other Expenses	30,000.00	30,000.00	27,769.13	2,164.31	66.56	
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	43,250.00	41,250.00	37,262.71		3,987.29	
Other Expenses	145,620.00	145,620.00	125,047.76	13,081.69	7,490.55	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operations Within "CAPS" (Cont'd.)	2008 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
HEALTH AND WELFARE:						
Board of Health						
Other Expenses	$ 140.00	140.00 $	$	$	140.00	
RECREATION AND EDUCATION:						
Recreation Committee						
Salaries and Wages	8,700.00	8,700.00	8,328.04		371.96	
Other Expenses	10,620.00	10,620.00	10,409.04	200.00	10.96	
Celebration of Public Event						
Other Expenses	1,400.00	1,000.00	941.05	37.50	21.45	
OTHER BOARDS & COMMISSIONS						
Environmental Commission						
Other Expenses	500.00	500.00	270.00		230.00	
Economic Development Commission						
Other Expenses	940.00	940.00	586.47		353.53	
Uniform Construction Code - Appropriations						
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code						
(N.J.S.A. 52:27D-120 et seq.)						
Office of the Construction Code Official						
Salaries and Wages	54,500.00	54,500.00	50,896.25		3,603.75	
Other Expenses	3,065.00	3,065.00	684.14	21.00	2,359.86	
UNCLASSIFIED:						
Telephone	13,000.00	13,000.00	12,457.05	539.25	3.70	
Electricity	29,000.00	25,000.00	21,000.20	956.69	3,043.11	
Gasoline & Lubricants	36,500.00	36,500.00	33,641.86	797.12	2,061.02	
Natural Gas	20,600.00	20,600.00	11,722.50	2,701.88	6,175.62	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	$ 1,944,709.10	1,943,059.10	$ 1,738,898.44	$ 61,884.70	$ 142,275.96	
Total Operations Including Contingent Within "CAPS"	1,944,709.10	1,943,059.10	1,738,898.44	61,884.70	142,275.96	
DETAIL:						
Salaries and Wages	1,015,475.00	1,013,485.00	993,087.87		20,397.13	
Other Expenses	929,234.10	929,574.10	745,810.57	61,884.70	121,878.83	
REGULATORY Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	75,500.00	77,100.00	75,456.31	1,638.80	4.89	
Total Deferred Charges and REGULATORY Expenditures - Municipal Within "CAPS"	75,500.00	77,100.00	75,456.31	1,638.80	4.89	
Total General Approp. for Municipal Purposes Within "CAPS"	2,020,209.10	2,020,159.10	1,814,354.75	63,523.50	142,280.85	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library	166,625.00	166,625.00	164,843.69	1,734.32	46.99	
L.O.S.A.P. Contribution:						
First aid Organization	9,170.00	9,170.00	9,168.13		1.87	
PFRS Phase In (P.L. 2003 c. 108)	64,583.00	64,583.00	64,583.00			
PERS Phase In (P.L. 2003 c. 108)	19,674.40	19,674.40	19,674.40			
Interlocal Service Agreements:						
Emergency 911 and Dispatch	49,564.00	49,564.00	49,563.28		0.72	
Health Services	31,075.00	31,075.00	31,075.00			
Recycling Agreement	30,000.00	30,000.00	25,827.98		4,172.02	
Administration of Municipal Alliance Program	1,250.00	1,300.00	1,300.00			
Janitorial Services	6,600.00	6,600.00	4,031.70		2,568.30	
Animal Control	8,100.00	8,100.00	8,100.00			
Recreation	3,000.00	3,000.00	3,000.00			
Senior Services Coordinator	3,500.00	3,500.00	2,152.30		1,347.70	
Basic Life Support Services.	3,000.00	3,000.00	3,000.00			
PFRS Phase In						
Insurance:						
Group Plan for Employees						
Workers Compensation						
Liability and Other Insurance						
State and Federal Programs Offset by Revenues:						
Clean Communities Program	4,000.00	4,000.00	4,000.00			
Recycling Tonnage Grant		3,708.60	3,708.60			
Alcohol Ed & Rehab.	481.91	481.91	481.91			
Body Armor Replacement Fund	608.81	1,205.39	1,205.39		0.00	
Total Operations - Excluded from "CAPS"	401,232.12	405,587.30	395,715.38	1,734.32	8,137.60	
DETAIL:						
Salaries and Wages						
Other Expenses	401,232.12	405,587.30	395,715.38	1,734.32	8,137.60	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Capital Improvements - Excluded from "CAPS"						
Capital Improvement Fund	$ 15,000.00	15,000.00	$ 15,000.00	$	$	
NJ Transportaion Trust Fund:						
Burd St.	250,000.00	250,000.00	250,000.00			
Total Capital Improvements - Excluded from "CAPS"	265,000.00	265,000.00	265,000.00			
Municipal Debt Service - Excluded from "CAPS":						
Payment of Bond Principal	240,000.00	240,000.00	240,000.00			
Payment of Bond Anticipation Notes	61,500.00	61,500.00	50,000.00			11,500.00
Interest on Notes	65,000.00	65,000.00	65,000.00			
Interest on Bonds	37,000.00	37,000.00	35,877.76			1,122.24
Total Municipal Debt Service - Excluded from "CAPS"	403,500.00	403,500.00	390,877.76			12,622.24
Deferred Charges - Municipal - Excluded from "CAPS"						
Emergency Authorizations						
Special Emerg. Authorizations - 5 Years	34,000.00	34,000.00	34,000.00			
Total Deferred Charges - Municipal - Excluded from "CAPS"	34,000.00	34,000.00	34,000.00			

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		1,103,732.12	1,108,087.30	1,085,593.14	1,734.32	8,137.60	12,622.24
Subtotal General Appropriations		3,123,941.22	3,128,246.40	2,899,947.89	65,257.82	150,418.45	12,622.24
Reserve for Uncollected Taxes		210,000.00	210,000.00	210,000.00			
Total General Appropriations		$ 3,333,941.22	3,338,246.40	$ 3,109,947.89	$ 65,257.82	$ 150,418.45	12,622.24
	Ref.	A-2		A-1	A,A-1	A, A-1	

	Ref.	
Adopted Budget	A-2	3,333,941.22
Added by N.J.S.A. 40A:4-87	A-2	4,305.18
		3,338,246.40

	Ref.	
Disbursed	A-4	$ 2,606,551.99
Reserve for Uncollected Taxes	A-2	210,000.00
Public & Private Programs Approp.	A-2	259,395.90
Deferred Charges	A-6	34,000.00
		$ 3,109,947.89

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

ASSETS	REF.	BALANCE DEC. 31,2008	BALANCE DEC. 31,2007
Animal Control Fund:			
Cash - Treasurer	B-1	$ 2,551.51	$ 2,539.21
Total Animal Control Fund		2,551.51	2,539.21
Trust-Other Fund:			
Cash - Treasurer	B-1	770,482.17	969,422.52
Amounts Held by Plan Administrator-LOSAP (Unaudited)		209,040.28	232,948.96
Due from Current Fund	B-1	52,346.25	51,824.80
Total Trust-Other Fund		1,031,868.70	1,254,196.28
		$ 1,034,420.21	$ 1,256,735.49

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31,2008	BALANCE DEC. 31,2007
Animal Control Fund:			
Reserve to Pay Animal Control Fund Expenditures	B-1	$ 2,551.51	$ 2,539.21
Total Animal Control Fund		2,551.51	2,539.21
Trust-Other Fund:			
Reserve for:			
Unemployment Claims	B-1	23,690.64	24,033.61
Affordable Housing (COAH)	B-1	325,998.90	318,193.87
Recreation Funds	B-1	664.29	962.47
Police	B-1	2,750.00	2,750.00
Public Defender	B-1	205.00	605.00
Shade Tree	B-1	930.00	900.00
POAA	B-1	1,052.00	966.00
Verizon	B-1	100.00	100.00
Police Donations (Bellisfield)	B-1	300.00	300.00
Open Space Preservation Trust	B-1	319,191.22	263,540.44
Reserve for LOSAP Plan (Unaudited)		209,040.28	232,948.96
Developer Escrow Funds	B-1	147,946.37	408,895.93
Total Trust-Other Fund		1,031,868.70	1,254,196.28
		$ 1,034,420.21	$ 1,256,735.49

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2008 AND 2007

ASSETS	REF.	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Cash and Investments - Treasurer	C-2	$ 7,318.70	$ 464,634.34
Due from Current Fund	C-5		10,842.13
Due from Grant Fund	C-6	40,000.00	
Deferred Charges to Future Taxation:			
Funded	C-4	1,695,000.00	1,935,000.00
Unfunded	C-7	1,630,123.97	1,680,123.97
		$ 3,372,442.67	$ 4,090,600.44

LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-9	$ 1,695,000.00	$ 1,935,000.00
Bond Anticipation Notes	C-12	897,500.00	947,500.00
Improvement Authorizations:			
Funded	C-8	7,428.72	96,372.83
Unfunded	C-8	701,049.73	637,884.17
Due to Sewer Capital	C-12		376,817.62
Due to Current Fund	C-5	25,373.99	
Capital Improv. Fund	C10	33,378.45	18,378.45
Reserve for Encumbrances	C-8	12,124.02	78,059.61
Fund Balance	C-1	587.76	587.76
		$ 3,372,442.67	$ 4,090,600.44

There were Bonds and Notes Authorized but not Issued on December 31, 2008 in the amount of $732,623.97 (Exhibit C-13).

Note: See Notes to Financial Statements

Exhibit - C-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	REF.	
Balance - December 31, 2007	C	$587.76
Balance - December 31, 2008	C	$587.76

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2008 AND 2007

ASSETS	REF.	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Operating Fund:			
Cash and Investments - Treasurer	D-5	$ 217,083.40	$ 188,536.97
Due from Sewer Capital Fund	D-8	7,948.91	40,406.65
		225,032.31	188,536.97
Receivables With Full Reserves:			
Consumer Accounts Receivable	D-7	70,925.88	62,635.24
		70,925.88	62,635.24
Total Operating Fund		295,958.19	251,172.21
Capital Fund:			
Cash and Investments - Treasurer	D-5	298,701.08	19,717.55
Fixed Capital	D-9	3,012,368.13	3,012,368.13
Fixed Capital - Authorized and Uncompleted	D-10	3,322,966.60	3,322,966.60
Due from General Captial Fund	D-20		376,817.62
Total Capital Fund		6,634,035.81	6,355,052.28
		$ 6,929,994.00	$ 6,606,224.49

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4, D-11	$ 95,330.56	$ 62,850.92
Reserve for Encumbrances	D-4	8,649.89	13,952.28
Accrued Interest on Bonds & Notes	D-12	23,115.91	36,544.97
		127,096.36	113,348.17
Reserve for Receivables	Reserve	70,925.88	62,635.24
Fund Balance	D-1	97,935.95	115,595.45
Total Operating Fund		295,958.19	291,578.86
Capital Fund:			
Serial Bonds Payable	D-18	1,365,000.00	1,520,000.00
Bond Anticipation Notes	D-19	1,002,400.00	1,058,400.00
Improvement Authorizations			
Funded	D-13	13,165.30	13,165.30
Unfunded	D-13	1,447,524.60	1,456,081.67
Due to Sewer Operating Fund	D-15	7,948.91	40,406.65
Reserve for Encumbrances	D-13	40,609.36	97,428.64
Capital Improvement Fund	D-14	123.55	123.55
Reserve for Amortization	D-16	2,551,317.16	2,340,317.16
Deferred Reserve for Amortization	D-17	109,500.00	109,500.00
Fund Balance	D-2	96,446.93	96,446.93
Total Capital Fund		6,634,035.81	6,635,422.97
		$ 6,929,994.00	$ 6,927,001.83

There were Bonds and Notes Authorized but not Issued at December 31, 2008 in the amount of $1,210,670.64. (Exhibit D-21).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATOY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2008	YEAR 2007
Fund Balance	D-1, D-3	$ 69,000.00	$ 63,550.00
Water and Sewer Rents	D-3,D-7	1,126,871.04	1,091,878.92
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-3,D-5	4,818.07	4,216.88
Connection Fees			65,116.25
Interest on Investments	D-3	10,563.55	46,126.53
Miscellaneous	D-3,D-5	25,134.63	100.00
Unexpended Balance of Approp. Reserves	D-11	52,272.15	16,369.85
Total Revenues		1,288,659.44	1,287,358.43
EXPENDITURES			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	190,700.00	182,200.00
Other Expenses	D-4	729,627.10	708,750.00
Capital Improvements	D-4	56,000.00	56,500.00
Debt Service	D-4	221,413.13	248,545.64
Statutory Expenditures	D-4	37,674.40	26,200.00
Refunds of Prior Year Revenues	D-5	1,904.31	842.27
Total Expenditures		1,237,318.94	1,223,037.91
Excess in Revenues		51,340.50	64,320.52

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Excess brought forward		$ 51,340.50	$ 64,320.52
FUND BALANCE			
Balance - January 1	D	115,595.45	114,824.93
		166,935.95	179,145.45
Decreased by:			
Utilization as Anticipated Revenue	D- 1	69,000.00	63,550.00
Balance - December 31	D	$ 97,935.95	$ 115,595.45

Note: See Notes to Financial Statements

Exhibit - D-2

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	REF.	
Balance - December 31, 2007	D	$ 96,446.93
Balance - December 31, 2008	D	$ 96,446.93

Exhibit - D-3

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES-REGULATOY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	REF.	2008 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance	D-1	$ 69,000.00	$ 69,000.00	$
Water and Sewer Rents	D-1,D-7	1,126,501.50	1,126,871.04	369.54
Connection Fees		21,500.00		(21,500.00)
Interest on Delinquencies	D-1,D-5	4,000.00	4,818.07	818.07
Interest on Investments	D-1,D-5	15,000.00	10,563.55	(4,436.45)
Miscellaneous	D-1,D-5		25,134.63	25,134.63
		$ 1,236,001.50	$ 1,236,387.29	$ 385.79
	Ref.	D-4	D-1	

Analysis of Interest on Investments:

Cash Receipts	D-5	$ 6,637.78
Due from Water/Sewer Capital	D-8	3,925.77
	D-1,D-2	$ 10,563.55

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operating:							
Salaries and Wages		$ 190,700.00	$ 190,700.00	$ 183,010.48	$	$ 7,689.52	$
Other Expenses		255,450.00	255,450.00	174,935.09	8,649.89	71,865.02	
Sewer Service Fee		306,000.00	306,000.00	305,460.00		540.00	
Group Insurance		130,000.00	130,000.00	115,115.07		14,884.93	
Workers' Compensation Insurance		38,177.10	38,177.10	38,177.10			
Liability Insurance							
Capital Improvements:							
Funding of Ordinance # 1998-3		56,000.00	56,000.00	56,000.00			
Debt Service:							
Payment of Bond Principal		155,000.00	155,000.00	155,000.00			
Interest on Notes		20,000.00	20,000.00	20,000.00			
Interest on Bonds		47,000.00	47,000.00	46,413.13			586.87
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System		19,674.40	19,674.40	19,674.40			
Social Security System (O.A.S.I.)		18,000.00	18,000.00	17,648.91		351.09	
Total Water & Sewer Utility Appropriations		$ 1,236,001.50	$ 1,236,001.50	$ 1,131,434.18	$ 8,649.89	$ 95,330.56	$ 586.87
	Ref.	D-3		D-1	D,D-1	D, D-1	

Disbursed	D-5	$ 1,065,021.05
Accrued Interest on Bonds and Notes	D-12	66,413.13
		$ 1,131,434.18

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEET-STATUTORY BASIS
DECEMBER 31, 2008 AND 2007

ASSETS	BALANCE DEC. 31, 2008	BALANCE DEC. 31, 2007
Cash and Investments - Treasurer	$ 7,843.18	$ 8,601.79
	$ 7,843.18	$ 8,601.79
LIABILITIES, RESERVES AND FUND BALANCE		
Payroll Deductions Payable	$ 7,843.18	$ 8,601.79
	$ 7,843.18	$ 8,601.79

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS (UNAUDITED)
DECEMBER 31,2008 AND 2007

	2008	2007
General Fixed Assets:		
Land	$ 706,150.00	$ 706,150.00
Buildings	1,970,980.00	1,970,980.00
Equipment, Furniture & Fixtures	668,517.14	668,517.14
Total General Fixed Assets	$ 3,345,647.14	$ 3,345,647.14
Investment in General Fixed Assets	$ 3,345,647.14	$ 3,345,647.14

Note: See Notes to Financial Statements

Note 1: FORM OF GOVERNMENT

The Borough of Pennington operates under the legislative authority of N.J.S.A. 40A: 60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Pennington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Pennington, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Borough of Pennington do not include the operations of the free public library, first aid organization or fire company district.

B. Description of Funds

The accounting policies of the Borough of Pennington 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 respect to public funds. Under this method of accounting, the Borough of Pennington 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, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

Animal Control Trust Fund
Unemployment Compensation Insurance Trust Fund
Disposal of Forfeited Property (P.L. 1985, Ch. 135)
Developer's Escrow Fund
Uniform Fire Safety Act - Penalty Monies (N.J.S.A. 52:27D-192 et seq.)
Recreation Program
Outside Employment of Off-Duty Municipal Police Officers
Public Defender Fees
Open Space Trust Fund

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. Description of Funds (Cont'd.)

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Water and Sewer Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Governmental Fixed Assets - the General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Payroll Fund - status of funds transferred to separate accounts for the purpose of paying net payrolls to employees and payroll deductions and employer contributions to the various taxing authorities and payroll agencies.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The current format for governmental financial reporting was established in GASB Statement 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". Codification of Governmental Accounting and Financial Reporting Standards recognizes three fund categories and two account groups as appropriate for the accounting and reporting of the financial position and results of operations in accordance with generally accepted accounting principles. This structure for external financial reporting differs from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of basic financial statements is not intended to present the general purpose financial statements required by GAAP.

C. Basis of Accounting

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes and water and sewer consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water and sewer charges, which should be recognized in the period they are earned and become measurable.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these 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. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled 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 and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough does not generally permit accumulated leave to be compensable upon separation from service. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water and Sewer Utility) fund on a full accrual basis.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in these utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utilities.

General Fixed Assets - Technical Accounting Directive No. 85-2, issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, established a mandate for fixed accounting by municipalities, effective December 31, 1985. Assets acquired through that date were to be valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. Assets acquired subsequent to December 31, 1985 were required to be valued based on actual costs. Assets having a useful life of more than one year and an acquisition cost of $5,000.00 or more per unit are required to be capitalized in the general fixed asset account group. Infrastructure assets are excluded from the general fixed asset account group. Depreciation is not recorded in the general fixed asset account group.

The Borough had established a listing of its fixed assets prior to 1998. No additions or deletions to the listing have been made for at least eight accounting periods. The Statement of General Fixed Assets for the year ended December 31, 2008 and 2007, is unaudited.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 50, "Pension Disclosures" in May 2007. The statement amends Statements 25 and 27 to conform with applicable changes adopted in Statement 43 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", and Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension Plans. The intention of this Statement is to improve the transparency and decision usefulness of reported information about pensions by the state and local government plans and employers.

GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", in July 2007. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets.

GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" in November 2007. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" in June 2008. This Statement requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting.

Comparative Data

Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	YEAR 2008	YEAR 2007
Issued:		
General:		
Bonds & Notes	$ 2,592,500.00	$ 2,882,500.00
Water & Sewer Util:		
Bonds & Notes	2,367,400.00	2,578,400.00
Total Debt Issued	4,959,900.00	5,460,900.00
Net Debt Issued	4,959,900.00	5,460,900.00
Authorized but not Issued:		
General:		
Bonds & Notes	732,623.97	732,623.97
Water & Sewer Util:		
Bonds & Notes	1,210,670.64	1,210,670.64
Total Authorized but not Issued	1,943,294.61	1,943,294.61
Net Bonds & Notes Issued and Authorized but not Issued	$ 6,903,194.61	$ 7,404,194.61

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2008:

General Improvement Debt:	AMOUNT ISSUED	AMOUNT OUTSTANDING	INTEREST RATE	FINAL MATURITY
General Improvement Refunding Bonds of 2004	2,125,000.00	$ 1,375,000.00	2.5-4.0%	2019
2004 Pension Refunding Bonds of 2004	320,000.00	320,000.00	4.65-5.2%	2013
Total Bonded General. Improv. Debt		1,695,000.00		
Utility Debt:				
Water & Sewer Refunding Bonds of 2004	1,775,000.00	1,365,000.00	2.5-4.0%	2019
Total Bonded Utility Debt		1,365,000.00		
Total Bonded Debt Issued and Outstanding		$ 3,060,000.00		

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

2008	Gross Debt	Deductions	Net Debt
Regional School District Debt	$4,695,244.25	$4,695,244.25	$
Water & Sewer Utility Debt	3,578,070.64	3,578,070.64	
General Debt	3,388,623.97		3,388,623.97
	$11,661,938.86	$8,273,314.89	$3,388,623.97

Net Debt $3,388,623.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $497,298,561.67 = 0.68%.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

2008
Equalized Valuation Basis

2006 Equalized Valuation Basis of Real Property	478,345,908.00
2007 Equalized Valuation Basis of Real Property	498,875,604.00
2008 Equalized Valuation Basis of Real Property	514,674,173.00
Average Equalized Valuation	$ 497,298,561.67

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

3 1/2% of Equalized Valuation Basis Municipal	17,405,449.66
Net Debt	3,905,123.97
Remaining Borrowing Power	$ 13,500,325.69

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

2007	Gross Debt	Deductions	Net Debt
Regional School District Debt	$4,903,300.46	$4,903,300.46	$
Water & Sewer Utility Debt	3,789,070.64	3,789,070.64	
General Debt	3,615,123.97		3,615,123.97
	$12,307,495.07	$8,692,371.10	$3,615,123.97

Net Debt $3,615,123.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $469,521,197.33 = 0.77%.

Equalized Valuation Basis

2005 Equalized Valuation Basis of Real Property	431,342,080.00
2006 Equalized Valuation Basis of Real Property	478,345,908.00
2007 Equalized Valuation Basis of Real Property	498,875,604.00
Average Equalized Valuation	$ 469,521,197.33

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

3 1/2% of Equalized Valuation Basis Municipal	16,433,241.91
Net Debt	3,905,123.97
Remaining Borrowing Power	$ 12,528,117.94

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

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

2008

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other Charges for Year		$	1,236,387.29
Deductions:			
Operating & Maintenance Cost	958,001.50		
Debt Service Per Water & Sewer Acct.	221,413.13		
Total Deductions			1,179,414.63
Excess in Revenues		$	56,972.66

Deduction of Self-Liquidating Utility Debt for Statutory Net Debt (N.J.S.A. 40A:2-45)

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

Excess in Revenues - Cash Basis (D-1)		$	51,340.50
Add:			
Capital Improvements	56,000.00		
Refunds of Prior Year Revenues	1,904.31		
			57,904.31
			109,244.81
Less:			
Unexpended Balance of Appropriation Reserves	52,272.15		
			52,272.15
Excess in Revenues		$	56,972.66

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

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

2007

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other Charges for Year		$ 1,270,988.58
Deductions:		
Operating & Maintenance Cost	917,150.00	
Debt Service Per Water & Sewer Acct.	248,545.64	
Total Deductions		1,165,695.64
Excess in Revenues		$ 105,292.94

Deduction of Self-Liquidating Utility Debt for Statutory Net Debt (N.J.S.A. 40A:2-45)

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

Excess in Revenues - Cash Basis (D-1)		$ 64,320.52
Add:		
Capital Improvements	56,500.00	
Refunds of Prior Year Revenues	842.27	
		57,342.27
		121,662.79
Less:		
Unexpended Balance of Appropriation Reserves	16,369.85	
		16,369.85
Excess in Revenues		$ 105,292.94

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2008

Calendar Year	General	Water and Sewer Utility	Total
2009	$ 289,454	$ 199,108	$ 488,562
2010	278,991	200,426	479,417
2011	287,241	190,626	477,867
2012	287,566	210,976	498,542
2013	437,336	135,576	572,913
2014	127,339	127,139	254,478
2015	123,795	123,595	247,390
2016	120,225	120,025	240,250
2017	111,550	111,350	222,900
2018	107,800	107,600	215,400
2019	98,800	93,600	192,400

Note 4: DEFERRED COMPENSATION

The Borough of Pennington Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and the provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2008 and 2007 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2008 and 2007 were as follows:

	2008	2007
Current Fund	$ 335,358.50	$330,736.00
Water and Sewer Utility Fund	69,000.00	63,550.00

Note 6: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Township deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less that $25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

At December 31, 2008 and 2007, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	2008	2007
Cash (Demand Accts.)	$2,356,379.74	$3,330,759.02
Change Funds (On-Hand)	115.00	115.00
Total	$2,356,494.74	$3,330,874.02

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was $2,356,379.74 and the book balance was $2,189,904.79. Of the bank balance, $404,234.22 was covered by Federal depository insurance and $1,952,145.52 was covered under the provisions of NJGUDPA.

At June 30, 2008, the Township has implemented the disclosure requirements of Governemental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Township has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

(a) Custodial Credit Risk – The Township's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Township will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Township's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township and are held by either: the counterparty or the counterparty's trust department or agent but not in the Township's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of the investment or collateral securities that in possession of an outside party.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Township has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Township does not have an investment policy regarding Credit Risk except to the extent outlined under the Township's investment policy. The New Jersey Cash Management Fund is not rated.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

(d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2008, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Township's bank balance was considered exposed to custodial credit risk.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;

2. Government money market mutual funds;

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;

6. Local government investment pools;

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities, if:

    a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
    b. the custody of collateral is transferred to a third party;
    c. the maturity of the agreement is more than 30 days; and
    d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2008, the Borough had no funds on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed or previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of $10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 8: PENSION AND RETIREMENT PLANS

Employees of the Borough of Pennington are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plans are not available. Contributions made in 2008 and 2007 by employees for normal pensions were $40,940.72 and $40,130.24 for PERS and $32,794.04 and $37,423.06 for PFRS, respectively. Borough contributions were $18,396.60 and $10,134.00 for PERS and $34,320.00 and $26,620.80 for PFRS, respectively

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Note 9: POST RETIREMENT HEALTH BENEFITS

The Borough of Pennington provides post retirement health benefits to employees (including spouses) who retire after 25 years of service to the Borough at normal retirement age. Currently the Borough is providing health benefits to five former employees and four spouses under this benefit plan. The cost for post retirement health benefits for 2008 and 2007 was $37,056.24 and $37,854.24 respectively.

Note 10: ACCRUED SICK AND VACATION BENEFITS

The code of the Borough of Pennington sets forth the terms under which an employee may accumulate unused benefits. The amount of vacation time that may be accrued and carried forward is generally limited to a single year's benefit. Sick time may be accumulated for use at a later date. Upon separation from service in good standing, employees are entitled to payment for accumulated but unused vacation pay. Accumulated sick pay is not compensable upon separation of service.

Note 11: DEFERRED CHARGES TO SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The status of such Expenditures at December 31, 2008 was as follows:

Deferred Charge:	Balance 12/31/07	Occurred in 2008	Raised in 2008 Budget	Balance to Succeeding Years
Current Fund:				
Special Emergencies:				
Master Plan	$2,000.00		$2,000.00	$0.00
Prep. Of Tax Maps	12,000.00		12,000.00	0.00
Reval. Of Property	40,000.00		20,000.00	20,000.00
Totals	$88,000.00		$34,000.00	$54,000.00
Grant Fund:				
Expenditure Without Appropriation		$300,000.00		$300,000.00

Note 12: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Mid Jersey Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, law enforcement liability and workers compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2008. The Fund will be self-sustaining through member premiums, reported as an expenditure in the Borough's financial statements. The Fund contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, law enforcement liability and workers' compensation. The Borough continues to carry commercial insurance for other risks of loss, principally employee health insurance.

Note 13: COMMITMENTS AND CONTINGENCIES

As at the date of this report the Borough had litigation pending or threatened. The inventory of cases includes claims, which are covered and defended through the Mid Jersey Municipal Joint Insurance Fund (Note 12). On August 10, 2009, the Appellate Division issued an opinion reversing the Tax Court and granting tax exempt status to Presbyterian Homes at Pennington, Inc. for its Stonybrook facility. The Borough has filed a motion for reconsideration and is considering additional actions. However, in the event of an unfavorable outcome, the Borough would be exposed to a claim for a refund of 2002 property taxes in an amount that would be material in relation to the financial statements taken as a whole. Other claims remain unfiled or are in discovery, and neither the likelihood nor the financial impact of adverse results can be assessed at this time.

Note 14: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2008:

Fund:	Interfund Receivables	Interfund Payables
Current Fund	$93,113.99	$52,346.25
Trust Other Fund	52,346.25	
Grant Fund		107,740.00
General Capital Fund	40,000.00	25,373.99
Water & Sewer Operating	7,948.91	
Water & Sewer Capital	0.00	7,948.91
Totals	$193,409.15	$193,409.15

Note 15: LEASE OBLIGATIONS

The Borough is obligated under a lease agreement with the State of New Jersey for copiers. Each copier lease has a specified end date. There is an annual lease payment for each copier with an additional charge for overage on the number of copies permitted based on a monthly minimum for each copier. The total amounts of lease payment requirements during 2008 were charged to the 2008 Municipal Budget.

Note 16: SUBSEQUENT EVENTS

On June 4, 2009, Bond Anticipation Notes in the amount of $1,793,900.00 were rolled over at an interest rate of 2.00% and a due date of June 4, 2010.

On February 2, 2009 and ordinance was adopted in the amount of $171,000.00 for the acquisition of a new garbage truck, with bonds authorized in the amount of $161,500.00.

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART II

SUPPLEMENTARY DATA AND SCHEDULES

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	CURRENT FUND		GRANT FUND	
Balance - December 31, 2007	A		$1,239,653.31		$ 79,985.99
Increased by Receipts:					
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	21,500.00			
Taxes Receivable	A-7	10,667,234.20			
Revenue Accounts Receivable	A-11	541,008.85			
Interfund Loans Received/Returned	A-13	6,770.00		133,614.85	
Prepaid Property Taxes	A-15	58,294.53			
Various Payables and Reserves	A-16	8,291.26			
Unappropriated Grants	A-20			300,000.00	
State and Federal Grants Receivable	A-17			163,802.75	
			11,303,098.84		597,417.60
			$12,542,752.15		$677,403.59
Decreased by Disbursements:					
Budget Expenditures	A-3	2,606,551.99			
2007 Appropriation Reserves	A-14	118,185.36			
Interfund Loans Disbursed/Returned	A-13,A-18	191,795.21		756.57	
Various Payables and Reserves	A-16	14,366.78			
Reserve for State and Federal Grants Appropriated	A-19			350,777.69	
Deferred Charge	A-21			300,000.00	
Taxes Payable	A-12	8,751,797.32			
			11,682,696.66		651,534.26
Balance - December 31, 2008	A		$860,055.49		$ 25,869.33

Exhibit - A-5

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

DEPARTMENT	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
Tax Collector	$115.00	$115.00
	$115.00	$115.00
Ref.	A	A

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION
CURRENT FUND

DATE AUTHORIZED	PURPOSE	NET AMOUNT AUTHOR.	1/5 OF NET AMOUNT AUTHOR.	BALANCE 12/31/07	REDUCED BY 2008 BUDGET	BALANCE 12/31/08
Special Emergency Authorizations - N.J.S.A. 40A:4-55:						
4/5/04	Master Plan	10,000.00	2,000.00	$ 2,000.00	$ 2,000.00	$ -
4/5/04	Preparation of Tax Maps	60,000.00	12,000.00	12,000.00	12,000.00	-
10/4/04	Revaluation of Real Property	100,000.00	20,000.00	40,000.00	20,000.00	- 20,000.00
				$ 54,000.00	$ 34,000.00	$ - 20,000.00
			Ref.	A	A- 3	A

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

YEAR	BALANCE DEC. 31,2007	2008 LEVY	COLLECTIONS BY CASH 2007	COLLECTIONS BY CASH 2008	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	TRANSFER TO LIENS	BALANCE DEC. 31,2008
2006	96,456.05			91,966.88		1,679.65	2,809.52	0.00
	96,456.05			91,966.88		1,679.65	2,809.52	0.00
2007		10,834,957.27	68,893.12	10,575,267.32	21,407.74	44,178.18		125,210.91
	$96,456.05	$10,834,957.27	$68,893.12	$10,667,234.20	$21,407.74	$45,857.83	$2,809.52	$125,210.91
Ref.	A	Reserve	A-2, A-15	A-2, A-4	A-2, A-8	Reserve	A-10	A

Analysis of 2008 Property Tax Levy:

	Ref.		
Tax Yield:			
General Purpose		10,804,707.41	
Added/Omitted Taxes		30,249.86	
			$10,834,957.27
Tax Levy:			
Regional School Tax (Abstract)	A-12	6,054,509.91	
Special District Tax	A-12	155,308.00	
County Tax (Abstract)	A-12	2,206,607.84	
County Open Space Tax (Abstract)	A-12	151,425.97	
Added County Tax	A-12	6,712.61	
			8,574,564.33
Local Open Space Tax	A-2,A-1	52,346.25	
Local Tax for Mun. Purposes (Abstract)	A-2	2,178,285.00	
Add: Additional Tax Levied		29,761.69	
			2,260,392.94
			$10,834,957.27

SCHEDULE OF DUE FROM STATE OF NEW JERSEY
PER CH. 73, P.L. 1976 - CURRENT FUND

	REF.		
Balance - December 31, 2007	A		$587.26
Increased by:			
Allowable Deductions Per Tax Billings (Abstract)	A-8	21,000.00	
2008 Deductions Allowed by Collector	A-8	407.74	
			21,407.74
			21,995.00
Decreased by:			
Collection	A-4		21,500.00
Balance - December 31, 2008	A		$495.00

Analysis of Realized Revenue for 2008:

Deductions Allowed Per Tax Billings	A-8	21,000.00	
2008 Deductions Allowed by Collector	A-8	407.74	
			$21,407.74
Realized as Revenue - 2008	A-7		$21,407.74

Exhibit - A-9

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)
CURRENT FUND

	REF.	
Balance - December 31, 2007	A	$17,810.00
Balance - December 31, 2008	A	$17,810.00

Exhibit - A-10

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	REF.	
Increased by:		
Transfers from Taxes Receivable	A-7	2,809.52
Balance - December 31, 2008	A	$2,809.52

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

Anticipated Miscellaneous Revenues:	REF.	BALANCE DEC. 31, 2007	ACCRUED IN 2008	COLLECTED	BALANCE DEC. 31, 2008
Fees and Permits	A-2	$	$ 14,107.00	$ 14,107.00	$
Fines and Costs - Municipal Court	A-2	2,024.00	58,268.69	58,268.69	2,024.00
Interest and Costs on Taxes	A-2		27,808.95	27,808.95	
Interest on Investments and Deposits	A-2		35,316.29	35,316.29	
Trash Collection Fees	A-2		30,616.75	30,616.75	
Consolidated Municipal Property Tax Relief Aid	A-2		48,577.00	48,577.00	
Energy Receipts Taxes	A-2		199,830.00	199,830.00	
Uniform Construction Code Fees	A-2		70,204.92	70,204.92	
Hopewell Township			5,000.00	4,000.00	1,000.00
Miscellaneous Revenue Not Anticipated	A-2		52,279.25	52,279.25	
		$ 2,024.00	$ 542,008.85	$ 541,008.85	$ 3,024.00
	Ref.	A	Reserve	A-4	A

Exhibit A-12

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	01/01/08	Taxes Levied	Cash Disbursements	Adjustments	12/31/08
County - General	$ -	$ 2,206,607.84	$ (2,206,607.84)		$ -
County - Open Space	-	151,425.97	(151,425.97)		-
County - Added & Omitted	28,632.60	6,712.61	(28,632.60)		6,712.61
Regional School Taxes		6,054,509.91	(6,054,509.91)		-
Local Open Space	-	52,346.25		(52,346.25)	-
Fire Districts	155,313.00	155,308.00	(310,621.00)		-
Total	$ 183,945.60	$ 8,626,910.58	$ (8,751,797.32)	$ (52,346.25)	$ 6,712.61
Ref.	A	A-1,A-2,A-7	A-4	A-13	A

Exhibit A-13

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

		01/01/08	Cash Receipts	Cash Disbursements	Adjustments	12/31/08
Interfunds:						
Grant Fund		$	$ 6,770.00	$ (99,628.28)	$ 25,118.28	$ (67,740.00)
Open Space Trust		51,824.80		(51,824.80)	52,346.25	52,346.25
General Capital Fund		10,842.13		(40,342.13)	4,126.01	(25,373.99)
Interfunds Receivable						(93,113.99)
Interfunds Payable		62,666.93				52,346.25
Total		$ 62,666.93	$ 6,770.00	$ (191,795.21)	$ 81,590.54	$ (40,767.74)
	Ref.	A	A-4	A-4		A
Open Space Tax	A-12				$ 52,346.25	
Interest	Reserve				4,126.01	
Grants Cancelled	A-1				25,118.28	
					$ 81,590.54	

SCHEDULE OF 2007 APPROPRIATION RESERVES

	BALANCE DEC. 31 2007	ENCUMBERED DEC. 31, 2007	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
Inside "CAPS":					
Financial Administrator	73.28		73.28		73.28
Assessment of Taxes	44.46		44.46		44.46
Collection of Taxes	497.47		497.47		497.47
Borough Clerk	2.41		2.41		2.41
Municipal Prosecutor	56.05		56.05		56.05
Public Buildings and Grounds	9.78		9.78		9.78
Planning and Zoning	143.75		143.75		143.75
Shade Tree	1,446.26		1,446.26		1,446.26
Police	21.34		21.34		21.34
Road Repair and Maintenance	148.47		148.47		148.47
Garbage & Trash Removal	369.56		369.56		369.56
Recreation					
Construction Code Official	673.43		673.43		673.43
Municipal Court	1,255.75		1,255.75		1,255.75
Total Salaries and Wages	4,742.01		4,742.01		4,742.01
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	0.65	1,507.60	1,508.25	1,507.60	0.65
Elections	0.67		0.67		0.67
Financial Administration	80.93	193.98	274.91	255.48	19.43
Revision of Tax Map	3,195.77		3,195.77	546.00	2,649.77
Assessment of Taxes	339.76	60.00	399.76	60.00	339.76
Collection of Taxes	267.23	64.55	331.78	64.55	267.23

SCHEDULE OF 2007 APPROPRIATION RESERVES

	BALANCE DEC. 31 2007	ENCUMBERED DEC. 31, 2007	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Inside "CAPS":					
Mayor and Council	$ 11.15	$	11.15	$ (342.00)	$ 353.15
Borough Clerk	841.20	4,074.62	4,915.82	4,035.06	880.76
Municipal Court	1,132.29	737.23	1,869.52	729.62	1,139.90
Public Defender	1,000.00		1,000.00		1,000.00
Legal Services & Costs	6,674.62		6,674.62	6,589.00	85.62
Engineering Services and Costs	88,480.86		88,480.86	17,675.16	70,805.70
Public Buildings and Grounds	5,581.37	614.94	6,196.31	554.94	5,641.37
Planning and Zoning Board	5,245.89	653.81	5,899.70	2,096.21	3,803.49
Shade Tree	675.90	4,814.90	5,490.80	4,827.90	662.90
Insurance- Surety Bonds					
Police	154.23	1,771.36	4,425.59	2,985.66	1,439.93
First Aid Organization					
Road Repair and Maintenance	18,176.22	23,933.03	39,609.25	21,233.11	18,376.14
Street Lighting	568.28	2,787.29	3,355.57	2,787.29	568.28
Garbage & Trash Removal	13,836.74	23,267.26	37,104.00	23,282.80	13,821.20
Board of Health	150.00		150.00		150.00
Recreation	2,001.63	125.00	2,126.63	125.00	2,001.63
Celebration of Public Events	115.66		115.66		115.66
Environmental Commission	12.31	225.00	237.31	225.00	12.31
Economic Development Commission	764.37		764.37		764.37
Constr. Code Official	39.71		39.71		39.71
Telephone	774.31	1,990.80	2,765.11	1,990.80	774.31
Natural Gas	3,780.07	3,119.53	6,899.60	3,119.53	3,780.07
Electricity	8,116.09	305.47	8,421.56	305.47	8,116.09
Gasoline & Lubricants	958.50	4,424.46	5,382.96	4,424.46	958.50
Social Security	78.70	1,122.00	1,200.70	1,122.00	78.70

SCHEDULE OF 2007 APPROPRIATION RESERVES

	DEC. 31 2007	ENCUMBERED DEC. 31, 2007	AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Out of "CAPS":					
First Aid LOSAP Contribution	$ 2.54	$ 9,327.46	9,330.00	$ 9,327.46	$ 2.54
PERS Phase In	1.70		1.70		1.70
Reconstruction of Hale St.					
Emergency 911 and Dispatch					
Public Defender					
Health Services	0.15		0.15		0.15
Recycling Agreement	2,537.91		2,537.91		2,537.91
Municipal Alliance Program					
Janitorial Services	4,451.70		4,451.70	4,351.20	100.50
Animal Control					
Recreations		3,000.00	3,000.00	3,000.00	
Group Plan for Employees	227.59		227.59		227.59
Workers Compensation	1.68		1.68		1.68
Liability and Other Insurance	2,816.50		2,816.50		2,816.50
Free Public Library-Maintenance	906.89	574.06	1,480.95	1,506.83	(25.88)
Total Other Expenses	174,001.77	88,694.35	262,696.12	118,386.13	144,309.99
Total Operations	$ 178,743.78	$ 88,694.35	267,438.13	$ 118,386.13	$ 149,052.00
Ref.	A	A			A-1

	Ref.	
Disbursed	A-4	$118,185.36
Accounts Payable	A-16	200.77
		$118,386.13

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	REF.	
Balance - December 31, 2007	A	$68,893.12
Increased by:		
2009 Taxes Prepaid	A-4	58,294.53
		127,187.65
Decreased by:		
Applied to 2008 Taxes Receivable	A-7	68,893.12
Balance - December 31, 2008	A	$58,294.53

Exhibit A-16

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	1/1/08	Cash Receipts	Cash Disbursements	Adjustments	12/31/08
Accounts Payable:					
Vendor Accounts Payable	$ 1,124.95		$ (191.56)	$ 200.77	$ 1,134.16
Marriage License Filing Fees		400.00	(375.00)		25.00
State Training Fees	2,682.04	5,704.26	(5,926.26)		2,460.04
Subtotal	3,806.99	6,104.26	(6,492.82)	200.77	3,619.20
Reserve for:					-
Master Plan	593.75				593.75
Property Revaluation	9,485.75		(1,856.25)		7,629.50
Sale of Municipal Assets	14,236.25				14,236.25
State Library Aid	4,256.44	2,187.00	(6,017.71)		425.73
Subtotal	28,572.19	2,187.00	(7,873.96)	-	22,885.23
Total	$ 32,379.18	$ 8,291.26	$ (14,366.78)	$ 200.77	$ 26,504.43
Ref.	A	A-4	A-4	A-14	A

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-17

GRANT	BALANCE DEC. 31,2007	2008 BUDGET REVENUE REALIZED	COLLECTED 2008	TRANS. FROM STATE & FED. GRANTS UNAPPROP.	CANCELLED	BALANCE DEC. 31,2008
N.J.D.O.T. - Transportation Trust Fund - 1996	$ 5,177.65	$	$	$	$ 5,177.65	$
N.J.D.O.T. - Transportation Trust Fund - 1997	7,161.48				7,161.48	
N.J.D.O.T. - Transportation Trust Fund - 2000 Sked St.	72,258.91				72,258.91	
N.J.D.O.T. - Transportation Trust Fund - 2001 Crawley	30,000.00				30,000.00	
N.J.D.O.T. - Transportation Trust Fund - 2003 Vannoy	102,527.70				102,527.70	
N.J.D.O.T. - Transportation Trust Fund - 2004(King Grg. Rd.)	5,574.84				5,574.84	
N.J.D.OT. - Hale St.	76,137.72		76,137.72			
N.J.D.O.T. - Transportation Trust Fund - 2005 (Baldwin)	66,647.25					66,647.25
N.J.D.O.T. - Transportation Trust Fund - 2006 (Brookside Ave.)	70,283.77					70,283.77
N.J.D.O.T. - Transportation Trust Fund - 2007 (Hale St.)	89,000.00		62,048.44			26,951.56
N.J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)		250,000.00				250,000.00
Body Armor Fund		1,205.39	596.58	608.81		0.00
Clean Communities		4,000.00	4,000.00			
Community Stewardship Program	6,000.00					6,000.00
Municipal Stormwater Reg. Program	1,705.00		1,705.00			
Mercer at Play	16,709.00		8,354.50			8,354.50
Livable Communities-Local Library Aid	6,770.00		6,770.00			
Municipal Alcohol Ed.		481.91	481.91			
Recycling Tonnage Grant		3,708.60	3,708.60			
Emergency Road Repair Fund	5,073.82					5,073.82
Green Communities Challenge Grant	2,700.00					2,700.00
	$ 563,727.14	$ 259,395.90	$ 163,802.75	$ 608.81	$ 222,700.58	$ 436,010.90
Ref.	A	A-19	A-4	A-20		A

	Ref.	
Cancelled to Appropriated Grants	A-19	$ 197,582.30
Canceled to Current Fund	A-18	25,118.28
		$ 222,700.58

Exhibit A-18

GRANT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	Cash Receipts	Cash Disbursements	Adjustments	12/31/08
Interfunds:				
Current Fund	$ 93,614.85	$ (756.57)	$ (25,118.28)	$ 67,740.00
General Capital Fund	40,000.00			40,000.00
Total	$ 133,614.85	$ (756.57)	$ (25,118.28)	$ 107,740.00
Ref.		A-4	A-17	A

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

GRANT/AID PROGRAM	BALANCE DEC. 31,2007	ENCUMBERED DEC. 31,2007	TRANSFERRED FROM 2008 BUDGET	PAID OR CHARGED	CANCELLED	ENCUMBERED DEC. 31,2008	BALANCE DEC. 31,2008
N.J.D.O.T. - Transportation Trust Fund - 1998	$ 10,876.44	$	$	$	$ 10,876.44	$	$
N.J.D.O.T. - Transportation Trust Fund - 1999	39,301.58				39,301.58		
N.J.D.O.T. - Transportation Trust Fund - 2000	25,000.00				25,000.00		
N.J.D.O.T. - Transportation Trust Fund - 2000 (Sked St.)	91,709.39				91,709.39		
N.J.D.O.T. - Transportation Trust Fund - 2002 (Crawley Ave.)	180.60				180.60		
N.J.D.O.T. - Transportation Trust Fund - 2003 (Vannoy Ave.)	24,915.45				24,915.45		
N.J.D.O.T. - Transportation Trust Fund - 2004 (King Georges Rd.)	5,358.84				5,358.84		
N.J.D.O.T. - Hale St.	8,939.42	5,248.22		14,187.64			
N.J.D.O.T. - Transportation Trust Fund - 2005(Baldwin)	13,863 00	63,796.26		76,359.26			1,300.00
N.J.D.O.T. - Transportation Trust Fund - 2006 (Brookside Ave.)	34,711.70	142,288.30		129,113.29		2,634.95	45,251.76
N.J.D.O.T. - Transportation Trust Fund - 2007 (Hale St.)	89,000.00			84,544.49		1,679.68	2,775.83
N.J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)			250,000.00				250,000.00
Emergency Road Repair Fund	3,880.00						3,880.00
Clean Communities Program	266.00			266.00			
Clean Communities Program	281.46			281.46			
Clean Communities Program	4,000.00			4,000.00			
Clean Communities Program	4,000.00			1,579.30			2,420.70
Clean Communities Program	4,000.00						4,000.00
Clean Communities Program			4,000.00				4,000.00
Body Armor Replacement Fund	1,700.95		1,205.39	580.25		625.80	1,700.29
Forestry Grant	4,200.00						4,200.00
Drunk Driving Enforcement Grant		204.92					204.92
Green Communities Challenge Grant	2,735.00						2,735.00
Solid Waste Recycling Grant	2,099.51						2,099.51
Solid Waste Recycling Grant-2003	2,506.70						2,506.70
Pennington Day Grant	1,000.00						1,000.00
Livable Communities-Local Library Aid	5,170.00			4,930.00	240.00		
Mercer at Play	3,684.00	13,025.00		16,709.00			
Municipal Alcohol Ed.	225.52						225.52
Community Stewardship Program	4,359.50						4,359.50
NJDEP Stormwater Regulation	368.00						368.00
Special Legislative Grants:							
Cemetery Restoration	2,683.65						2,683.65
Senior Center Renovations	5,495.00	15,995.00		18,227.00			3,263.00
Alchol Ed Rehab			481.91				481.91
Recycling Tonnage Grant	1,732.08						1,732.08
Recycling Tonnage Grant	1,422.51						1,422.51
Recycling Tonnage Grant	2,880.32						2,880.32
Recycling Tonnage Grant			3,708.60				3,708.60
	$ 402,546.62	240,557.70	$ 259,395.90	$ 350,777.69	$ 197,582.30	$ 4,940.43	$ 349,199.80
Ref.	A	A	A-17	A-4	A-17	A	A

Exhibit - A-20

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

GRANTS	BALANCE DEC. 31,2007	COLLECTED 2008	APPLIED TO GRANTS RECEIVABLE	BALANCE DEC. 31,2008
Body Armor Replacement Fund	$ 608.81	$	$ 608.81	$
Mercer At Play - Airport		300,000.00		300,000.00
	$ $608.81	$ $300,000.00	$ $608.81	$ $300,000.00
Ref.	A	A-4	A-17	

Exhibit - A-21

SCHEDULE OF DEFERRED CHARGES
GRANT FUND

Increased by:	
Expenditure without Appropriation	$ 300,000.00
Balance - December 31, 2008	$ 300,000.00

TRUST FUND

Exhibit B-1

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/07	Cash Receipts	Cash Disbursements	Adjustments	Balance 12/31/08
Animal Control:					
Due NJ - State License Fees		361.80	(361.80)		-
Animal Control Reserves	2,539.21	2,749.92	(2,737.62)		2,551.51
Total	2,539.21	3,111.72	(3,099.42)	-	2,551.51
Trust - Other Funds:					
Due from Current Fund	(51,824.80)	51,824.80			-
Unemployment Claims	24,033.61	223.01	(565.98)		23,690.64
Affordable Housing	318,193.87	23,973.28	(16,168.25)		325,998.90
Recreation Funds	962.47	478.00	(776.18)		664.29
Police	2,750.00				2,750.00
Public Defender	605.00	200.00	(600.00)		205.00
Shade Tree	900.00	30.00			930.00
POAA	966.00	86.00			1,052.00
Verizon	100.00				100.00
Police Donations	300.00				300.00
Open Space Preservation Fund	263,540.44	4,072.53	(768.00)		266,844.97
Developer Escrow Funds	408,895.93	66,174.26	(327,123.82)		147,946.37
Total	969,422.52	147,061.88	(346,002.23)	-	770,482.17
Total	971,961.73	150,173.60	(349,101.65)	-	773,033.68
Ref.	B				B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

Year	Amount
2006	1,776.80
2007	1,408.00
	$3,184.80

Footnote: N.J.S.A. 4:19-15.11

" . . . . . there shall be transferred from such special account to general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years next preceeding."

GENERAL CAPITAL FUND

Exhibit - C-2

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	REF.		
Balance - December 31, 2007	C		$464,634.34
Increased by:			
Due to Sewer Capital	C-11	37,941.25	
Due toCurrent Fund	C-5	36,216.12	
Capital Improvement Fund	C-10	15,000.00	
			89,157.37
			553,791.71
Decreased by:			
Due from Sewer Capital	C-11	414,758.87	
Due to Grant Fund	C-6	40,000.00	
Improvement Authorizations	C-8	91,714.14	
			546,473.01
Balance - December 31, 2008	C		$7,318.70

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

		BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
	Fund Balance	$587.76	$ 587.76
	Capital Improvement Fund	18,378.45	33,378.45
	Reserve for Encumbrances	78,059.61	12,124.02
	Reserve to Pay Debt Service		
	Due from Grant Fund		(40,000.00)
	Due to/from Sewer Capital	376,817.62	
	Due to/from Current Fund	(10,842.13)	25,373.99
	IMPROVEMENT AUTHORIZATIONS:		
Ord. No.	General Improvements:		
1994-9	Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
1997-13	Purchase of Dump Truck & Plow		
1995-9	Pub. Works Vehicles & Equip.	(15,000.00)	(15,000.00)
2003-9	Var. Capital Improvements	(79,215.83)	(79,150.65)
2004-11	Amend Ord. 99-4 Purch. Of land Const. PW Building	76,151.20	63,100.38
2005	Acqui. Of PW Vehicles	2,736.63	2,690.72
2006-13	Acqui. Of Leaf Loader	2,485.00	2,485.00
2007-10	Acqui. Of Backhoe	15,000.00	2,253.00
		$464,634.34	$7,318.70
	Ref.	C-2	C-2

Exhibit - C-4

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

	Ref.	
Balance - December 31, 2007	C	$1,935,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-9	240,000.00
Balance - December 31, 2008	C	$1,695,000.00

Exhibit - C-5

SCHEDULE OF DUE TO/FROM CURRENT FUND
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2007		
Due from Current Fund	C	$10,842.13
Increased by:		
Receipts	C-2	36,216.12
Balance - December 31, 2008		
Due to Current Fund	C	$25,373.99

Exhibit - C-6

SCHEDULE OF DUE FROM GRANT FUND
GENERAL CAPITAL FUND

	Ref.	
Decreased by:		
Cash Disbursements	C-2	$40,000.00
Balance - December 31, 2008	C	$40,000.00

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

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DEC.31, 2007	BANS PAYDOWN	BALANCE DEC.31, 2008	ANALYSIS OF BALANCE DEC. 31,2008 BOND ANTIC. NOTES	EXPEND-ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System	$523.97		$523.97		$523.97	
4-95/9-95	Purchase of DPW Vehicles & Furniture & Fixtures	15,000.00		15,000.00		15,000.00	
2003-09	Var. Capital Improvements	717,100.00		717,100.00		79,150.65	637,949.35
2004-11	Amend Ord. 99-4 Purch. Of Land	860,000.00	45,000.00	815,000.00	815,000.00		
2005-1	Acquisition of PW Vehicles	87,500.00	5,000.00	82,500.00	82,500.00		
	Ref.	$1,680,123.97	$50,000.00	$1,630,123.97	$897,500.00	$94,674.62	$637,949.35
		C	C-12	C			

Improvement Authorizations	$ 701,049.73
Less: Unexpended Proceeds of Bond Anticipation Notes	63,100.38
	$ 637,949.35

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2007 FUNDED	BALANCE DEC. 31, 2007 UNFUNDED	ENCUMBERED 12/31/07	PAID OR CHARGED	ENCUMBERED 12/31/08	BALANCE DEC. 31, 2008 FUNDED	BALANCE DEC. 31, 2008 UNFUNDED
	General Improvements:									
2003-09	Var. Capital Improvements		754,500.00		637,884.17		(65.18)			637,949.35
2004-11	Amend Ord. 99-4 Purch. Land Const. PW Bldg.		1,000,000.00	76,151.20		78,059.61	78,986.41	12,124.02		63,100.38
2005-10	Acquisition of PW Vehicles		102,500.00	2,736.63			45.91		2,690.72	
2006-13	Acquisition of Leaf Loader		22,000.00	2,485.00					2,485.00	
2007-10	Acquisition of Backhoe	11/15/07	15,000.00	15,000.00			12,747.00		2,253.00	
				$ 96,372.83	$ 637,884.17	78,059.61	$ 91,714.14	12,124.02	$ 7,428.72	$ 701,049.73
			Ref.	C	C	C	C-2	C	C	C

Exhibit - C-9

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Purpose	ORIGINAL ISSUE DATE	ORIGINAL ISSUE AMOUNT	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2006 DATE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2006 AMOUNT	INTEREST RATE	BALANCE DEC. 31,2007	DECREASES	BALANCE DEC. 31,2008
2004 Refunding Bonds	2/1/04	$2,125,000	9/15/07	165,000.00	2.500%			
			9/15/08	240,000.00	2.100%			
			9/15/09	230,000.00	2.375%			
			9/15/10	225,000.00	3.000%			
			9/15/11	90,000.00	3.000%			
			9/15/12	110,000.00	3.000%			
			9/15/13	110,000.00	3.125%			
			9/15/14	105,000.00	3.375%			
			9/15/15	105,000.00	3.400%			
			9/15/16	105,000.00	3.500%			
			9/15/17	100,000.00	3.750%			
			9/15/18	100,000.00	4.000%			
			9/15/19	95,000.00	4.000%	$1,615,000.00	240,000.00	1,375,000.00
2004 Pension Refunding Bonds	2/1/04	$320,000	9/15/11	150,000.00	4.650%			
			9/15/12	140,000.00	4.950%			
			9/15/13	30,000.00	5.200%	320,000.00		320,000.00
						$ 1,935,000.00	$ 240,000.00	$ 1,695,000.00
					Ref.	C	C-4	C

Exhibit - C-10

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	REF.		
Balance - December 31, 2007	C		$18,378.45
Increased by:			
Budget Appropriation	C-2	15,000.00	
			15,000.00
Balance - December 31, 2008	C		$33,378.45

Exhibit - C-11

SCHEDULE OF DUE TO/FROM SEWER CAPITAL
GENERAL CAPITAL FUND

	REF.	
Balance - December 31, 2007 (Due To Sewer Capital Fund)		$ 376,817.62
Increased by:		
Interest Due to Sewer Capital	C-2	37,941.25
		414,758.87
Decreased by:		
Cash Disbursed	C-2	414,758.87

Exhibit C- 12

SCHEDULE OF BOND ANTICIPATION NOTES

ORD NO.	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2007	B.A.N.S REDEEMED	BALANCE DEC. 31, 2008
	General Improvements:							
04-11	Amendment to Ordianance 99-4	06/07/06	06/07/08	06/07/09	3.84%	860,000.00	$25,000.00	$835,000.00
04-13	Acquisition of Public Works Vehicles	06/07/06	06/07/08	06/07/09	3.84%	87,500.00	25,000.00	62,500.00
						$947,500.00	$50,000.00	$897,500.00
					Ref.	C	C-7	C

Exhibit - C-13

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31,2007	BALANCE DEC. 31,2008
276	Constr. Of Sanitary Sewer System	$ 523.97	$ 523.97
4-95/9-95	Purchase of DPW Vehicles & Furniture & Fixtures	15,000.00	15,000.00
2003-09	Various Capital Improvements	717,100.00	717,100.00
		$ 732,623.97	$ 732,623.97
	Ref.		Footnote C

WATER AND SEWER UTILITY FUND

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	OPERATING FUND		CAPITAL FUND	
Balance - December 31, 2007	D		$ 188,536.97		$ 19,717.55
Increased by Receipts:					
Consumer Accounts Receivable	D-2,D-7	1,126,871.04			
Interfund Loans:					
Water and Sewer Utility Capital Fund	D-8	44,332.42			
General Capital Fund	D-20			376,817.62	
Interest on Investments	D-2, D-15	6,637.78		3,925.77	
Interest on Delinquencies	D-1	4,818.07			
Miscellaneous	D-1	25,134.63			
			1,207,793.94		380,743.39
			1,396,330.91		400,460.94
Decreased by Disbursements:					
2008 Budget Expenditures	D-4	1,065,021.05			
2007 Appro. Reserve	D-11	24,531.05			
Prior Years Refunds	D-1	1,904.31			
Interfund Loans Disbursed/Returned:					
Water and Sewer Utility Operating Fund	D-15			44,332.42	
Accrued Interest on Bonds, Notes and Loans	D-12	87,791.10			
Improvement Authorizations	D-13			57,427.44	
			1,179,247.51		101,759.86
Balance - December 31, 2008	D		$ 217,083.40		$ 298,701.08

Exhibit - D-6

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
	Fund Balance	$ 96,446.93	$ 96,446.93
	Capital Improvement Fund	123.55	123.55
	Due to Water/Sewer Operating	40,406.65	(7,948.91)
	Reserve for Encumbrances	97,428.64	40,609.36
	Due from General Capital	(376,817.62)	
ORD. NO.	IMPROVEMENT AUTHORIZATIONS		
428	Tank and Appurtenances, Replacement of Water Mains	(10,670.64)	(10,670.64)
98-22	Improv. To Water Supply System	4,153.30	4,153.30
526	Underground Tank Removal	29,090.53	29,067.58
98-3	Improv. To Water Supply System	37,253.79	44,904.36
97-3 98-18	Inflow & Infiltration Study & Remediation	7,266.36	7,174.56
03-08	Var. Water/Sewer Improv.	87,225.26	87,030.19
07-10	Acquisition of Backhoe	9,012.00	9,012.00
07-09	Var. Water/Sewer Improvements	(1,201.20)	(1,201.20)
		$ 19,717.55	$ 298,701.08
		D	D

( ) Denotes Deficit or Deduction

Exhibit - D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	REF.	
Balance - December 31, 2007	D	$62,635.24
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	1,135,161.68
		1,197,796.92
Decreased by:		
Collected	D-3, D-5	1,126,871.04
Balance - December 31, 2008	D	$70,925.88

Exhibit - D-8

SCHEDULE OF DUE FROM WATER/SEWER CAPITAL
WATER AND SEWER UTILITY OPERATING FUND

	REF.		
Balance - December 31, 2007	D		$40,406.65
Increased by:			
Interest Earned due from water/sewer capital fund	D-2	3,925.77	
Accrued Interest due from Water/Sewer Capital	D-12	7,948.91	
			11,874.68
			52,281.33
Decreased by:			
Disbursed	D-5		44,332.42
Balance - December 31, 2008	D		$7,948.91

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

ACCOUNT	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
Reservation Land	$1,677.31	$1,677.31
Other Source-of-Supply Land	2,158.32	2,158.32
Springs & Wells	22,288.98	22,288.98
Collecting Reservoirs	13,791.27	13,791.27
Chemical Treatment Plant	8,509.32	8,509.32
Pumping Station Structures	28,208.02	28,208.02
Electric Power Pumping Equipment	42,477.53	42,477.53
Other Power Pumping Equipment	2,723.03	2,723.03
Miscellaneous Pumping Equipment	3,481.77	3,481.77
Transmission Mains & Accessories	14,990.47	14,990.47
Storage Reservoirs, Tanks & Standpipes	194,194.00	194,194.00
Distribution Mains & Accessories	1,024,043.37	1,024,043.37
Service Pipes & Stops	6,419.97	6,419.97
Meters, Boxes and Vaults, etc.	17,627.11	17,627.11
Fire Hydrants & Cisterns	7,438.34	7,438.34
General Equipment	940.20	940.20
Engineering & Superintendence	199,181.53	199,181.53
Legal Expense	10,200.35	10,200.35
Interest During Construction	3,703.82	3,703.82
Miscellaneous	22,342.07	22,342.07
Water Wells	958,004.54	958,004.54
Buildings & Improvements	409,066.81	409,066.81
Utility Truck	18,900.00	18,900.00
	3,012,368.13	3,012,368.13
Ref.	D	D

The Fixed Capital, as reported, is taken from the Borough records and does not necessarily reflect the true condition of such Fixed Capital.

Exhibit - D-10

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER AND SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
	General Improvements:				
428		8/4/86	1,005,000.00		
98-22	Improv. To Water Supply System	9/8/98	270,000.00	$ 556,101.49	$ 556,101.49
526	Underground Tank Removal	5/2/94	50,000.00	29,174.36	29,174.36
98-3	Improv. To Water Supply System	9/8/98	600,000.00	600,000.00	600,000.00
97-3	Inflow & Infiltration	4/7/97			
98-18	Study & Remediation	9/8/98	530,000.00	382,257.56	382,257.56
98-26	Constr. Of Maint. Bldg.	11/2/98	500,000.00	90,933.19	90,933.19
2003-08	Var. Improv. To Water/Sewer		404,500.00	404,500.00	404,500.00
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	1,200,000.00	1,200,000.00
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	60,000.00	60,000.00
				$ 3,322,966.60	$ 3,322,966.60
			Ref.	D	D

Exhibit - D-11

SCHEDULE OF 2007 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31,2007	ENCUMBRANCES PAYABLE 12/31/07	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	$ 13,318.53	$	$ 13,318.53		$ 13,318.53
Other Expenses	48,026.41	13,952.28	61,978.69	24,531.05	37,447.64
Sewer Service Fee	112.00		112.00		112.00
Workers Compensation Insurance	81.64		81.64		81.64
Group Insurance for Employees	22.20		22.20		22.20
Liability Insurance	14.50		14.50		14.50
Statutory Expenditures:					
Contribution to:	1.70		1.70		1.70
Social Security System (O.A.S.I.)	1,273.94		1,273.94		1,273.94
	$ 62,850.92	$ 13,952.28	$ 76,803.20	$ 24,531.05	$ 52,272.15
Ref.	D	D		D-5	D-1

Exhibit - D-12

SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
WATER AND SEWER UTILITY OPERATING FUND

	REF.	
Balance - December 31, 2007	D	$ 36,544.97
Increased by:		
Accrued Interest Charged to:		
2008 Budget Appropriations	D-4	66,413.13
Due from Sewer Capital		7,948.91
		110,907.01
Decreased by:		
Payment	D-5	87,791.10
Balance - December 31, 2008	D	$ 23,115.91

Analysis of Balance - December 31, 2008:

Principal Outstanding Dec. 31, 2008	Interest Rate	From	To	Period	Amount
155,000.00	2.375%	9/15/08	12/31/08	3.5 mos.	1,073.70
160,000.00	3.000%	9/15/08	12/31/08	3.5 mos.	1,400.00
155,000.00	3.000%	9/15/08	12/31/08	3.5 mos.	1,356.25
180,000.00	3.000%	9/15/08	12/31/08	3.5 mos.	1,575.00
110,000.00	3.125%	9/15/08	12/31/08	3.5 mos.	1,002.60
105,000.00	3.375%	9/15/08	12/31/08	3.5 mos.	1,033.59
105,000.00	3.400%	9/15/08	12/31/08	3.5 mos.	1,041.25
105,000.00	3.500%	9/15/08	12/31/08	3.5 mos.	1,071.88
100,000.00	3.750%	9/15/08	12/31/08	3.5 mos.	1,093.75
100,000.00	4.000%	9/15/08	12/31/08	3.5 mos.	1,166.67
90,000.00	4.000%	9/15/08	12/31/08	3.5 mos.	1,050.00
Bond Anticipation Notes					
1,002,400.00	2.360%	6/7/08	12/31/08	203 days	10,251.22
$2,367,400.00					$23,115.91

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2007 FUNDED	BALANCE DEC. 31, 2007 UNFUNDED	RESERVE FOR ENCUMBRANCES DEC. 31, 2007	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2008	BALANCE DEC. 31, 2008 FUNDED	BALANCE DEC. 31, 2008 UNFUNDED
	General Improvements:									
98-22	Improv. To Water Supply System	9/8/98	$ 270,000.00	$ 4,153.30	$	$	$	$	$ 4,153.30	$
526	Underground Tank Removal	5/2/94	50,000.00		29,090.53		22.95			29,067.58
98-3	Improv. To Water Supply System	9/8/98	600,000.00		133,700.72	45,239.44	12,877.33	40,609.36		125,453.47
97-3 98-18	Inflow & Infiltration Study & Remediation	4/7/97 9/8/98	530,000.00		7,266.36		91.80			7,174.56
2003-8	Various Water & Sewer Utility Improvements		400,000.00		87,225.26		195.07			87,030.19
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012.00		50,988.00	50,988.00		9,012.00	
2007-9	Various Water & Sewer Utility Improvements	11/15/07	1,200,000.00		1,198,798.80	1,201.20	1,201.20			1,198,798.80
				$ 13,165.30	$ 1,456,081.67	$ 97,428.64	$ 65,376.35	$ 40,609.36	$ 13,165.30	$ 1,447,524 60
			Ref.	D	D	D		D	D	D

Disbursed	D-5	$ 57,427.44
Due from Sewer Operating	D-15	7,948.91
		$ 65,376.35

Exhibit - D-14

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
WATER AND SEWER UTILITY CAPITAL FUND

	REF.	
Balance - December 31, 2007	D	$123.55
Balance - December 31, 2008	D	$123.55

Exhibit - D-15

SCHEDULE OF DUE TO SEWER OPERATING FUND
WATER AND SEWER UTILITY CAPITAL FUND

	REF.		
Balance - December 31, 2007	D		$ 40,406.65
Increased by:			
Interest Earned	D-5	3,925.77	
Accrued Interest Due to Sewer Operating Fund	D-13	7,948.91	
			11,874.68
			52,281.33
Decreased by:			
Disbursements	D-5		44,332.42
Balance - December 31, 2008	D		$7,948.91

Exhibit - D-16

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	REF.		
Balance - December 31, 2007	D		$ 2,340,317.16
Increased by:			
Serial Bonds Paid	D-18	155,000.00	
BAN Paydowns	D-19	56,000.00	
			211,000.00
Balance - December 31, 2008	D		$ 2,551,317.16

Exhibit - D-17

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
	General Improvements:		
98-3	Improv. To Water Supply System	$ 30,000.00	$ 30,000.00
2003-08	Var. Improv. To Water/Sewer	19,500.00	19,500.00
2007-10	Acquisition of Backhoe	60,000.00	60,000.00
		$ 109,500.00	$ 109,500.00
	Ref.	D	D

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2008 DATE	AMOUNT	INTEREST RATE	BALANCE DEC. 31, 2007	DECREASE	BALANCE DEC. 31, 2008
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000.00	9/15/08	155,000.00	2.100%			
			9/15/09	155,000.00	2.375%			
			9/15/10	160,000.00	3.000%			
			9/15/11	155,000.00	3.000%			
			9/15/12	180,000.00	3.000%			
			9/15/13	110,000.00	3.125%			
			9/15/14	105,000.00	3.375%			
			9/15/15	105,000.00	3.400%			
			9/15/16	105,000.00	3.500%			
			9/15/17	100,000.00	3.750%			
			9/15/18	100,000.00	4.000%			
			9/15/19	90,000.00	4.000%	1,520,000.00	155,000.00	1,365,000.00
						$1,520,000.00	$155,000.00	$1,365,000.00
					Ref.	D	D-16	D

Exhibit D- 19

SCHEDULE OF BOND ANTICIPATION NOTES

ORD NO.	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2007	B.A.N.S REDEEMED	BALANCE DEC. 31, 2008
	General Improvements:							
526	Underground Tank Removal	06/07/06	06/07/08	06/07/09	3.79%	$35,000.00	$8,375.00	$26,625.00
98-3	Improv. To Water Supply System	06/07/06	06/07/08	06/07/09	3.79%	456,500.00		456,500.00
97-3/98-18	Inflow & Infiltration Study	06/07/06	06/07/08	06/07/09	3.79%	181,900.00	31,250.00	150,650.00
03/08	Various Water & Sewer Utility Improv.	06/07/06	06/07/08	06/07/09	3.79%	385,000.00	16,375.00	368,625.00
						$1,058,400.00	$56,000.00	$1,002,400.00
					Ref.	D	D-16	D

Exhibit D- 20

SCHEDULE OF DUE FROM GENERAL CAPITAL FUND WATER AND SEWER CAPITAL FUND

	Ref.	
Balance - December 31, 2007	D	$376,817.62
Decreased by:		
Receipts	D-5	$376,817.62

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2008
	Tank and Appurtenances, Replacement of Water Mains	$10,670.64	$10,670.64
2007-9	Various Water & Sewer Utility Improvements	$1,200,000.00	$1,200,000.00
		$1,210,670.64	$1,210,670.64
	Ref.		Footnote D

PAYROLL FUND

Exhibit - E-1

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2008 AND 2007

AGENCY/CATEGORY	BALANCE DEC.31, 2008	BALANCE DEC.31, 2007
Public Employees Retirement System (PERS)		$3,622.99
FOP Union Dues		
PW Assoc. Fees	90.18	49.60
PERS	4,047.67	
PERS Back Deductions	40.58	(5.30)
PERS Arrears	125.60	228.73
PERS Loans	(0.23)	(0.23)
PERS Contributory life Insurance	439.30	366.14
PFRS	1,758.35	3,473.56
PFRS Arrears	498.10	498.10
PFRS Back Deductions	279.76	
PFRS Loans	369.93	296.36
Colonial Penn Disability	193.94	71.84
	7,843.18	8,601.79

LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (UNAUDITED)

Exhibit - A

SCHEDULE OF LENGTH OF SERVICE
AWARD PROGRAM (LOSAP) - (UNAUDITED)
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Balance -December 31, 2007		$ 232,948.96
Restricted Net Assets		
Contributions	47,556.86	
Appreciation/(Investment Losses)	(71,465.54)	
Increase in Net Assets		(23,908.68)
Balance -December 31, 2008		$ 209,040.28

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Pennington Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The Borough established the LOSAP Program to reward members of the Pennington First Aid Squad on August 13, 1999 through Ordinance #99-9. LOSAP provides for fixed annual contributions to a deferred income account for volunteer first aid and rescue squad members who meet specified service criteria. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Pennington sponsors LOSAP through an annual award appropriated through the municipal budget.

B. Basis of Presentation

The accounting policies of the Borough of Pennington (the "Township"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the division of Local Government Services, department of Community Affairs, State of New Jersey.

C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the Borough to the participants through Lincoln Financial Group.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Description of Program (Cont'd.)

In accordance with standards established by the Governmental Accounting standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is tax exempt in Internal revenue Code Section 457.

D. Amount of Contribution

The LOSAP shall provide for annual contributions of a minimum of $500.00 and a maximum of $1,150.00 to each eligible member.

NOTE 2: QUALIFICATIONS

The LOSAP shall provide for annual contributions for each eligible member who meets the criteria as follows:

Shall provide for annual contributions of $1,000.00 to each eligible member who shall be within the top 50% of responders in each volunteer organization.

The estimated cost of the program has been calculated to be $100,000.00 for regular annual services.

Eligible members will be ranked annually on an organizational list based upon the number of calls responded to. The LOSAP shall provide for annual contributions of $500.00 to each eligible member who shall be within the top 50% of responders in each volunteer organization. Eligible members shall be those who:

a) Provide services on an ambulance at least one night a week or an equivalent forty (40) hours a month during weekdays or weekends;

b) Attend at least fifty (50) percent of all regularly scheduled and special drills/training exercises (not less than twelve (12) a year) averaging two hours each;

c) Recertify every other year for CPR;

d) Complete forty-eight (48) hours of New Jersey State approved continuing education credits every three years;

e) Attend annual refresher courses in hazardous material, infectious disease control and ambulance safety;

f) Attend annually an EMT-D refresher course;

g) Attend at least twenty-five (25) percent of all regularly scheduled and special meetings of the squad, missing no more than three in a row.

SUPPLEMENTARY DATA

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS DEC. 31,2008	MEMORANDUM ONLY TOTALS DEC. 31,2007
Cash and Investments	$ 886,039.82	$ 773,033.68	$ 7,318.70	$ 515,784.48	$	$	$ 2,182,176.68	$ 2,973,206.68
Amounts Held by Plan Admin.		209,040.28					209,040.28	232,948.96
Accounts Receivable:								
State & Federal Grants Receivable	436,010.90						436,010.90	563,727.14
Taxes, Assessments, Liens & Utility Charges	128,020.43			70,925.88			198,946.31	159,091.29
Interfund Loans	93,113.99	52,346.25	40,000.00	7,948.91			193,409.15	479,891.20
Other Accounts Receivable	6,446.36						6,446.36	2,611.26
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						3,345,647.14	3,345,647.14	3,345,647.14
Fixed Capital - Utility				3,012,368.13			3,012,368.13	3,012,368.13
Fixed Capital - Authorized and Uncompleted - Utility				3,322,966.60			3,322,966.60	3,322,966.60
Deferred Charges to Revenue of Succeeding Years	320,000.00						320,000.00	54,000.00
Deferred Charges to Future Taxation: General Capital Fund			3,325,123.97				3,325,123.97	3,615,123.97
	$ 1,887,441.50	$ 1,034,420.21	$ 3,372,442.67	$ 6,929,994.00	$	$ 3,345,647.14	$ 16,569,945.52	$ 17,779,392.37

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS DEC. 31,2008	MEMORANDUM ONLY TOTALS DEC. 31,2007
Bonds and Notes Payable	$	$	$ 2,592,500.00	$ 2,367,400.00	$	$	$ 4,959,900.00	$ 5,460,900.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	58,294.53						58,294.53	68,893.12
Appropriation Reserves	150,418.45			95,330.56			245,749.01	241,594.70
Reserve for Encumbrances/ Accounts Payable	96,702.68		12,124.02	49,259.25			158,085.95	715,046.96
Other Liabilities	6,712.61						6,712.61	
Amts. Pledged to Specific Purposes	649,199.80	1,034,420.21	33,378.45	23,239.46			1,740,237.92	1,334,614.15
Escrow Funds								408,895.93
Improvement Authorizations			708,478.45	1,460,689.90			2,169,168.35	2,203,503.97
Interfund Loans	160,086.25		25,373.99	7,948.91			193,409.15	479,891.20
Investments in General Fixed Assets						3,345,647.14	3,345,647.14	3,345,647.14
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				2,660,817.16			2,660,817.16	2,449,817.16
Reserve for Certain Assets Acquired or Receivables & Inventories	244,895.78			70,925.88			315,821.66	178,925.29
Fund Balance	521,131.40		587.76	194,382.88			716,102.04	891,662.75
	$ 1,887,441.50	$ 1,034,420.21	$ 3,372,442.67	$ 6,929,994.00	$	$ 3,345,647.14	$ 16,569,945.52	$ 17,779,392.37

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

Revenue and Other Income Realized	Year 2008 Amount	%	Year 2007 Amount	%
Fund Balance Utilized	$335,358.50	2.78	$330,736.00	2.79
Miscellaneous - From Other Than Local Property Tax Levies	950,456.75	7.89	1,137,587.78	9.58
Collection of Delinquent Taxes and Tax Title Liens	91,966.88	0.76	122,598.97	1.03
Collection of Current Tax Levy	10,665,568.18	88.56	10,278,768.94	86.60
Total Income	12,043,350.31	100.00	11,869,691.69	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	3,115,624.16	26.26	3,133,239.80	27.67
County Taxes	2,364,746.42	19.93	2,275,305.64	20.10
Local School Taxes	6,054,509.91	51.02	5,706,198.92	50.40
Fire District Taxes	155,308.00	1.31	155,313.00	1.37
Other Expenditures	175,704.53	1.48	51,824.80	0.46
Total Expenditures	11,865,893.02	100.00	11,321,882.16	100.00
Excess in Revenue	177,457.29		547,809.53	
Fund Balance January 1	679,032.61		461,959.08	
	856,489.90		1,009,768.61	
Less:				
Utilization as Anticipated Revenue	335,358.50		330,736.00	
Fund Balance December 31	$521,131.40		$679,032.61	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - WATER AND SEWER UTILITY OPERATING FUND

Revenue and Other Income Realized	Year 2008 Amount	Year 2008 %	Year 2007 Amount	Year 2007 %
Fund Balance Utilized	69,000.00	5.35	63,550.00	4.94
Collection of Water and Sewer Rents	1,126,871.04	87.45	1,091,878.92	84.82
Miscellaneous - From Other Than Water and Sewer Rents	92,788.40	7.20	131,929.51	10.25
Total Income	1,288,659.44	100.00	1,287,358.43	100.00
Expenditures				
Budget Expenditures:				
Operating	920,327.10	74.38	890,950.00	72.85
Capital Improvements	56,000.00	4.53	56,500.00	4.62
Debt Service	221,413.13	17.89	248,545.64	20.32
Deferred Charges and Statutory Expenditures	37,674.40	3.04	26,200.00	2.14
Other Expenditures	1,904.31	0.15	842.27	0.07
Total Expenditures	1,237,318.94	100.00	1,223,037.91	100.00
Statutory Excess to Fund Balance	51,340.50		64,320.52	
Fund Balance January 1	115,595.45		114,824.93	
	166,935.95		179,145.45	
Less:				
Utilization as Anticipated Revenue	69,000.00		63,550.00	
Fund Balance December 31	$97,935.95		$115,595.45	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2008	2007	2006
Tax Rate:	$2.035	$1.980	$1.910
Apportionment of Tax Rate:			
Municipal	0.416	0.400	0.350
Local Open Space	0.010	0.010	0.010
County	0.422	0.440	0.440
Regional School	1.157	1.100	1.080
Fire District	0.030	0.030	0.030
Assessed Valuation:			
2008	$523,462,225.00		
2007		$518,248,052.00	
2006			$516,087,400.00

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Mercer County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be $ 21,000.00 for the year 2008.

COMPARISON OF TAX LEVIES AND COLLECTION 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.

Year	Tax Levy	CURRENTLY Cash Collections	Percentage of Collection
2007	$10,834,957.27	$ 10,622,752.70	98.04%
2007	10,389,714.62	10,278,768.94	98.93%
2006	9,912,954.32	9,766,211.17	98.52%

DELINQUENT TAXES AND TAX TITLE LIENS

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

Dec. 31 Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2008	$2,809.52	$125,210.91	128,020.43	1.18%
2007	0.00	96,456.05	96,456.05	0.93%
2006	0.00	130,070.91	130,070.91	1.31%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

Year	Amount
2008	$17,810.00
2007	17,810.00
2006	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

Year	Billings	*Collections
2008	$1,135,161.68	$1,126,871.04
2007	1,102,836.24	1,091,878.92
2006	1,015,949.86	1,005,624.12

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund	2008	$521,131.40	$254,200.00
	2007	679,032.61	334,158.90
	2006	461,959.08	330,736.00
	2005	596,425.35	445,000.00
	2004	567,077.63	391,900.00
Water and Sewer Utility Operating Fund	2008	$97,935.95	$96,446.00
	2007	115,595.45	69,000.00
	2006	114,824.93	63,550.00
	2005	175,336.26	122,382.00
	2004	57,713.10	57,500.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2008:

NAME	TITLE	AMOUNT OF BOND	NAME OF CORPORATE SURETY
Anthony Persichilli	Mayor		
Edwin Tucker	President of Council		
Glen Griffiths	Councilperson		
Eileen Heinzel	Councilperson		
Thomas Ogren	Councilperson		
Joseph Lawver	Councilperson		
Catherine Chandler	Councilperson		
Eugene Dunworth, Jr.	Administrator		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer	$150,000.00	Traveler's Insurance Company of America
Irene Billings	Tax Collector, Tax Search Officer	$250,000.00	Traveler's Insurance Company of America
Antoinette Sost	Tax Assessor		
Elizabeth Sterling	Registrar of Vital Statistics		
Robert C. Billmeier	Borough Magistrate	$25,000.00	Traveler's Insurance Company of America
Nancy MacLean	Court Administrator	$35,000.00	Traveler's Insurance Company of America
Walter R. Bliss	Borough Attorney		
W. Jeffrey Wittkop	Superintendent of Water and Sewer Department/ Department of Public Works		
Van Note Harvey Associates	Borough Engineer		
William Meytrott	Public Safety Director		
Craig Hubert	Boro Prosecutor		

All of the above bonds were examined and properly executed.

BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2008

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Pennington, County of Mercer, New Jersey, for the year ended December 31, 2008, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Pennington, County of Mercer, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been established, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

Control Deficiencies

A. Inadequate Documentation of Components of Internal Control

We noted that the various components of internal control are not fully documented. Statements on Auditing Standards No. 112 ("SAS 112"), issued by the Auditing Standards Board in May 2006, changed the circumstances which would trigger required communication between the auditors and clients for audits performed in accordance with standards generally accepted in the United States of America. Under this new auditing standard, the absence of documentation of existing internal controls is considered a control deficiency. Prior to the implementation of SAS 112, the absence of documentation of internal control components was not considered, of itself, to be indicative of a deficiency.

The Borough has established numerous informal control policies and procedures in response to perceived risks to the assumed objectives of fairness in financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Our consideration of the Borough's internal control over financial reporting did not indicate to us that the lack of documentation was a significant deficiency in internal control. A significant deficiency is a control deficiency that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

GENERAL COMMENTS

Control Deficiencies (cont'd)

The Borough's management exhibits a consciousness of the importance of internal control, and the informal policies and procedures that have been established to govern the authorization, processing and recording of transactions and other financial data appear to have been designed properly based upon the size of the workforce and the complexity the transactions and financial information being processed.

The issue thus distills into a determination of cost versus benefit. Clearly, a formal review of control risks relating to each of the functions performed by each office and official, which was then utilized to develop a formal set of internal control policies and procedures to mitigate those risks, would satisfy the requirement of SAS 112. If such a process identified risks that management was not previously cognizant of, or identified existing controls that were either ineffective or not operating as designed, the costs of the undertaking could be justified based upon the improved control structure that would result. At present, and in the absence of a perception that the lack of documentation increases the risk that controls may be intentionally or unintentionally ignored or overridden, we suggest that an emphasis be place upon managerial monitoring to assess the design and effectiveness of internal controls over time.

B. Segregation of Duties

Utility Collector's Office

Individuals that have the responsibilities and function of cash collections are responsible for the Tax/Water and Sewer Utility receivable subsidiary ledgers.

Other Offices and Officials Collecting Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts in or for the following offices/departments: Construction Code, Clerk, Police, Recreation, Court and Registrar of Vital Statistics/Board of Health.

The deficiency in internal control was no considered by us to be a significant deficiency. While basic internal control design objectives include the limiting of any individual's control over a transaction from start to finish, the volume of transactions in the various offices does not justify the hiring of additional staff solely to improve internal control. Instead, we suggest that monitoring controls, including analytical procedures and intra-period comparisons, be utilized to identify unexpected changes in transactional levels for further review.

C. Transaction Posting

The computerized data processing system allows for the back dated posting of transactions for those individuals with security rights in the system.

The ability to back post transactions can limit the effectiveness of the data processing system.

GENERAL COMMENTS

Internal Control Over Compliance

A. Fixed Asset Accounting

Technical Accounting Directive 85-2 states that all local units are required to develop and implement an accounting system which assigns values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough has established a fixed asset accounting system but has not established a system to reflect all additions, retirements and transfers of assets.

A fixed asset accounting system should be in full compliance with N.J.A.C. 5:30-5.6.

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

N.J.S.A. 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 the 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 other wise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate $21,000.00 except by contract or agreement."

On June 22, 2005, the Local Public Contracts Law was amended, effective for periods beginning on July 1, 2005. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount to $21,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's purchasing agent is "Qualified", the Borough may increase the bid threshold to $29,000.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed $21,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items as disclosed in the official minutes:

Road Improvements and Repairs; Fuel Tanks and Backhoe

Purchases were also made through state approved vendors for various items available which were permitted under the statutes. The Borough has also utilized interlocal service agreements with the County of Mercer, Hopewell Township, the Hopewell Valley Regional School District and the City of Trenton for various services required by the Borough.

GENERAL COMMENTS

Contracts and Agreements Required
to be advertised Per N.J.S.A. 40A: 11-4 (Cont'd.)

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

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of $17,500.00 "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement.

Upon inquiry of the various officials responsible for the purchases of materials, supplies, equipment, etc. for the Borough in relation to the Local Public Contracts Laws and Borough policies regarding the solicitation of quotations when the cost is $2,625.00 or more, monitoring of change orders, quantities and unit prices of contracts, procedures presently in place were found to be good.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A: 11-5, however, maximum amounts were not always designated.

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on April 7, 1980 adopted a resolution increasing interest to be charged on delinquent taxes. The resolution provides for interest to be charged at the rate of 8% per annum on the first $1,500 of the delinquency and 18% per annum to be charged on any amount in excess of $1,500. No interest shall be charged if payment is made within ten days after the date upon which the same becomes payable.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

During 1991, legislation which permits the charging of a 6% penalty on any delinquency in excess of $10,000, if not paid by the end of the fiscal year, was enacted and codified as an amendment to N.J.S.A. 54:4-67. As of January 3, 2006 the Borough passed a resolution requiring charging a 6% penalty for delinquent accounts in excess of $10,000.

Delinquent Taxes and Tax Title Liens

There was one Tax Liens held by the Borough at December 31, 2008.

GENERAL COMMENTS

Interfund Balances

The following interfunds appear on the various balance sheets and should be cleared by cash transfers:

Fund	Interfunds Receivable	Interfunds Payable
Current Fund	$93,113.99	$52,346.25
Trust Other Fund	52,346.25	
Grant Fund		107,740.00
Water & Sewer Operating	7,948.91	
Water & Sewer Capital		7,948.91
General Capital Fund	40,000.00	25,373.99
Total	$193,409.15	$193,409.15

Prior year-end interfund loan balances were not all cleared by cash transfers during the current period. All interfund balances should be cleared by cash transfers were feasible. Interfund balances were not material in amount and are not indicative of any cash-flow issues for any of the Borough's funds and accounts.

Cash Management/Investment of Idle Funds

The Chief Financial Officer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2008 and 2007.

All investments held by the Borough were directly confirmed as of December 31, 2008.

Condition of Records – Payrolls

During 2008 the payroll records were in good condition. Entries made in the Net Payroll and Deductions Ledger were referenced to their sources. A tracking was maintained of all void and/or reissued check which provided assurance that adjustments are made on the computerized record of earnings and deductions.

Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in generally good order, with only minor exceptions noted relating to missing certifications, approval signatures, and supporting documentation. This continued in the current period.

GENERAL COMMENTS

Purchase Order and Encumbrance System

The Borough's budgetary operation is on a full encumbrance system with the exception of payrolls and other direct costs. During 2000, the Borough switched computer software providers to provide for a full interface between the budget appropriations/miscellaneous disbursements subsidiary record and the general ledger.

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting systems during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. The use of confirming orders was reduced significantly, and purchase orders were available for all cash disbursement transactions selected by us for testing.

Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees, which were designed to determine that minimum levels of internal controls and accountability were met, that cash receipts were deposited or turned over to the Treasurer's accounts within a 48 hour period as required by N.J.S.A. 40A: 5-15, that amounts charged were in accordance with the provisions of the Borough Code and that monthly financial reports are being submitted to the Finance Department timely.

During the current period, a portion of the cash balance for dedicated recreation programs, in the amount of $50.00, was used to make improvements to certain recreation facilities. There were also fees collected for recreation programs during 2008 in the amount of $478.00. The amount of expenditures for dedicated recreation programs was $776.18 during 2008. This resulted in a net ecrease in available funds of approximately $298.18 to $664.29. This use of undesignated balances and/or accumulated program receipts benefits both the participants and the taxpayers. We believe that an annual status review, either formal or informal, of recreation program financing and needs assessment should continue for future periods.

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2008. A review of surety bond coverage as of December 31, 2008, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Collector.

During July 1998 the Local Finance Board completed a readoption of the Board's general rules in the New Jersey Administrative Code. Based upon the new provisions of N.J.A.C. 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. The Bond the Borough has in force for the Municipal Court meets these suggested amounts. However, the amount for the tax collector should be increased meet the recommended amount.

GENERAL COMMENTS

Municipal Court

The financial records maintained by the Municipal Court during the period under review were found to be in good condition. The examination of the general account indicated that deposits were properly recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis. The examination of the bail account's financial and supporting records maintained by the Municipal Court were found to be in good condition.

The processing of traffic and criminal cases entered on the State's on-line computer system was found to be good.

Condition of Records - Finance Office

The condition of the records maintained by the Finance Office were found to be in good condition. General ledgers were maintained for all funds as required by N.J.A.C. 5-30- 5.7.

Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2007, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process, matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained.

Condition of Records - Tax Office

The condition of the records maintained by the Tax Collector were found to be in good condition. Computerized real estate tax billings and billing adjustments were found to be in good order, with only minor reclassification and timing adjustments necessary. Cash collections were in proof with deposit totals as presented. Similarly, computerized records of utility billings and collections were found to be in good order.

Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to $1,288,659.44 and expenditures amounted to $1,237,318.94 resulting in excess revenues of $51,340.50. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in an excess for debt statement purposes of $56,972.66. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

GENERAL COMMENTS

Compliance with Technical Accounting Directives

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives", as codified in the New Jersey Administrative Code, as follows:

N.J.A.C. 5:30 – 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough of Pennington is in compliance with this directive.

N.J.A.C. 5:30 – 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough of Pennington is not in compliance with this directive,

N.J.A.C. 5:30 – 5-7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive.

Compliance with Local Finance Notices

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:23.17(c) 2, and no exceptions were noted.

RECOMMENDATIONS

None

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ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

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

Respectfully submitted,

HODULIK & MORRISON, P.A.

Robert S. Morrison
Registered Municipal Accountant
No. 412