

**BOROUGH OF PENNINGTON
COUNTY OF MERCER
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

HODULIK & MORRISON, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
<u>PART I</u>	1
Independent Auditor's Report	2 - 3
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	4 - 5
Independent Accountant's Review Report – LOSAP	6
 <u>FINANCIAL STATEMENTS</u>	 7
A Current Fund - Balance Sheet - December 31, 2010 (With Comparative Balances for December 31, 2009)	8
A- 1 Current Fund - Comparative Statement of Operations and Change in Fund Balance	9 - 10
A- 2 Current Fund - Statement of Revenues	11 - 12
A- 3 Current Fund - Statement of Expenditures	13 - 19
B Trust Fund - Balance Sheet - December 31, 2010 (With Comparative Balances for December 31, 2009)	20
C General Capital Fund - Balance Sheet - December 31, 2010 (With Comparative Balances for December 31, 2009)	21
C- 1 General Capital Fund - Statement of Fund Balance	22
D Water and Sewer Utility Fund - Balance Sheet - December 31, 2010 (With Comparative Balances for December 31, 2009)	23
D- 1 Water and Sewer Utility Operating Fund - Statement of Operations and Change in Fund Balance	24 - 25
D- 2 Water and Sewer Utility Capital Fund - Statement of Fund Balance	26
D- 3 Water and Sewer Utility Operating Fund - Statement of Revenues	26
D- 4 Water and Sewer Utility Operating Fund - Statement of Expenditures	27
E Payroll Fund- Comparative Balance Sheet	28
F Governmental Fixed Assets - (Unaudited) - December 31, 2010 and 2009	29
Notes to Financial Statements	30 - 48
 <u>PART II – SUPPLEMENTARY DATA AND SCHEDULES</u>	 49
<u>Current Fund</u>	50
A- 4 Schedule of Current Fund Cash and Investments - Treasurer	51
A- 5 Schedule of Change Funds - Current Fund	52
A- 6 Schedule of Deferred Charges to Future Taxation	53
A- 7 Schedule of Taxes Receivable and Analysis of Property Tax Levy - Current Fund	54
A- 8 Schedule of Due from State of New Jersey per Chapter 73, P.L. 1976 - Current Fund	55

<u>Current Fund (Cont'd.)</u>		<u>PAGE(S)</u>
A- 9	Schedule of Property Acquired for Taxes (At Assessed Valuation) - Current Fund	56
A-10	Schedule of Taxes Payable	57
A-11	Schedule of Interfunds Receivable/Payable	58
A-12	Schedule of 2009 Appropriation Reserves	59 - 60
A-13	Schedule of Prepaid Taxes - Current Fund	61
A-14	Schedule of Tax Overpayments – Current Fund	61
A-15	Schedule of Changes in Various Accounts Payables & Reserves	62
A-16	Schedule of State and Federal Grants Receivable	63
A-17	Statement of Interfunds Receivable/Payable - Grant Fund	64
A-18	Schedule of Reserve for State and Federal Grants - Appropriated - Grant Fund	65
A-19	Schedule of Reserve for State and Federal Grants - Unappropriated - Grant Fund	66
<u>Trust Fund</u>		67
B- 1	Schedule of Cash and Reserve Activity	68
B- 2	Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	69
<u>General Capital Fund</u>		70
C- 2	Schedule of General Capital Fund Cash and Investments - Treasurer	71
C- 3	Analysis of General Capital Fund - Cash and Investments	72
C- 4	Schedule of Deferred Charges to Future Taxation - Funded	73
C- 5	Schedule of Due to/from Current Fund	73
C- 6	Schedule of Due from Grant Fund	73
C- 7	Schedule of Deferred Charges to Future Taxation - Unfunded	74
C- 8	Schedule of Improvement Authorizations	75
C- 9	Schedule of Serial Bonds Payable	76
C-10	Schedule of Capital Improvement Fund	77
C-11	Schedule of Bond Anticipation Notes	78
C-12	Schedule of Bond and Notes Authorized but not Issued	79

	<u>PAGE(S)</u>
<u>Water and Sewer Utility Fund</u>	80
D- 5 Schedule of Water and Sewer Utility Cash and Investments	81
D- 6 Analysis of Water and Sewer Utility Capital Cash and Investments	82
D- 7 Schedule of Consumer Accounts Receivable - Water and Sewer Utility Operating Fund	83
D- 8 Schedule of Due from Water/Sewer Capital - Water and Sewer Utility Operating Fund	83
D- 9 Schedule of Water/Sewer Rents Overpayments - Water and Sewer Utility Operating Fund	83
D-10 Schedule of Fixed Capital - Water and Sewer Utility Capital Fund	84
D-11 Schedule of Fixed Capital Authorized and Uncompleted - Water and Sewer Utility Capital Fund	85
D-12 Schedule of 2009 Appropriations - Water and Sewer Utility Operating Fund	86
D-13 Schedule of Accounts Payable - Water and Sewer Utility Operating Fund	86
D-14 Schedule of Accrued Interest on Bonds and Notes - Water and Sewer Utility Operating Fund	87
D-15 Schedule of Improvement Authorizations - Water and Sewer Utility Capital Fund	88
D-16 Schedule of Reserve for Capital Improvement Fund - Water and Sewer Utility Capital Fund	89
D-17 Schedule of Due to Sewer Operating Fund - Water and Sewer Utility Capital Fund	89
D-18 Schedule of Reserve for Amortization - Water and Sewer Utility Capital Fund	90
D-19 Schedule of Deferred Reserve for Amortizations - Water and Sewer Utility Capital Fund	90
D-20 Schedule of Serial Bonds Payable - Water and Sewer Utility Capital Fund	91
D-21 Schedule of Bond Anticipation Notes	92
D-22 Schedule of Bonds and Notes Authorized but not Issued	93
 <u>Payroll Fund</u>	 94
E- 1 Schedule of Payroll Deductions Payable - Payroll Fund- December 31, 2010 and 2009	95
 <u>Length of Service Award Program (LOSAP) (Unaudited)</u>	 96
Exh. A LOSAP Unaudited – Statement of Revenues, Expenses and Other Changes in Net Assets	97
Notes to Unaudited Financial Statements - LOSAP	98 - 99

	<u>PAGE(S)</u>
<u>SUPPLEMENTARY DATA</u>	100
Combined Balance Sheet - All Funds for the Fiscal Year Ended December 31, 2010	101 - 102
Comparative Statement of Operations and Change in Fund Balance Current Fund	103
Comparative Statement of Operations and Change in Fund Balance Water and Sewer Utility Operating Fund	104
Comparative Schedule of Tax Rate Information	105
Comparison of Tax Levies and Collection Currently	105
Delinquent Taxes and Tax Title Liens	105
Property Acquired by Tax Title Lien Liquidation	106
Comparison of Water and Sewer Utility Billings and Collections	106
Comparative Schedule of Fund Balance	106
Officials in Office and Surety Bonds	107
General Comments	108 - 115
Recommendations	116
Acknowledgment	116

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY



PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS – REGULATORY BASIS

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA
PADMAJA RAO, CPA

MEMBERS OF:
AMERICAN INSTITUTE OF CPAs
NEW JERSEY SOCIETY OF CPAs
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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, 2010 and 2009 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, 2010, which collectively comprise the Borough's financial statements – regulatory basis, as listed in the table of contents. 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 referred to above include the assets and liabilities of the Borough's Length of Service Awards Program Plan (LOSAP), which by regulation, is subject to an accountant's review report and is unaudited. The Length of Service Awards Program Plan is included in the Trust Fund.

As more fully 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, 2010 and 2009 or 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, 2010 and 2009 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, 2010 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2011 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. The supplementary data and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

Hodulik & Morrison, P.A.

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



Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
June 14, 2011

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**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, 2010, and have issued our report thereon dated June 14, 2011. 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. Our report also expressed a modified 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 relating to the design of the borough's internal control over financial reporting, 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.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
June 14, 2011

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPAs
NEW JERSEY SOCIETY OF CPAs
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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, 2010, 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.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
June 14, 2011

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND

COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

ASSETS	REF.	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009
Cash and Investments - Treasurer	A-4	\$ 910,033.84	\$ 906,427.18	Liabilities:			
Change Funds	A-5	115.00	115.00	Appropriation Reserves	A-3, A-12	\$ 171,224.16	\$ 158,258.07
Due from State of N.J. Ch.73, L.1996	A-7	745.00	995.00	Prepaid Property Taxes	A-13	63,196.82	54,505.09
				Tax Overpayments	A-14	6,687.18	
		910,893.84	907,537.18	Reserve for Encumbrances	A-3	71,968.43	102,408.56
Receivables and Other Assets With				Var. Reserves and Accts. Payable	A-15	37,066.30	31,907.93
Full Reserves:				Interfunds Payable	A-11		
Delinquent Prop. Taxes Receivable	A-6	216,463.44	153,186.59	Taxes Payable	A-10	5,125.01	4,978.85
Property Acquired for Taxes (At							
Assessed Valuation)	A-8	17,810.00	17,810.00	Reserve for Receivables	Reserve	238,691.14	269,933.92
Revenue Accounts Receivable	A-9	4,407.74	5,823.34	Fund Balance	A-1	555,625.94	555,478.68
Interfunds Receivable	A-11	9.96	93,113.99	Total Current Fund		1,149,584.98	1,177,471.10
Total Current Fund		238,691.14	269,933.92	Grant Fund:			
		1,149,584.98	1,177,471.10	Reserve for Encumbrances	A-18	\$ 234,387.65	\$ 31,272.21
Grant Fund:				Interfunds Payable	A-17	40,000.00	107,740.00
Cash And Investments	A-4	\$ 39,440.72	\$ 4,454.82	Reserve for State and Federal Grants:			
State and Federal Grants Receivable	A-16	1,011,832.61	815,297.72	Appropriated	A-18	772,053.71	680,740.33
				Unappropriated	A-19	4,831.97	
Total Grant Fund		1,051,273.33	819,752.54	Total Grant Fund		1,051,273.33	819,752.54
		\$ 2,200,858.31	\$ 1,997,223.64			\$ 2,200,858.31	\$ 1,997,223.64

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, 2010 AND 2009

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2010</u>	<u>YEAR 2009</u>
Fund Balance Appropriated	A-1,A-2	\$ 284,323.00	\$ 254,200.00
Miscellaneous Revenues Anticipated	A-2	777,614.47	1,374,654.12
Receipts from Delinquent Taxes	A-2	153,186.59	128,020.43
Receipts from Current Taxes	A-2	11,294,886.82	11,077,288.77
Non-Budget Revenue	A-2	17,779.46	29,071.14
Other Credits to Income:			
Other Receivables			1,000.00
Accounts Payable Cancelled	A-15	3,017.06	
Interfunds Returned	net	93,113.99	
Unexpended Balance of Approp. Reserves	A-12	114,456.74	96,228.36
		<u>12,738,378.13</u>	<u>12,960,462.82</u>
Total Revenues			
		<u>12,738,378.13</u>	<u>12,960,462.82</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	961,625.00	997,305.00
Other Expenses	A-3	1,305,464.53	1,739,969.20
Capital Improvements	A-3	302,500.00	364,500.00
Municipal Debt Service	A-3	295,941.26	360,904.01
Def. Charges and Statutory Expend.	A-3	181,725.00	199,852.50
Regional School Tax	A-10	6,647,044.51	6,306,595.77
County Tax	A-10	2,538,619.48	2,490,828.34
County Added Tax	A-10	5,125.01	4,978.85
Special District Tax	A-10	152,608.00	154,547.00
Local Open Space Tax	A-2,A-10	50,128.38	52,434.87
Refund of Prior Years Revenues	A-4	13,126.70	
		<u>12,453,907.87</u>	<u>12,671,915.54</u>
Total Expenditures			
		<u>12,453,907.87</u>	<u>12,671,915.54</u>
Excess (Deficit) in Revenue (Balance Forward)		284,470.26	288,547.28

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, 2010 AND 2009

	<u>REF.</u>	<u>YEAR 2010</u>	<u>YEAR 2009</u>
Statutory Excess to Fund Balance		\$ 284,470.26	\$ 288,547.28
 <u>FUND BALANCE</u>			
Balance - January 1	A	<u>555,478.68</u>	<u>521,131.40</u>
		839,948.94	809,678.68
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>284,323.00</u>	<u>254,200.00</u>
Balance - December 31	A	<u>\$ 555,625.94</u>	<u>\$ 555,478.68</u>

Note: See Notes to Financial Statements

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	REF.	ANTICIPATED 2010 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 284,323.00	\$ _____	\$ 284,323.00	\$ _____
Fees and Permits	A-9	11,000.00		10,905.00	\$ (95.00)
Fines and Costs:					
Municipal Court	A-9	86,000.00		84,145.30	(1,854.70)
Interest and Costs on Taxes	A-9	38,000.00		42,888.24	4,888.24
Interest on Investments and Deposits	A-9	7,900.00		7,632.80	(267.20)
Trash Collection Fees	A-9	38,125.00		34,630.00	(3,495.00)
Consolidated Municipal Property Tax Relief Aid	A-9	14,922.00		14,922.00	
Energy Receipts Taxes	A-9	172,659.00		172,659.00	
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	A-9	70,000.00		48,938.00	(21,062.00)
Public and Private Revenues Offset with Approps.:	A-9				
N.J. Transportation Trust Fund Authority Act	A-3	290,000.00		290,000.00	
Clean Communities	A-3		4,389.02	4,389.02	
Tree Planting	A-3	7,000.00		7,000.00	
Sustainable Jersey Small Grant	A-3		1,000.00	1,000.00	
Pennington School	A-3		14,000.00	14,000.00	
Body Armor Grant	A-3	646.51		646.51	
Other Special Items:					
Administrative Charge to Library	A-9	10,000.00		10,000.00	
Verizon/Comcast Franchise Fee	A-9	28,450.00		28,450.60	0.60
Interlocal Agreement-Hopewell Boro/Twp.	A-9	5,408.00		5,408.00	
Total Miscellaneous Revenues	A-1	780,110.51	19,389.02	777,614.47	(21,885.06)
Receipts from Delinquent Taxes	A-1, A-2, A-7	90,000.00		153,186.59	63,186.59
Subtotal General Revenues		870,110.51	19,389.02	930,801.06	41,301.53
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes	A-2	2,113,180.00		2,121,361.45	8,181.45
Budget Totals		3,267,613.51	19,389.02	3,336,485.51	\$ 49,482.98
Non-Budget Revenues	A-1, A-9			17,779.46	
		\$ 3,267,613.51	\$ 19,389.02	\$ 3,354,264.97	
	Ref.	A-3	A-3		

() Denotes Deficit

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2010 Collections	A-6	11,220,131.73	
Prepaid Taxes Applied	A-6	54,505.09	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	<u>20,250.00</u>	
	A-1		\$ 11,294,886.82
<u>Allocated to:</u>			
Regional School Tax	A-10	6,647,044.51	
County Taxes	A-10	2,538,619.47	
Added County Taxes	A-10	5,125.01	
Special District Tax	A-10	152,608.00	
Local Open Space Tax	A-1,A-6	<u>50,128.38</u>	
			<u>9,393,525.37</u>
			1,901,361.45
Add: Reserve for Uncollected Taxes	A-3		<u>220,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 2,121,361.45</u>
<u>Allocation of Delinquent Tax Collections:</u>			
2010 Collections	A-6		\$ <u>153,186.59</u>
	A-2		\$ <u>153,186.59</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operations Within "CAPS"						
GENERAL GOVERNMENT:						
Office of Business Administrator						
Salaries and Wages	\$ 4,375.00	\$ 4,375.00	\$ 4,375.00	\$	\$ 9.01	
Other Expenses	13,500.00	13,500.00	11,173.99	2,317.00		
Elections						
Other Expenses	2,000.00	2,000.00	1,710.00		290.00	
Financial Administration						
Salaries and Wages	32,000.00	32,000.00	30,012.74		1,987.26	
Other Expenses	17,350.00	17,350.00	16,935.08	49.00	365.92	
Assessment of Taxes						
Salaries and Wages	13,900.00	13,900.00	13,492.78		407.22	
Other Expenses						
Maintenance of Tax Map	3,500.00	3,500.00	2,301.24	863.20	335.56	
Misc. Other Expenses	10,000.00	2,500.00	1,915.72		584.28	
Collection of Taxes						
Salaries and Wages	17,500.00	18,500.00	17,725.64		774.36	
Other Expenses	6,000.00	7,100.00	6,985.50	23.68	90.82	
Mayor & Council						
Other Expenses	1,000.00	1,000.00	800.00	64.99	135.01	
Office of the Borough Clerk						
Salaries and Wages	46,000.00	40,300.00	37,900.26		2,399.74	
Other Expenses	11,580.00	11,580.00	8,777.02	1,118.87	1,684.11	
Municipal Court						
Salaries and Wages	25,250.00	25,500.00	25,446.05		53.95	
Other Expenses	4,640.00	4,640.00	2,774.33	239.56	1,626.11	
Public Defender						
Other Expenses	1,400.00	1,400.00	1,250.00		150.00	
Legal Services and Costs						
Other Expenses	50,000.00	50,000.00	43,100.72	3,341.62	3,557.66	
Municipal Prosecutor						
Salaries and Wages	3,625.00	3,625.00	3,540.60		84.40	
Engineering Services and Costs						
Other Expenses	114,190.00	193,190.00	101,460.30	12,076.65	79,653.05	
Public Bldgs. and Grounds						
Salaries and Wages	10,800.00	11,925.00	11,702.36		222.64	
Other Expenses	31,500.00	27,500.00	24,496.22	1,043.85	1,959.93	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	43,200.00	43,200.00	42,473.40		726.60	
Other Expenses	7,750.00	7,750.00	6,357.66	392.34	1,000.00	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE CANCELLED</u>
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Shade Tree	\$ 7,000.00	7,000.00 \$	6,999.27 \$	2,315.00	0.73	2,814.86
Salaries and Wages	12,500.00	12,500.00	7,370.14			
Other Expenses						
Insurance	144,625.00	140,625.00	136,811.46		3,813.54	
Group Insurance	25,101.45	25,101.45	25,101.45			
Workers Compensation	18,994.47	18,994.47	18,994.47			
Liability and Other Insurance	1,322.51	1,322.51	1,126.00		196.51	
Surety Bonds						
<u>PUBLIC SAFETY:</u>						
Police	504,700.00	461,700.00	438,468.98	4,411.52	23,231.02	825.91
Salaries and Wages	34,200.00	35,200.00	29,962.57			
Other Expenses	25,000.00	25,000.00	25,000.00			
First Aid Organization - Contribution						
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance	194,750.00	197,750.00	197,225.17		524.83	
Salaries and Wages	86,300.00	73,050.00	57,159.84	12,739.68	3,150.48	
Other Expenses						
Street Lighting	34,000.00	34,000.00	28,200.74	2,995.33	2,803.93	
Other Expenses						
Sanitation	44,300.00	44,300.00	40,227.12		4,072.88	
Garbage and Trash Removal	145,900.00	140,900.00	126,116.28	11,205.93	3,577.79	
Salaries and Wages						
Other Expenses						

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY
STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE CANCELLED</u>
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health	\$ 150.00	150.00 \$	\$	\$	150.00	
Other Expenses						
<u>RECREATION AND EDUCATION:</u>						
Recreation Committee						
Salaries and Wages	9,200.00	9,200.00	9,199.88		0.12	
Other Expenses	7,450.00	9,550.00	7,321.26	2,225.00	3.74	
Celebration of Public Event						
Other Expenses	1,300.00	1,300.00	1,299.84		0.16	
<u>OTHER BOARDS & COMMISSIONS</u>						
Environmental Commission						
Other Expenses	500.00	500.00	225.00		275.00	
Economic Development Commission						
Other Expenses	750.00	750.00	7.50		742.50	
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	50,000.00	48,350.00	48,330.19		19.81	
Other Expenses	2,000.00	3,000.00	2,644.96		355.04	
<u>UNCLASSIFIED:</u>						
Telephone	14,500.00	14,500.00	13,293.31	1,053.16	153.53	
Electricity	26,500.00	26,500.00	22,332.51	35.48	4,132.01	
Gasoline & Lubricants	37,500.00	34,250.00	28,645.95	1,603.85	4,000.20	
Natural Gas	17,500.00	17,500.00	9,836.20	1,931.46	5,732.34	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	\$ 1,917,103.43	1,919,328.43	\$ 1,698,606.70	\$ 62,047.17	\$ 158,674.56	
Total Operations Including Contingent Within "CAPS"	1,917,103.43	1,919,328.43	1,698,606.70	62,047.17	158,674.56	
DETAIL:						
Salaries and Wages	1,006,600.00	961,625.00	927,119.44		34,505.56	
Other Expenses	910,503.43	957,703.43	771,487.26	62,047.17	124,169.00	
REGULATORY Expenditures:						
Contribution to:						
Public Employees Retirement System	32,743.00	32,743.00	32,743.00			
Police and Firemen's Retirement	72,982.00	72,982.00	72,982.00			
Social Security System (O.A.S.I.)	79,000.00	76,000.00	74,743.62	1,158.00	98.38	
Total Deferred Charges and REGULATORY Expenditures - Municipal Within "CAPS"	184,725.00	181,725.00	180,468.62	1,158.00	98.38	
Total General Approp. for Municipal Purposes Within "CAPS"	2,101,828.43	2,101,053.43	1,879,075.32	63,205.17	158,772.94	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A-3
Page 5 of 7

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library	175,096.40	175,096.40	162,728.36	7,179.26	5,188.78	
L.O.S.A.P. Contribution: First aid Organization	9,701.17	10,476.17	10,475.30		0.87	
Interlocal Service Agreements: Emergency 911 and Dispatch Health Services	53,608.00 33,611.00	53,608.00 33,610.71	53,607.64 33,610.71		0.36 0.29	
Recycling Agreement	23,000.00	23,000.00	22,773.48		226.52	
Administration of Municipal Alliance Program	1,400.00	1,400.00	1,400.00			
Janitorial Services	5,000.00	5,000.00	3,141.60	1,584.00	274.40	
Animal Control	8,774.00	8,774.00	8,774.00			
Recreation	3,120.00	3,120.00			3,120.00	
Senior Services Coordinator	3,640.00	3,640.00			3,640.00	
Basic Life Support Services.	3,000.00	3,000.00	3,000.00			
State and Federal Programs Offset by Revenues: Tree Planting Grant	7,000.00	7,000.00	7,000.00			
BodyArmor Replacement Fund	646.51	646.51	646.51			
Clean Communities		4,389.02	4,389.02			
The Pennington School		14,000.00	14,000.00			
Sustainable Jersey Small Grant		1,000.00	1,000.00			
Total Operations - Excluded from "CAPS"	<u>327,597.08</u>	<u>347,761.10</u>	<u>326,546.62</u>	<u>8,763.26</u>	<u>12,451.22</u>	
<u>DETAIL:</u>						
Salaries and Wages						
Other Expenses	<u>327,597.08</u>	<u>347,761.10</u>	<u>326,546.62</u>	<u>8,763.26</u>	<u>12,451.22</u>	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A-3
Page 6 of 7

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>Capital Improvements - Excluded from "CAPS":</u>						
Capital Improvement Fund	\$ 12,500.00	12,500.00 \$	12,500.00 \$			
NJ Transportaion Trust Fund: Green Ave. Reconstruction	290,000.00	290,000.00	290,000.00			
Total Capital Improvements - Excluded from "CAPS"	302,500.00	302,500.00	302,500.00			
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
Payment of Bond Principal	225,000.00	225,000.00	225,000.00			
Payment of Bond Anticipation Notes	21,188.00	21,188.00	21,188.00			
Interest on Notes	69,500.00	69,500.00	49,753.26			19,746.74
Total Municipal Debt Service - Excluded from "CAPS"	315,688.00	315,688.00	295,941.26			19,746.74

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A-3
Page 7 of 7

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	945,785.08	965,949.10	924,987.88	8,763.26	19,746.74
Subtotal General Appropriations	3,047,613.51	3,067,002.53	2,804,063.20	71,968.43	171,224.16
Reserve for Uncollected Taxes	220,000.00	220,000.00	220,000.00		
Total General Appropriations	\$ 3,267,613.51	\$ 3,287,002.53	\$ 3,024,063.20	\$ 71,968.43	\$ 171,224.16
Ref.	A-2		A-1	A,A-1	A, A-1
Adopted Budget	A-2	3,267,613.51			
Added by N.J.S.A. 40A:4-87	A-2	19,389.02			
		<u>3,287,002.53</u>			
Disbursed	A-4	\$ 2,487,027.67			
Reserve for Uncollected Taxes	A-2	220,000.00			
Public & Private Programs Approp.	A-2	317,035.53			
		<u>\$ 3,024,063.20</u>			

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, 2010 AND 2009		LIABILITIES, RESERVES AND FUND BALANCE	
ASSETS	REF.	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009	REF.	BALANCE DEC. 31, 2009
Animal Control Fund:					
Cash - Treasurer	B-1	\$ 3,057.16	\$ 2,350.26		
Total Animal Control Fund		<u>3,057.16</u>	<u>2,350.26</u>	B-1	<u>2,350.26</u>
Trust-Other Fund:					
Cash - Treasurer	B-1	838,877.72	1,438,746.24		23,129.13
Amounts Held by Plan Administrator-LOSAP (Unaudited)		<u>364,456.54</u>	<u>294,392.59</u>		<u>327,989.72</u>
Total Trust-Other Fund		<u>1,203,334.26</u>	<u>1,733,138.83</u>		<u>800.29</u>
Animal Control Fund:					
Due to Current Fund					\$ 9.96
Reserve to Pay Animal Control Fund Expenditures					<u>3,047.20</u>
Total Animal Control Fund					<u>3,057.16</u>
Trust-Other Fund:					
Reserve for:					
Unemployment Claims	B-1		21,852.15		1,290.00
Affordable Housing (COAH)	B-1		343,601.91		1,128.00
Recreation Funds	B-1		1,676.29		100.00
Law Enforcement Trust	B-1		3,152.66		2,012.60
Public Defender	B-1		130.00		373,507.02
Shade Tree	B-1		1,290.00		294,392.59
POAA	B-1		1,204.00		708,789.48
Verizon	B-1		100.00		
Police Donations (Bellisfield)	B-1		2,012.60		
Tax Sale Premium	B-1		5,100.00		
Open Space Preservation Trust	B-1		420,208.56		
Reserve for LOSAP Plan (Unaudited)	B-1		364,456.54		
Developer Escrow Funds	B-1		<u>38,549.55</u>		<u>1,733,138.83</u>
Total Trust-Other Fund		<u>1,203,334.26</u>	<u>1,733,138.83</u>		
Total Trust-Other Fund		<u>\$ 1,206,391.42</u>	<u>\$ 1,735,489.09</u>		<u>\$ 1,735,489.09</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>
Cash and Investments - Treasurer	C-2	\$ 150,839.91	\$ 22,019.24
Due from Grant Fund	C-6	40,000.00	40,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	2,388,000.00	1,465,000.00
Unfunded	C-7	<u>593,623.97</u>	<u>1,741,623.97</u>
		<u>\$ 3,172,463.88</u>	<u>\$ 3,268,643.21</u>
<u>LIABILITIES, RESERVES</u>			
<u>AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 2,388,000.00	\$ 1,465,000.00
Bond Anticipation Notes	C-11		847,500.00
Improvement Authorizations:			
Funded	C-8	136,976.81	7,414.80
Unfunded	C-8	593,100.00	734,035.21
Due to Current Fund	C-5		25,373.99
Capital Improv. Fund	C10	49,878.45	37,378.45
Reserve for Encumbrances	C-8		147,900.00
Fund Balance	C-1	<u>4,508.62</u>	<u>4,040.76</u>
		<u>\$ 3,172,463.88</u>	<u>\$ 3,268,643.21</u>

There were Bonds and Notes Authorized but not Issued on December 31, 2010 in the amount of \$593,623.97 (Exhibit C-12).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>REF.</u>	
Balance - December 31, 2009	C	\$4,040.76
Increased by:		
Premium on Bonds	C-2	<u>467.86</u>
Balance - December 31, 2010	C	<u><u>\$4,508.62</u></u>

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, 2010 AND 2009

ASSETS	REF.	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009
Operating Fund:							
Cash and Investments - Treasurer	D-5	\$ 167,004.39	\$ 156,239.03	Operating Fund:			
Due from Water & Sewer Capital Fund	D-8	24,895.00		Liabilities:			
		191,899.39	156,239.03	Appropriation Reserves	D-4, D-12	\$ 48,884.97	\$ 51,435.64
				Reserve for Encumbrances	D-4	56,736.81	19,008.41
				Accounts Payable	D-13	10,772.50	
				Rent Overpayments	D-9	800.67	
				Accrued Interest on Bonds & Notes	D-14	36,689.84	24,041.70
Receivables With Full Reserves:							
Consumer Accounts Receivable	D-7	111,442.19	80,531.16	Reserve for Receivables	Reserve	153,884.79	94,485.75
		111,442.19	80,531.16	Fund Balance	D-1	111,442.19	80,531.16
Total Operating Fund		303,341.58	236,770.19	Total Operating Fund		303,341.58	236,770.19
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	448,803.77	188,937.29	Serial Bonds Payable	D-20	2,416,000.00	1,210,000.00
Fixed Capital	D-9	5,562,138.20	4,942,902.31	Bond Anticipation Notes	D-21		946,400.00
Fixed Capital - Authorized and Uncompleted	D-10	676,749.60	1,392,432.42	Improvement Authorizations Funded	D-15	70,088.82	9,012.00
		676,749.60	1,392,432.42	Unfunded	D-15	730,849.04	1,254,530.60
Total Capital Fund		6,687,691.57	6,524,272.02	Due to Water & Sewer Operating Fund	D-15	413,918.00	135,941.78
				Reserve for Encumbrances	D-16	123.55	123.55
				Capital Improvement Fund	D-18	3,003,305.16	2,813,305.16
				Reserve for Amortization	D-19	28,512.00	58,512.00
				Deferred Reserve for Amortization	D-2		96,446.93
				Fund Balance			
				Total Capital Fund		6,687,691.57	6,524,272.02
		\$ 6,991,033.15	\$ 6,761,042.21			\$ 6,991,033.15	\$ 6,761,042.21

There were Bonds and Notes Authorized but not Issued at December 31, 2010 in the amount of \$791,070.64. (Exhibit D-22)

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, 2010 AND 2009

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2010</u>	<u>YEAR 2009</u>
Fund Balance	D-1, D-3	\$ 61,750.00	\$ 96,446.00
Water and Sewer Rents	D-3,D-7	1,117,296.45	1,096,543.24
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-3,D-5	4,022.30	7,144.50
Stonybrook Rebate	D-3,D-5	2,671.91	24,390.00
Interest on Investments	D-3,D-5	7,364.00	2,882.75
Water Connection Fees	D-3,D-5	9,731.88	
Miscellaneous			9,816.95
Unexpended Balance of Approp. Reserves	D-12	<u>33,118.31</u>	<u>77,445.33</u>
 Total Revenues		 <u>1,235,954.85</u>	 <u>1,314,668.77</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	199,125.00	196,000.00
Other Expenses	D-4	735,029.00	730,489.64
Capital Improvements	D-4		56,000.00
Debt Service	D-4	207,107.37	223,864.51
Statutory Expenditures	D-4	50,743.00	47,046.50
Refunds of Prior Year Revenues	D-5	<u>5,939.16</u>	<u>1,004.79</u>
 Total Expenditures		 <u>1,197,943.53</u>	 <u>1,254,405.44</u>
 Excess in Revenues		 38,011.32	 60,263.33

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, 2010 AND 2009

Excess brought forward		\$	38,011.32	\$	60,263.33
<u>FUND BALANCE</u>					
Balance - January 1	D		<u>61,753.28</u>		<u>97,935.95</u>
			99,764.60		158,199.28
Decreased by:					
Utilization as Anticipated Revenue	D- 1		<u>61,750.00</u>		<u>96,446.00</u>
Balance - December 31	D	\$	<u><u>38,014.60</u></u>	\$	<u><u>61,753.28</u></u>

Note: See Notes to Financial Statements

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, 2010

	<u>REF.</u>	
Balance - December 31, 2009	D	\$ 96,446.93
Decreased by:		
Correction to Fixed Capital Authorized but uncompleted	D-11	\$ <u>96,446.93</u>

Exhibit - D-3

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY
 WATER AND SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>REF.</u>	<u>2010 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance	D-1	\$ 61,750.00	\$ 61,750.00	
Water and Sewer Rents	D-1,D-7	1,089,250.00	1,079,596.45	(9,653.55)
Stonybrook Rebate	D-1,D-5	7,364.00	7,364.00	
Additional Water & Sewer Rents	D-1,D-7	37,700.00	37,700.00	
Water and Sewer Connection Fees	D-1,D-7	3,573.00	9,731.88	6,158.88
Interest on Delinquencies	D-1,D-5	7,100.00	4,022.30	(3,077.70)
Interest on Investments	D-1,D-5	<u>2,250.00</u>	<u>2,671.91</u>	<u>421.91</u>
		\$ <u>1,208,987.00</u>	\$ <u>1,202,836.54</u>	\$ <u>(6,150.46)</u>
	<u>Ref.</u>	D-4	D-1	

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, 2010

	2010 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 199,125.00	\$ 199,125.00	\$ 177,560.75	\$ 55,580.01	\$ 21,564.25	\$
Other Expenses	232,103.87	232,103.87	157,717.31		18,806.55	
Sewer Service Fee	312,954.20	312,954.20	312,954.19		0.01	
Group Insurance	145,875.00	145,875.00	140,539.67		5,335.33	
Workers' Compensation Insurance	25,101.46	25,101.46	25,101.46			
Liability Insurance	18,994.47	18,994.47	18,994.47			
Debt Service:						
Payment of Bond Principal	160,000.00	160,000.00	160,000.00			16,982.63
Interest on Notes	23,660.00	23,660.00	6,677.37			
Interest on Bonds	40,430.00	40,430.00	40,430.00			
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	32,743.00	32,743.00	32,743.00			
Social Security System (O.A.S.I.)	18,000.00	18,000.00	13,664.37	1,156.80	3,178.83	
Total Water & Sewer Utility Appropriations	\$ 1,208,987.00	\$ 1,208,987.00	\$ 1,086,382.59	\$ 56,736.81	\$ 48,884.97	\$ 16,982.63
			D-1	D,D-1	D, D-1	
Disbursed			\$ 1,039,275.22			
Accrued Interest on Bonds and Notes			47,107.37			
			\$ 1,086,382.59			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009
Cash and Investments - Treasurer	\$ <u>8,614.02</u>	\$ <u>8,655.77</u>
	\$ <u><u>8,614.02</u></u>	\$ <u><u>8,655.77</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Payroll Deductions Payable	\$ <u>8,614.02</u>	\$ <u>8,655.77</u>
	\$ <u><u>8,614.02</u></u>	\$ <u><u>8,655.77</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS (UNAUDITED)
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
General Fixed Assets:		
Land	\$ 706,150.00	\$ 706,150.00
Buildings	1,970,980.00	1,970,980.00
Equipment, Furniture & Fixtures	<u>668,517.14</u>	<u>668,517.14</u>
Total General Fixed Assets	<u>\$ 3,345,647.14</u>	<u>\$ 3,345,647.14</u>
Investment in General Fixed Assets	<u>\$ 3,345,647.14</u>	<u>\$ 3,345,647.14</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010 AND 2009

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 accumulate 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, 2010 and 2009, is unaudited.

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 55, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. The statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate.

GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" in December 2009. This Statement establishes accounting and financial reporting standards for all governments that have petitioned for relief under Chapter 9 of the U.S. Bankruptcy Code or have been granted relief under the provisions of Chapter 9 including governments that enter into bankruptcy and not expected to emerge as a going concern.

GASB issued Statement No. 59, "Financial Instruments Omnibus" in June 2010. The objective of the Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" in November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34" in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

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.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2010</u>	<u>YEAR 2009</u>
<u>Issued:</u>		
General:		
Bonds & Notes	\$ 2,388,000.00	\$ 2,312,500.00
Water & Sewer Util:		
Bonds & Notes	<u>2,416,000.00</u>	<u>2,156,400.00</u>
Total Debt Issued	<u>4,804,000.00</u>	<u>4,468,900.00</u>
Net Debt Issued	4,804,000.00	4,468,900.00
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	593,623.97	894,123.97
Water & Sewer Util:		
Bonds & Notes	<u>791,070.64</u>	<u>1,210,670.64</u>
Total Authorized but not Issued	<u>1,384,694.61</u>	<u>2,104,794.61</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>\$ 6,188,694.61</u>	<u>\$ 6,573,694.61</u>

NOTES TO FINANCIAL STATEMENTS

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 and loan issues which were outstanding at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>General Debt:</u>		
\$2,125,000 General Improvement Bonds Series 2004, due in annual installments of \$240,000 to \$95,000 through September 15, 2019, interest at 2.50% to 4.00%	\$ 920,000.00	\$ 1,145,000.00
\$230,000, Pension Refunding Bonds Series 2004, due in annual installments of \$150,000 to \$30,000 through September 15, 2013, interest at 4.65% to 5.20%	320,000.00	320,000.00
\$1,148,000 General Improvement Bonds Series 2010, due in annual installments of \$300,000 to \$83,000 through July 15, 2030, interest at 2.25% to 4.00%	1,148,000.00	
\$847,500, Bond Anticipation Notes issued June 7, 2009, due June 7, 2010 at interest of 3.84%. The notes were originally issued on June 7, 2006.		<u>847,500.00</u>
Total General Debt	<u>2,388,000.00</u>	<u>2,312,500.00</u>
<u>Utility Debt:</u>		
\$1,775,000 Water & Sewer Utility Bonds Series 2004, due in annual installments of \$180,000 to \$90,000 through September 15, 2019, interest at 3.00% to 4.00%	1,050,000.00	1,210,000.00
\$1,366,000 Water & Sewer Utility Bonds Series 2010, due in annual installments of \$55,000 to \$86,000 through July 15, 2030, interest at 2.25% to 4.00%	1,366,000.00	
\$1,002,400, Bond Anticipation Notes issued June 7, 2009, due June 7, 2010 at interest of 3.84%. The notes were originally issued on June 7, 2006.		<u>946,400.00</u>
Total Utility Debt	<u>2,416,000.00</u>	<u>2,156,400.00</u>
Total Debt Issued and Outstanding	<u>\$ 4,804,000.00</u>	<u>\$ 4,468,900.00</u>

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, 2010:

	<u>AMOUNT ISSUED</u>	<u>AMOUNT OUTSTANDING</u>	<u>INTEREST RATE</u>	<u>FINAL MATURITY</u>
<u>General Improvement Debt:</u>				
General Improvement Refunding Bonds of 2004	2,125,000.00	\$ 920,000.00	2.5-4.0%	2019
2004 Pension Refunding Bonds of 2004	320,000.00	320,000.00	4.65-5.2%	2013
General Improvement Refunding Bonds of 2010	1,148,000.00	<u>1,148,000.00</u>	2.25-4.0%	2030
Total Bonded General. Improv. Debt		<u>2,388,000.00</u>		
<u>Utility Debt:</u>				
Water & Sewer Refunding Bonds of 2004	1,775,000.00	1,050,000.00	2.5-4.0%	2019
Water & Sewer Refunding Bonds of 2010	1,366,000.00	<u>1,366,000.00</u>	2.25-4.0%	2030
Total Bonded Utility Debt		<u>2,416,000.00</u>		
Total Bonded Debt Issued and Outstanding		<u>\$ 4,804,000.00</u>		

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:

<u>2010</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$4,224,146.95	\$4,224,146.95	\$
Water & Sewer Utility Debt	3,207,070.64	3,207,070.64	
General Debt	<u>2,981,623.97</u>		<u>2,981,623.97</u>
	<u>\$10,412,841.56</u>	<u>\$7,431,217.59</u>	<u>\$2,981,623.97</u>

Net Debt \$2,981,623.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$512,964,262 = 0.64%.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONTD.)

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

2010

Equalized Valuation Basis

2008 Equalized Valuation Basis of Real Property	514,674,173.00
2009 Equalized Valuation Basis of Real Property	522,779,603.00
2010 Equalized Valuation Basis of Real Property	<u>501,439,010.00</u>
Average Equalized Valuation	<u>\$ 512,964,262.00</u>

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

3 1/2% of Equalized Valuation Basis Municipal Net Debt	17,953,749.17
	<u>3,281,623.97</u>
Remaining Borrowing Power	<u>\$ 14,672,125.20</u>

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:

<u>2009</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$4,729,011.60	\$4,729,011.60	\$
Water & Sewer Utility Debt	3,367,070.64	3,367,070.64	
General Debt	<u>3,206,623.97</u>		<u>3,206,623.97</u>
	<u>\$11,302,706.21</u>	<u>\$8,096,082.24</u>	<u>\$3,206,623.97</u>

Net Debt \$3,206,623.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
\$512,109,793.33 = 0.63%.

Equalized Valuation Basis

2007 Equalized Valuation Basis of Real Property	498,875,604.00
2008 Equalized Valuation Basis of Real Property	514,674,173.00
2009 Equalized Valuation Basis of Real Property	<u>522,779,603.00</u>
Average Equalized Valuation	<u>\$ 512,109,793.33</u>

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

3 1/2% of Equalized Valuation Basis Municipal Net Debt	17,923,842.77
	<u>\$3,206,623.97</u>
Remaining Borrowing Power	<u>\$ 14,717,218.80</u>

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

2010

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	\$	1,202,836.54
Deductions:		
Operating & Maintenance Cost		984,897.00
Debt Service Per Water & Sewer Acct.		<u>207,107.37</u>
Total Deductions		<u>1,192,004.37</u>
Excess in Revenues	\$	<u>10,832.17</u>

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)	\$	38,011.32
Add:		
Refunds of Prior Year Revenues		<u>5,939.16</u>
		<u>5,939.16</u>
		43,950.48
Less:		
Unexpended Balance of Appropriation Reserves		<u>33,118.31</u>
		<u>33,118.31</u>
Excess in Revenues	\$	<u>10,832.17</u>

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

2009

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		\$ 1,237,223.44
Deductions:		
Operating & Maintenance Cost	973,536.14	
Debt Service Per Water & Sewer Acct.	<u>223,864.51</u>	
Total Deductions		<u>1,197,400.65</u>
Excess in Revenues		<u>\$ 39,822.79</u>

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)		\$ 60,263.33
Add:		
Capital Improvements	56,000.00	
Refunds of Prior Year Revenues	<u>1,004.79</u>	
		<u>57,004.79</u>
		117,268.12
Less:		
Unexpended Balance of Appropriation Reserves	<u>77,445.33</u>	
		<u>77,445.33</u>
Excess in Revenues		<u>\$ 39,822.79</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONTD.)

C. Schedule of Annual Debt Service for Principal and Interest
for Bonded Debt Issued and Outstanding at December 31, 2010

Calendar Year	General		Water and Sewer Utility		Total
	Principle	Interest	Principle	Interest	
2011	\$ 240,000.00	\$ 110,821.41	\$ 155,000.00	\$ 86,345.47	\$ 592,166.88
2012	250,000.00	76,692.50	180,000.00	76,060.00	582,752.50
2013	170,000.00	66,125.00	165,000.00	70,041.25	471,166.25
2014	145,000.00	60,290.00	170,000.00	65,172.50	440,462.50
2015	150,000.00	55,683.75	175,000.00	59,941.25	440,625.00
2016	155,000.00	50,926.25	185,000.00	54,496.25	445,422.50
2017	160,000.00	45,801.25	190,000.00	48,583.75	444,385.00
2018	165,000.00	40,251.25	200,000.00	42,096.25	447,347.50
2019	170,000.00	34,151.25	205,000.00	34,871.25	444,022.50
2020	60,000.00	28,251.25	60,000.00	28,571.25	176,822.50
2021	60,000.00	26,301.25	60,000.00	26,621.25	172,922.50
2022	65,000.00	24,188.75	65,000.00	24,508.75	178,697.50
2023	65,000.00	21,878.13	65,000.00	22,193.13	174,071.26
2024	70,000.00	19,426.25	70,000.00	19,746.25	179,172.50
2025	70,000.00	16,845.00	70,000.00	17,165.00	174,010.00
2026	75,000.00	14,079.38	75,000.00	14,399.38	178,478.76
2027	75,000.00	11,173.13	75,000.00	11,493.13	172,666.26
2028	80,000.00	8,120.00	80,000.00	8,440.00	176,560.00
2029	80,000.00	4,920.00	85,000.00	5,140.00	175,060.00
2030	83,000.00	1,660.00	86,000.00	1,720.00	172,380.00
	\$ <u>2,388,000.00</u>	\$ <u>717,585.80</u>	\$ <u>2,416,000.00</u>	\$ <u>717,606.11</u>	\$ <u>6,239,191.91</u>

NOTES TO FINANCIAL STATEMENTS

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, 2010 and 2009 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2010 and 2009 were as follows:

	<u>Balance</u> <u>December 31, 2010</u>	<u>Utilized in</u> <u>2011 Budget</u>	<u>Balance</u> <u>December 31, 2009</u>	<u>Utilized in</u> <u>2011 Budget</u>
Current Fund	\$555,625.94	\$320,091.53	\$555,478.68	\$284,323.00
Water and Sewer Operating Fund	38,014.60	38,014.50	61,753.28	61,750.00

Note 6: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough 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 than \$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.

NOTES TO FINANCIAL STATEMENTS

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

At December 31, 2010 and 2009, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash (Demand Accts.)	\$2,671,467.40	\$2,817,724.90
Change Funds (On-Hand)	<u>115.00</u>	<u>115.00</u>
Total	<u>\$2,671,582.40</u>	<u>\$2,817,839.90</u>

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 \$2,671,467.440 and the book balance was \$2,566,671.46. Of the bank balance, \$543,906.33 was covered by Federal depository insurance and \$2,127,561.07 was covered under the provisions of NJGUDPA.

At December 31, 2010, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough'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 not in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough 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 Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough 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 the Borough 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 Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.

NOTES TO FINANCIAL STATEMENTS

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 Borough 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, 2010, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough'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 Borough or bonds or other obligations of school districts of which the Borough 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.

NOTES TO FINANCIAL STATEMENTS

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, 2010, the Borough had no funds on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices, the Borough 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, Regional 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. The contributions for the years ended December 31, 2010 and 2009, exclusive of contributions from employees were \$65,486 and \$58,093, respectively for PERS and \$72,982 and \$73,806 respectively for PFRS. The contributions for PERS and PFRS for 2011 are \$80,665 and \$93,625 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 contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On July 1, 1965 the Borough of Pennington authorized participation in the SHBP's post-retirement benefit program through a resolution approved by the Council. The Borough of Pennington covers all retirees with the following requirements: fifteen years of service and the age of sixty-two, and twenty-five years of service or a disability retirement. All active full-time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Currently there is no cost-sharing requirement for retirees.

The Borough of Pennington contributions to SHBP for the years ended December 31, 2010 and 2009 were \$44,878.56 and \$40,285.90 respectively, which equaled the required contributions for each year.

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: 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, 2010. 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 12: 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 13: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2010:

<u>Fund:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$9.96	\$0.00
Grant Fund		40,000.00
Animal Control Fund		9.96
Water Sewer Operating Fund	24,895.00	
Water Sewer Capital Fund		24,895.00
General Capital Fund	<u>40,000.00</u>	<u>0.00</u>
Totals	<u>\$64,904.96</u>	<u>\$64,904.96</u>

NOTES TO FINANCIAL STATEMENTS

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 2010 were charged to the 2010 Municipal Budget.

Note 16: SUBSEQUENT EVENTS

Subsequent events were evaluated of the date of the audit report. There were no subsequent events required to be reported.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY



PART II

SUPPLEMENTARY DATA AND SCHEDULES

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance - December 31, 2009	A	\$906,427.18	\$ 4,454.82
Increased by Receipts:			
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	20,500.00	
Taxes Receivable	A-6	11,373,318.32	
Tax Overpayments	A-14	6,687.18	
Revenue Accounts Receivable	A-10	478,408.40	
Interfund Loans Received/Returned	A-11	93,113.99	
Prepaid Property Taxes	A-13	63,196.82	
Various Payables and Reserves	A-15	5,679.00	
State and Federal Grants Receivable	A-16		120,500.64
State and Federal Grants - Unappropriated	A-19		4,831.97
		<u>12,040,903.71</u>	<u>125,332.61</u>
		\$12,947,330.89	\$129,787.43
Decreased by Disbursements:			
Budget Expenditures	A-3	2,487,027.67	
2009 Appropriation Reserves	A-12	138,469.96	
Interfund Loans Disbursed/Returned	A-17		67,740.00
Refund of Prior Years Revenues	A-1	13,126.70	
Various Payables and Reserves	A-15	5,293.50	
Reserve for State and Federal Grants	A-18		22,606.71
Appropriated	A-10	9,393,379.22	
Taxes Payable			
		<u>12,037,297.05</u>	<u>90,346.71</u>
Balance - December 31, 2010	A	<u>\$910,033.84</u>	<u>\$ 39,440.72</u>

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE DEC. 31, 2009</u>	<u>BALANCE DEC. 31, 2010</u>
Tax Collector	\$115.00	\$115.00
	\$115.00	\$115.00
<u>Ref.</u>	A	A

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

YEAR	BALANCE DEC. 31, 2009	2010 LEVY	COLLECTIONS BY CASH 2009	2010	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	BALANCE DEC. 31, 2010
2009	153,186.59			153,186.59			
2010	153,186.59	11,525,527.85	54,505.09	11,220,131.73	20,250.00	14,177.59	216,463.44
	<u>\$153,186.59</u>	<u>\$11,525,527.85</u>	<u>\$54,505.09</u>	<u>\$11,373,318.32</u>	<u>\$20,250.00</u>	<u>\$14,177.59</u>	<u>\$216,463.44</u>
	Ref. A	Reserve	A-2, A-13	A-2, A-4	A-2, A-7	Reserve	A

Analysis of 2010 Property Tax Levy:

Tax Yield:	Ref.
General Purpose	
Special District Taxes	
	11,372,919.85
	<u>152,608.00</u>
	<u>\$11,525,527.85</u>

Tax Levy:

Regional School Tax (Abstract)	A-10	6,647,044.51
Special District Tax	A-10	152,608.00
County Tax (Abstract)	A-10	2,438,394.98
County Open Space Tax (Abstract)	A-10	100,224.49
Added County Tax	A-10	<u>5,125.01</u>
		9,343,396.99

Local Open Space Tax

Local Tax for Mun. Purposes (Abstract)	A-2	2,113,180.00
Add: Additional Tax Levied		<u>18,822.48</u>
		<u>2,182,130.86</u>
		<u>\$11,525,527.85</u>

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

	<u>REF.</u>		
Balance - December 31, 2009	A		\$995.00
Increased by:			
Allowable Deductions Per Tax Billings (Abstract)	A-7	<u>20,500.00</u>	
			<u>20,500.00</u>
			21,495.00
Decreased by:			
Collection	A-4	20,500.00	
2010 Deductions Disallowed by Collector	A-7	<u>250.00</u>	
			<u>20,750.00</u>
Balance - December 31, 2010	A		<u><u>\$745.00</u></u>
<u>Analysis of Realized Revenue for 2010:</u>			
Deductions Allowed Per Tax Billings	A-7	20,500.00	
2010 Deductions Disallowed by Collector	A-7	<u>(250.00)</u>	
			<u>\$20,250.00</u>
Realized as Revenue - 2010	A-6		<u><u>\$20,250.00</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2009	A	\$17,810.00
Balance - December 31, 2010	A	<u>\$17,810.00</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

	<u>REF.</u>	<u>BALANCE DEC. 31, 2009</u>	<u>ACCRUED IN 2010</u>	<u>COLLECTED</u>	<u>BALANCE DEC. 31, 2010</u>
<u>Anticipated Miscellaneous Revenues:</u>					
Fees and Permits	A-2	\$	10,905.00	\$	
Fines and Costs - Municipal Court	A-2	5,823.34	82,729.70	84,145.30	4,407.74
Interest and Costs on Taxes	A-2		42,888.24	42,888.24	
Interest on Investments and Deposits	A-2		7,632.80	7,632.80	
Trash Collection Fees	A-2		34,630.00	34,630.00	
Consolidated Municipal Property Tax Relief Aid	A-2		14,922.00	14,922.00	
Energy Receipts Taxes	A-2		172,659.00	172,659.00	
Uniform Construction Code Fees	A-2		48,938.00	48,938.00	
Administrative Charge to Library	A-2		10,000.00	10,000.00	
Verizon/Comcast Franchise Fee	A-2		28,450.60	28,450.60	
Interlocal Agreement - Hopewell Boro/Twp.	A-2		5,408.00	5,408.00	
Miscellaneous Revenue Not Anticipated	A-2		17,779.46	17,779.46	
		<u>\$</u>	<u>476,942.80</u>	<u>\$</u>	<u>4,407.74</u>
		<u>5,823.34</u>	<u>476,942.80</u>	<u>478,358.40</u>	

<u>Ref.</u>	A	Reserve	A-4	A
-------------	---	---------	-----	---

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	01/01/10	Taxes Levied	Cash Disbursements	12/31/10
County - General	\$ -	\$ 2,438,394.98	\$ (2,438,394.98)	-
County - Open Space	-	100,224.49	(100,224.49)	-
County - Added & Omitted	4,978.85	5,125.01	(4,978.85)	5,125.01
Regional School Taxes		6,647,044.51	(6,647,044.51)	-
Local Open Space	-	50,128.38	(50,128.38)	-
Fire Districts		152,608.00	(152,608.00)	-
Total	\$ 4,978.85	\$ 9,393,525.37	\$ (9,393,379.21)	\$ 5,125.01

Ref. A A-1,A-2,A-6 A-4 A

Due to Open Space Fund

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	01/01/10	Cash Receipts	Adjustments	12/31/10
Interfunds:				
Grant Fund	\$ (67,740.00)	\$ 67,740.00		
Animal Control Trust Fund			(9.96)	(9.96)
General Capital Fund	<u>(25,373.99)</u>	<u>25,373.99</u>		
Interfunds Receivable	(93,113.99)			(9.96)
Total	<u>\$ (93,113.99)</u>	<u>\$ 93,113.99</u>	<u>\$ (9.96)</u>	<u>\$ (9.96)</u>
<u>Ref.</u>	A	A-4	Reserve	A

SCHEDULE OF 2009 APPROPRIATION RESERVES

	BALANCE DEC. 31 2009	ENCUMBERED DEC. 31, 2009	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
Inside "CAPS":					
Financial Administrator	\$ 2,897.63	\$	2,897.63	\$	2,897.63
Assessment of Taxes	169.97		169.97		169.97
Collection of Taxes	1,636.44		1,636.44		1,636.44
Borough Clerk	1,241.86		1,241.86		1,241.86
Municipal Prosecutor	79.25		79.25		79.25
Public Buildings and Grounds	139.87		139.87	90.06	49.81
Planning and Zoning	602.54		602.54		602.54
Shade Tree	2,404.86		2,404.86	952.06	1,452.80
Police	19,823.27		19,823.27		19,823.27
Road Repair and Maintenance	2,714.11		2,714.11	2,700.00	14.11
Garbage & Trash Removal	1,505.89		1,505.89	1,500.00	5.89
Recreation	820.60		820.60		820.60
Construction Code Official	211.41		211.41		211.41
Municipal Court	798.51		798.51		798.51
Total Salaries and Wages	35,046.21		35,046.21	5,242.12	29,804.09
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	1,453.25	3,353.32	4,806.57	3,313.32	1,493.25
Elections	327.37		327.37		327.37
Financial Administration	574.74		574.74	64.50	510.24
Revision of Tax Map	897.96		1,597.96	1,565.00	32.96
Assessment of Taxes	1,632.44	6,695.89	7,628.33	6,720.89	907.44
Collection of Taxes	707.08		707.08		707.08
Mayor and Council	381.32		381.32		381.32
Borough Clerk	6,501.31	1,711.58	8,212.89	3,094.61	5,118.28
Municipal Court	1,098.24	545.17	1,643.41	545.17	1,098.24
Public Defender	205.00		205.00		205.00
Legal Services & Costs	10,761.86	3,797.98	14,559.84	4,586.19	9,973.65
Engineering Services and Costs	40,329.66	24,600.00	64,929.66	64,742.71	186.95
Public Buildings and Grounds	688.76	6,640.51	7,329.27	6,543.44	785.83
Planning and Zoning Board	2,409.55	490.00	2,899.55	2,404.75	494.80
Shade Tree	2,346.31	7,600.00	9,946.31	7,700.00	2,246.31
Police	5,556.27	5,685.50	11,241.77	6,707.92	4,533.85
Road Repair and Maintenance	12,232.93	13,828.07	26,061.00	8,845.99	17,215.01
Street Lighting	160.98	2,874.02	3,035.00	2,874.02	160.98
Garbage & Trash Removal	10,965.71	11,326.50	22,292.21	10,496.66	11,795.55
Board of Health	150.00		150.00		150.00
Recreation	1,364.76	177.75	1,542.51	132.75	1,409.76

SCHEDULE OF 2009 APPROPRIATION RESERVES

	BALANCE DEC. 31 2009	ENCUMBERED DEC. 31, 2009	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Inside "CAPS":					
Celebration of Public Events	\$ 68.95		\$ 68.95		\$ 68.95
Environmental Commission	1.16	498.84	500.00	498.84	1.16
Economic Development Commission	176.66		176.66		176.66
Constr. Code Official	1,413.65		1,413.65		1,413.65
Telephone	385.28	704.65	1,089.93	704.65	385.28
Natural Gas	0.89	3,064.61	3,065.50	1,480.07	1,585.43
Electricity	5,274.16	35.11	5,309.27	35.11	5,274.16
Gasoline & Lubricants	3,027.74	2,215.95	5,243.69	2,215.95	3,027.74
Social Security	456.06		456.06		456.06
Group Plan for Employees	587.06		587.06		587.06
Liability and Other Insurance	0.55		0.55		0.55
Surety Bonds	195.00		195.00		195.00
Other Expenses:					
Out of "CAPS":					
First Aid LOSAP Contribution	95.60		95.60		95.60
Recreation	3,000.00		3,000.00		3,000.00
Recycling Agreement	4.32		4.32		4.32
Janitorial Services	3,815.40		3,815.40		3,815.40
Senior Service Coordinator	3,500.00		3,500.00		3,500.00
Free Public Library-Maintenance	463.88	6,563.11	7,026.99	5,695.23	1,331.76
Total Other Expenses	<u>123,211.86</u>	<u>102,408.56</u>	<u>225,620.42</u>	<u>140,967.77</u>	<u>84,652.65</u>
Total Operations	<u>\$ 158,258.07</u>	<u>\$ 102,408.56</u>	<u>\$ 260,666.63</u>	<u>\$ 146,209.89</u>	<u>\$ 114,456.74</u>
	A	A			A-1
Disbursed				\$138,469.96	
Accounts Payable				<u>7,739.93</u>	
				<u>\$146,209.89</u>	

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2009	A	\$54,505.09
Increased by:		
2011 Taxes Prepaid	A-4	<u>63,196.82</u>
		117,701.91
Decreased by:		
Applied to 2010 Taxes Receivable	A-6	<u>54,505.09</u>
Balance - December 31, 2010	A	<u><u>\$63,196.82</u></u>

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	
Increased by:		
Cash Received	A-4	<u>6,687.18</u>
Balance - December 31, 2010	A	<u><u>\$6,687.18</u></u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	1/1/10	Cash Receipts	Cash Disbursements	Adjustments	12/31/10
Accounts Payable:					
Vendor Accounts Payable	\$ 4,067.06	\$	(1,050.00)	\$ 4,722.87	\$ 7,739.93
Marriage License Filing Fees	25.00	225.00	(200.00)		50.00
State Training Fees	3,332.04	4,481.00	(4,043.50)		3,769.54
Subtotal	7,424.10	4,706.00	(5,293.50)	4,722.87	11,559.47
Reserve for:					
Master Plan	593.75				593.75
Property Revaluation	7,629.50				7,629.50
Sale of Municipal Assets	14,236.25				14,236.25
State Library Aid	2,024.33	1,023.00			3,047.33
Subtotal	24,483.83	1,023.00	-	-	25,506.83
Total	\$ 31,907.93	\$ 5,729.00	\$ (5,293.50)	\$ 4,722.87	\$ 37,066.30
	A	A-4	A-4	A	A
	<u>Ref.</u>				
Charged to Appropriation Reserves			\$ 7,739.93		
Cancelled to Surplus			(3,017.06)		
			<u>\$ 4,722.87</u>		

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

<u>GRANT</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>2010 BUDGET</u> <u>REVENUE</u> <u>REALIZED</u>	<u>COLLECTED</u> <u>2010</u>	<u>BALANCE</u> <u>DEC. 31, 2010</u>
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.)	26,951.56		24,241.87	2,709.69
N.J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)	123,934.07		69,223.24	54,710.83
N.J.D.O.T. - Transportation Trust Fund - 2009 (King George Rd.)	352,000.00			352,000.00
N.J.D.O.T. - Transportation Trust Fund - 2010 (Green Ave.)		290,000.00		290,000.00
Clean Communities		4,389.02		
Community Stewardship Program	6,000.00			6,000.00
Mercer at Play	8,354.50			8,354.50
Safe Routes to School	220,000.00			220,000.00
Body Armor Replacement		646.51		
Tree Planting		7,000.00		
Sustainable Jersey Small Grant		1,000.00		
Pennington School		14,000.00		
Emergency Road Repair Fund	5,073.82			5,073.82
Green Communities Challenge Grant	2,700.00			2,700.00
	<u>\$ 815,297.72</u>	<u>\$ 317,035.53</u>	<u>\$ 120,500.64</u>	<u>\$ 1,011,832.61</u>
<u>Ref.</u>	A	A-18	A-4	A

GRANT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	01/01/10	Cash Disbursements	12/31/10
Interfunds:			
Current Fund	\$ 67,740.00	\$ (67,740.00)	\$ -
General Capital Fund	<u>40,000.00</u>		<u>40,000.00</u>
Interfunds Payable	<u>107,740.00</u>		<u>40,000.00</u>
Total	<u>\$ 107,740.00</u>	<u>\$ (67,740.00)</u>	<u>\$ 40,000.00</u>
<u>Ref.</u>	A	A-4	A

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

GRANT/AID PROGRAM	BALANCE DEC. 31, 2009	ENCUMBERED DEC. 31, 2009	TRANSFERRED FROM 2010 BUDGET	PAID OR CHARGED	ENCUMBERED DEC. 31, 2010	BALANCE DEC. 31, 2010
N.J.D.O.T. - Transportation Trust Fund - 2006 (Brookside Ave)	24,569.76					24,569.76
N.J.D.O.T. - Transportation Trust Fund - 2007 (Hale St.)		2,909.69		2,909.69		54,710.83
N.J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)	34,164.40	28,362.52		7,816.09		158,000.00
N.J.D.O.T. - Transportation Trust Fund - 2009 (Lower King George Rd.)	352,000.00				194,000.00	290,000.00
N.J.D.O.T. - Transportation Trust Fund - 2010 (Green Ave.)			290,000.00			3,880.00
Emergency Road Repair Fund	3,880.00					6,317.43
Clean Communities Program-2009	7,261.34		4,389.02	1,367.93	3,965.00	1,000.00
Sustainable Jersey Small Grant			1,000.00			2,863.35
Pennington School			14,000.00		11,136.65	1,074.49
Body Armor Replacement Fund	1,074.49					4,200.00
Forestry Grant	4,200.00					204.92
Drunk Driving Enforcement Grant	204.92					2,735.00
Green Communities Challenge Grant	2,735.00		646.51			2,735.00
Body Armor Replacement Fund	2,110.23			250.00		1,860.23
Solid Waste Recycling Grant-2003	1,000.00					1,000.00
Pennington Day Grant	1,000.00					194,714.00
Safe Routes to Schools Grants	220,000.00		7,000.00	7,000.00	25,286.00	
Tree Planting						225.52
Municipal Alcohol Ed.	225.52					278.46
Municipal Alcohol Ed. -2009	278.46					4,359.50
Community Stewardship Program	4,359.50					368.00
NJDEP Stormwater Regulation	368.00					
Special Legislative Grants:						
Cemetery Restoration	2,683.65					2,683.65
Senior Center Renovations	3,263.00			3,263.00		
Alcohol 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
Recycling Tonnage Grant-2009	6,136.64					6,136.64
	<u>\$ 680,740.33</u>	<u>31,272.21</u>	<u>\$ 317,035.53</u>	<u>\$ 22,606.71</u>	<u>\$ 234,387.65</u>	<u>\$ 772,053.71</u>
Ref	A	A	A-16	A-4	A	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
 UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	<u>COLLECTED</u> <u>2010</u>	<u>BALANCE</u> <u>DEC. 31,2010</u>
Body Armor Replacement Fund	\$ 973.08	\$ 973.08
Solid Waste Recycling	<u>3,858.89</u>	<u>3,858.89</u>
	<u>\$ 4,831.97</u>	<u>\$ 4,831.97</u>
<u>Ref.</u>	A-4	A

TRUST FUND

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	<u>Balance</u> <u>12/31/09</u>	<u>Receipts</u>	Cash <u>Disbursements</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/10</u>
Animal Control:					
Due Current Fund				9.96	9.96
Due NJ - State License Fees		337.80	(337.80)		-
Animal Control Reserves	2,350.26	1,959.90	(1,253.00)	(9.96)	3,047.20
Total	2,350.26	2,297.70	(1,590.80)	-	3,057.16
Trust - Other Funds:					
Due from Current Fund					-
Unemployment Claims	23,129.13	66.13	(1,343.11)		21,852.15
Affordable Housing	327,989.72	16,570.94	(958.75)		343,601.91
Recreation Funds	800.29	1,278.00	(402.00)		1,676.29
Law Enforcement Trust		3,152.66			3,152.66
Public Defender		880.00	(750.00)		130.00
Shade Tree	1,290.00				1,290.00
POAA	1,128.00	76.00			1,204.00
Verizon	100.00				100.00
Tax Sale Premium		5,100.00			5,100.00
Police Donations	2,012.60				2,012.60
Open Space Preservation Fund	373,507.02	52,865.54	(6,164.00)		420,208.56
Developer Escrow Funds	708,789.48	22,524.38	(692,764.31)		38,549.55
Total	1,438,746.24	102,513.65	(702,382.17)	-	838,877.72
Total	1,441,096.50	104,811.35	(703,972.97)	-	841,934.88

Ref.

B

B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2008	1,369.50
2009	<u>1,677.70</u>
	<u><u>\$3,047.20</u></u>

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

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2009	C		\$22,019.24
Increased by:			
Fund Balance	C-1	467.86	
Bonds	C-9	1,148,000.00	
Capital Improvement Fund	C-10	<u>12,500.00</u>	
			<u>1,160,967.86</u>
			1,182,987.10
Decreased by:			
BANS Redeemed	C-11	847,500.00	
Due from Current Fund	C-5	25,373.99	
Improvement Authorizations	C-8	<u>159,273.20</u>	
			<u>1,032,147.19</u>
Balance - December 31, 2010	C		<u><u>\$150,839.91</u></u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

		<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>BALANCE</u> <u>DEC. 31, 2010</u>
	Fund Balance	\$4,040.76	\$ 4,508.62
	Capital Improvement Fund	37,378.45	49,878.45
	Reserve for Encumbrances	147,900.00	
	Due from Grant Fund	(40,000.00)	(40,000.00)
	Due to/from Current Fund	25,373.99	
	<u>IMPROVEMENT AUTHORIZATIONS:</u>		
<u>Ord.</u>			
<u>No.</u>	<u>General Improvements:</u>		
1994-9	Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
1995-9	Pub. Works Vehicles & Equip.	(15,000.00)	
2003-9	Var. Capital Improvements	(79,150.65)	43,489.34
2004-11	Amend Ord. 99-4 Purch. Of land Const. PW Building	74,585.86	66,765.81
2005	Acqui. Of PW Vehicles	2,676.80	2,110.13
2006-13	Acqui. Of Leaf Loader	2,485.00	2,485.00
2007-10	Acqui. Of Backhoe	2,253.00	2,253.00
2009-01	Acqui. Of Garbage Truck	(140,000.00)	19,873.53
		<u>\$22,019.24</u>	<u>\$150,839.91</u>
	<u>Ref.</u>	C-2	C-2

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

	<u>Ref.</u>	
Balance - December 31, 2009	C	\$1,465,000.00
Increased by:		
Serial Bonds Issued	C-7	<u>1,148,000.00</u>
		2,613,000.00
Decreased by:		
General Serial Bonds Paid by Budget Appropriation	C-9	<u>225,000.00</u>
Balance - December 31, 2010	C	<u><u>\$2,388,000.00</u></u>

Exhibit - C-5

SCHEDULE OF DUE TO/FROM CURRENT FUND
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance - December 31, 2009		
Due to Current Fund	C	\$25,373.99
Decreased by:		
Disbursed	C-2	<u><u>\$25,373.99</u></u>

Exhibit - C-6

SCHEDULE OF DUE FROM GRANT FUND
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance - December 31, 2009	C	\$40,000.00
Balance - December 31, 2010	C	<u><u>\$40,000.00</u></u>

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

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE		TRANSFERRED TO DEFERRED CHARGES		BALANCE DEC.31, 2010	ANALYSIS OF BALANCE DEC. 31, 2010	
		DEC.31, 2009	DEC.31, 2010	FUNDED	UNFUNDED		EXPEND- ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System	\$523.97	\$523.97			\$523.97		\$523.97
4-95/9-95	Purchase of DPW Vehicles & Furniture & Fixtures	15,000.00		15,000.00				
2003-09	Var. Capital Improvements	717,100.00		124,000.00		593,100.00		593,100.00
2004-11	Amend Ord. 99-4 Purch. Of Land	790,000.00		790,000.00				
2005-1	Acquisition of PW Vehicles	57,500.00		57,500.00				
2009-01	Acquisition of Garbage Truck	161,500.00		161,500.00				
	<u>Ref.</u>	<u>\$1,741,623.97</u>	<u>\$1,148,000.00</u>	<u>\$1,148,000.00</u>	<u>\$593,623.97</u>	<u>\$523.97</u>		<u>\$593,100.00</u>
		C		C-4	C			

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2009		ENCUMBERED 12/31/09	PAID OR CHARGED	BALANCE DEC. 31, 2010	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED
<u>General Improvements:</u>									
2003-09	Var. Capital Improvements		754,500.00		637,949.35		1,360.01	43,489.34	593,100.00
2004-11	Amend Ord. 99-4 Purch. Land Const. PW Bldg.		1,000,000.00		74,585.86		7,820.05	66,765.81	
2005-10	Acquisition of PW Vehicles		102,500.00	2,676.80			566.67	2,110.13	
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	2,253.00				2,253.00	
2009-01	Acquisition of Garbage Truck	2/12/09	170,000.00		21,500.00	147,900.00	149,526.47	19,873.53	
			\$ 7,414.80	\$ 734,035.21		147,900.00	\$ 159,273.20	\$ 136,976.81	\$ 593,100.00
			<u>Ref.</u>	C	C	C	C-2	C	C

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Purpose	ORIGINAL ISSUE		MATUREITIES OF BONDS		INTEREST RATE	BALANCE DEC. 31, 2009	INCREASES	DECREASES	BALANCE DEC. 31, 2010
	DATE	AMOUNT	DATE	AMOUNT					
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%	\$1,145,000.00		225,000.00	920,000.00
	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
2010 General Improv. Bonds	6/1/10		7/15/13	30,000.00	2.250%				
			7/15/14	40,000.00	2.500%				
			7/15/15	45,000.00	2.500%				
			7/15/16	50,000.00	2.500%				
			7/15/17	60,000.00	2.750%				
			7/15/18	65,000.00	3.000%				
			7/15/19	75,000.00	3.000%				
			7/15/20	60,000.00	3.250%				
			7/15/21	60,000.00	3.250%				
			7/15/22	65,000.00	3.500%				
			7/15/23	65,000.00	3.625%				
			7/15/24	70,000.00	3.625%				
			7/15/25	70,000.00	3.750%				
			7/15/26	75,000.00	3.875%				
			7/15/27	75,000.00	3.875%				
		7/15/28	80,000.00	4.000%					
		7/15/29	80,000.00	4.000%					
		7/15/30	83,000.00	4.000%					
						1,148,000.00		1,148,000.00	
						\$ 1,465,000.00	\$ 1,148,000.00	\$ 225,000.00	\$ 2,388,000.00

Ref. C C-2 C-4 C

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2009	C	\$37,378.45
Increased by:		
Budget Appropriation	C-2	<u>12,500.00</u>
Balance - December 31, 2010	C	<u><u>\$49,878.45</u></u>

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2009</u>	<u>B.A.N.S REDEEMED</u>
04-11	Amendment to Ordinance 99-4	06/07/06	06/07/08	06/07/09	3.84%	790,000.00	\$790,000.00
04-13	Acquisition of Public Works Vehicles	06/07/06	06/07/08	06/07/09	3.84%	57,500.00	57,500.00
						<u>\$847,500.00</u>	<u>\$847,500.00</u>
					<u>Ref.</u>	C	C-7

General Improvements:

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2009	BANS REDEEMED	BONDS ISSUED	BALANCE DEC. 31, 2010
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		124,000.00	593,100.00
04-11	Public Works Building		790,000.00	790,000.00	
05-10	Public Works Vehicles		57,500.00	57,500.00	
2009-01	Purchase of Garbage Truck	161,500.00		161,500.00	
		<u>\$ 894,123.97</u>	<u>\$ 847,500.00</u>	<u>\$ 1,148,000.00</u>	<u>\$ 593,623.97</u>

Ref.

Footnote C

WATER AND SEWER UTILITY FUND

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2009	D	\$ 156,239.03	\$ 188,937.29
Increased by Receipts:			
Consumer Accounts Receivable	D-2,D-7	1,117,296.45	
Interest on Investments	D-1	2,671.91	
Stonybrook Rebate	D-1	7,364.00	
Interest on Delinquencies	D-1	4,022.30	
Water Connection Fees	D-1	9,731.88	
Rent Overpayments	D-1	800.67	
Sewer Utility Bonds	D-20		1,366,000.00
		<u>1,141,887.21</u>	<u>1,366,000.00</u>
Decreased by Disbursements:			
2010 Budget Expenditures	D-4	1,039,275.22	
2009 Appro. Reserve	D-12	26,553.24	
Prior Years Refunds	D-1	5,939.16	
Accrued Interest on Bonds, Notes and Loans	D-14	59,354.23	
Bond Anticipation Notes	D-21		946,400.00
Improvement Authorizations	D-15		159,733.52
		<u>1,131,121.85</u>	<u>1,106,133.52</u>
Balance - December 31, 2010	D	\$ <u>167,004.39</u>	\$ <u>448,803.77</u>

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, <u>2009</u>	BALANCE DEC. 31, <u>2010</u>
	Fund Balance	\$ 96,446.93	\$
	Capital Improvement Fund	123.55	123.55
	Due to Water/Sewer Operating		24,895.00
	Reserve for Encumbrances	135,941.78	413,918.00
<u>ORD.</u>	<u>IMPROVEMENT</u>		
<u>NO.</u>	<u>AUTHORIZATIONS</u>		
	Tank and Appurtenances, Replacement of Water Mains	(10,670.64)	(10,670.64)
428			
98-22	Improv. To Water Supply System		
526	Underground Tank Removal	29,067.58	23,835.20
98-3	Improv. To Water Supply System	(88,498.02)	
97-3	Inflow & Infiltration		
98-18	Study & Remediation		
03-08	Var. Water/Sewer Improv.	58,135.37	37,241.62
07-10	Acquisition of Backhoe	9,012.00	9,012.00
07-09	Var. Water/Sewer Improvements	<u>(40,621.26)</u>	<u>(49,550.96)</u>
		\$ <u>188,937.29</u>	\$ <u>448,803.77</u>
		D	D

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2009	D	\$80,531.16
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,148,207.48</u>
		1,228,738.64
Decreased by:		
Collected	D-1, D-5	<u>1,117,296.45</u>
Balance - December 31, 2010	D	<u><u>\$111,442.19</u></u>

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

	<u>REF.</u>	
Increased by:		
Accrued Interest due from Water/Sewer Capital	D-14	24,895.00
Balance - December 31, 2010	D	<u><u>\$24,895.00</u></u>

SCHEDULE OF WATER/SEWER RENTS OVERPAYMENTS
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Increased by:		
Cash Receipts	D-5	\$800.67
Balance - December 31, 2010	D	<u><u>\$800.67</u></u>

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

<u>ACCOUNT</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>ADDITIONS</u> <u>BY</u> <u>ORDINANCE</u>	<u>BALANCE</u> <u>DEC. 31, 2010</u>
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	2,062,915.50	619,235.89	2,682,151.39
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	581,439.09		581,439.09
Legal Expense	10,200.35		10,200.35
Interest During Construction	3,703.82		3,703.82
Miscellaneous	51,409.65		51,409.65
Water Wells	1,296,420.26		1,296,420.26
Buildings & Improvements	500,000.00		500,000.00
Vehicles	69,888.00		69,888.00
	<u>4,942,902.31</u>	<u>619,235.89</u>	<u>5,562,138.20</u>
<u>Ref.</u>	D	D-10	D

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

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

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE DEC. 31, 2009	CORRECTION FROM FUND BALANCE	TRANSFER TO FIXED CAPITAL	BALANCE DEC. 31, 2010
<u>General Improvements:</u>							
526	Underground Tank Removal	5/2/94	50,000.00	106.78			106.78
98-3	Improv. To Water Supply System	9/8/98	600,000.00	117,229.36	96,446.93	20,255.15	527.28
2003-08	Var. Improv. To Water/Sewer		404,500.00	66,084.28		3,947.66	62,136.62
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	1,200,000.00		595,033.08	604,966.92
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012.00			9,012.00
				\$ 1,392,432.42	\$ 96,446.93	\$ 619,235.89	\$ 676,749.60
		Ref.	D	D	D-3	D-10	D

SCHEDULE OF 2009 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>ENCUMBRANCES</u> <u>PAYABLE 12/31/09</u>	<u>BALANCE</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operating:					
Salaries and Wages	\$ 10,011.70	\$	10,011.70	1,058.21	8,953.49
Other Expenses	18,254.69	19,008.41	37,263.10	36,267.53	995.57
Sewer Service Fee	0.18		0.18		0.18
Workers Compensation Insurance	19,397.16		19,397.16		19,397.16
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>3,771.91</u>		<u>3,771.91</u>		<u>3,771.91</u>
	<u>\$ 51,435.64</u>	<u>\$ 19,008.41</u>	<u>\$ 70,444.05</u>	<u>\$ 37,325.74</u>	<u>\$ 33,118.31</u>

D-1

Ref.

\$26,553.24
10,772.50
\$37,325.74

Disbursed
Accounts Payable

SCHEDULE OF ACCOUNTS PAYABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>Ref.</u>
Increased by:	
Transferred from Appropriation Reserves	D-12
Balance - December 31, 2010	D
	<u>\$10,772.50</u>
	<u>\$10,772.50</u>

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

	<u>REF.</u>	
Balance - December 31, 2009	D	\$ 24,041.70
Increased by:		
Accrued Interest Charged to:		
2009 Budget Appropriations	D-4	47,107.37
Due from Sewer Capital	D-8	<u>24,895.10</u>
		96,044.17
Decreased by:		
Payment	D-5	<u>59,354.23</u>
Balance - December 31, 2010	D	<u>\$ 36,689.94</u>

Analysis of Balance - December 31, 2010:

<u>Principal Outstanding Dec. 31, 2010</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
\$155,000.00	3.000%	9/15/10	12/31/10	3.5 mos.	\$1,356.25
180,000.00	3.000%	9/15/10	12/31/10	3.5 mos.	1,575.00
110,000.00	3.125%	9/15/10	12/31/10	3.5 mos.	1,002.60
105,000.00	3.375%	9/15/10	12/31/10	3.5 mos.	1,033.59
105,000.00	3.400%	9/15/10	12/31/10	3.5 mos.	1,041.25
105,000.00	3.500%	9/15/10	12/31/10	3.5 mos.	1,071.88
100,000.00	3.750%	9/15/10	12/31/10	3.5 mos.	1,093.75
100,000.00	4.000%	9/15/10	12/31/10	3.5 mos.	1,166.67
90,000.00	4.000%	9/15/10	12/31/10	3.5 mos.	1,050.09
55,000.00	2.250%	6/1/10	12/31/10	7 mos.	721.88
65,000.00	2.500%	6/1/10	12/31/10	7 mos.	947.92
70,000.00	2.500%	6/1/10	12/31/10	7 mos.	1,020.83
80,000.00	2.500%	6/1/10	12/31/10	7 mos.	1,166.67
90,000.00	2.750%	6/1/10	12/31/10	7 mos.	1,443.75
100,000.00	3.000%	6/1/10	12/31/10	7 mos.	1,750.00
115,000.00	3.000%	6/1/10	12/31/10	7 mos.	2,012.50
60,000.00	3.250%	6/1/10	12/31/10	7 mos.	1,137.50
60,000.00	3.250%	6/1/10	12/31/10	7 mos.	1,137.50
65,000.00	3.500%	6/1/10	12/31/10	7 mos.	1,327.08
65,000.00	3.625%	6/1/10	12/31/10	7 mos.	1,374.48
70,000.00	3.625%	6/1/10	12/31/10	7 mos.	1,480.21
70,000.00	3.750%	6/1/10	12/31/10	7 mos.	1,531.25
75,000.00	3.875%	6/1/10	12/31/10	7 mos.	1,695.31
75,000.00	3.875%	6/1/10	12/31/10	7 mos.	1,695.31
80,000.00	4.000%	6/1/10	12/31/10	7 mos.	1,866.67
85,000.00	4.000%	6/1/10	12/31/10	7 mos.	1,983.33
<u>86,000.00</u>	4.000%	6/1/10	12/31/10	7 mos.	<u>2,006.68</u>
<u>\$2,416,000.00</u>					<u>\$36,689.94</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE DEC. 31, 2009		RESERVE FOR ENCUMBRANCES DEC. 31, 2009	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2010		BALANCE DEC. 31, 2010	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED		
<u>General Improvements:</u>											
526	Underground Tank Removal	5/2/94	50,000.00		29,067.58		5,232.38		23,835.20		
98-3	Improv. To Water Supply System	9/8/98	600,000.00			117,229.36	116,702.08	527.28			
2003-8	Various Water & Sewer Utility Improvements		400,000.00		66,084.28		28,842.66		37,241.62		
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012.00					9,012.00		
2007-9	Various Water & Sewer Utility Improvements	11/15/07	1,200,000.00		1,159,378.74	18,712.42	33,851.40	413,390.72			730,849.04
			\$	9,012.00	\$ 1,254,530.60	\$ 135,941.78	\$ 184,628.52	\$ 413,918.00	\$ 70,088.82	\$ 730,849.04	
			Ref.	D	D	D	D	D	D	D	D
Disbursed											
Due from Sewer Operating											
							\$ 159,733.52				
							24,895.00				
							\$ 184,628.52				

Exhibit - D-16

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

	<u>REF.</u>	
Balance - December 31, 2009	D	\$123.55
Balance - December 31, 2010	D	<u>\$123.55</u>

Exhibit - D-17

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

	<u>REF.</u>	
Increased by:		
Accrued Interst Charged to Imiprovement Authorizations	D-15	\$24,895.00
Balance - December 31, 2010	D	<u>\$24,895.00</u>

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2009</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2010</u>
			<u>OUTSTANDING - DEC. 31, 2010</u>	<u>AMOUNT</u>					
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000.00	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%	1,210,000.00		160,000.00	
2010 Sewer Utility Bonds	6/1/10	1,366,000.00	7/15/13	55,000.00	2.250%				
			7/15/14	65,000.00	2.500%				
			7/15/15	70,000.00	2.500%				
			7/15/16	80,000.00	2.500%				
			7/15/17	90,000.00	2.750%				
			7/15/18	100,000.00	3.000%				
			7/15/19	115,000.00	3.000%				
			7/15/20	60,000.00	3.250%				
			7/15/21	60,000.00	3.250%				
			7/15/22	65,000.00	3.500%				
		7/15/23	65,000.00	3.625%					
		7/15/24	70,000.00	3.625%					
		7/15/25	70,000.00	3.750%					
		7/15/26	75,000.00	3.875%					
		7/15/27	75,000.00	3.875%					
		7/15/28	80,000.00	4.000%					
		7/15/29	85,000.00	4.000%					
		7/15/30	86,000.00	4.000%					
						1,210,000.00		1,366,000.00	1,366,000.00
						<u>\$1,210,000.00</u>		<u>\$1,366,000.00</u>	<u>\$2,416,000.00</u>

Ref

D

D-5

D-18

D

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2009</u>	<u>B.A.N.S REDEEMED</u>
	<u>General Improvements:</u>						
526	Underground Tank Removal	06/07/06	06/07/08	06/07/09	3.79%	\$18,250.00	\$18,250.00
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%	119,400.00	119,400.00
03/08	Various Water & Sewer Utility Improv.	06/07/06	06/07/08	06/07/09	3.79%	352,250.00	352,250.00
						<u>\$946,400.00</u>	<u>\$946,400.00</u>
					<u>Ref.</u>	<u>D</u>	<u>D-5</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2009</u>	<u>BANS REDEEMED</u>	<u>BONDS ISSUED</u>	<u>BALANCE DEC. 31, 2010</u>
	Tank and Appurtenances, Replacement of Water Mains	\$10,670.64			\$10,670.64
526	Underground Tank Removal		18,250.00	18,250.00	
98-3	Improv. To Water Supply System		456,500.00	456,500.00	
3/98	Inlow & Infiltration Study		119,400.00	119,400.00	
03/08	Var. Water Supply Improvements		352,250.00	352,250.00	
2007-9	Various Water & Sewer Utility Improvements	<u>\$1,200,000.00</u>		<u>419,600.00</u>	<u>780,400.00</u>
		<u>\$1,210,670.64</u>	<u>\$946,400.00</u>	<u>\$1,366,000.00</u>	<u>\$791,070.64</u>

Ref.

Footnote D

PAYROLL FUND

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2010 AND 2009

<u>AGENCY/CATEGORY</u>	<u>BALANCE DEC.31, 2010</u>	<u>BALANCE DEC.31, 2009</u>
PW Assoc. Fees	\$104.18	\$90.18
FOP Union Dues	200.00	
Health Benefits	1,287.72	
PERS	3,501.07	4,145.26
PERS Back Deductions	(5.24)	(29.03)
PERS Arrears	(0.06)	(0.06)
PERS Loans	(0.23)	(0.23)
PERS Contributory life Insurance	298.27	368.87
PFRS	1,460.38	2,095.46
PFRS Arrears	225.50	498.10
PFRS Loans	1,274.38	874.06
Interest	132.82	
Colonial Penn Disability	135.23	613.16
	<u>\$8,614.02</u>	<u>\$8,655.77</u>

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)(UNAUDITED)

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, 2010

Balance -December 31, 2009		\$ 294,392.59
Restricted Net Assets		
Contributions	41,900.70	
Appreciation/(Investment Losses)	<u>34,163.25</u>	
Increase in Net Assets		<u>76,063.95</u>
		370,456.54
Withdrawals		<u>6,000.00</u>
Balance -December 31, 2010		<u>\$ 364,456.54</u>

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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 "Borough"), 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.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

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, 2010

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS	
							DEC. 31, 2010	DEC. 31, 2009
Cash and Investments	\$ 949,589.56	\$ 841,934.88	\$ 150,839.91	\$ 615,808.16	\$ 8,614.02	\$	\$ 2,566,786.53	\$ 2,727,944.83
Amounts Held by Plan Admin.		364,456.54					364,456.54	294,392.59
Accounts Receivable:								
State & Federal Grants Receivable	1,011,832.61						1,011,832.61	815,297.72
Taxes, Assessments, Liens & Utility Charges	216,463.44			111,442.19			327,905.63	233,717.75
Interfund Loans	9.96		40,000.00	24,895.00			64,904.96	133,113.99
Other Accounts Receivable	5,152.74						5,152.74	6,818.34
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 - Authorized and Uncompleted - Utility				5,658,585.13			5,658,585.13	4,942,902.31
Deferred Charges to Revenue of Succeeding Years				580,302.67			580,302.67	1,392,432.42
Deferred Charges to Future Taxation:								
General Capital Fund			2,981,623.97				2,981,623.97	3,206,623.97
	\$ 2,200,858.31	\$ 1,206,391.42	\$ 3,172,463.88	\$ 6,991,033.15	\$ 8,614.02	\$ 3,345,647.14	\$ 16,925,007.92	\$ 17,116,701.06

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS	
							DEC. 31, 2010	DEC. 31, 2009
LIABILITIES, RESERVES AND FUND BALANCE								
Bonds and Notes Payable	\$	\$	\$ 2,388,000.00	\$ 2,416,000.00	\$	\$	\$ 4,804,000.00	\$ 4,468,900.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	63,196.82						63,196.82	54,505.09
Tax, Assessment, Lien, License and Utility Charge Overpayments	6,687.18			800.67			7,487.85	
Appropriation Reserves	171,224.16			48,884.97			220,109.13	209,693.71
Reserve for Encumbrances/Accounts Payable	306,356.08			481,427.31	8,614.02		796,397.41	436,530.96
Other Liabilities	42,191.31						42,191.31	45,542.55
Amts. Pledged to Specific Purposes	776,885.68	1,206,381.46	49,878.45	36,813.39			2,069,958.98	1,768,983.64
Escrow Funds			38,549.55				38,549.55	708,789.47
Improvement Authorizations			691,527.26	800,937.86			1,492,465.12	2,004,992.62
Interfund Loans	40,000.00	9.96		24,895.00			64,904.96	133,113.99
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								
Reserve for Certain Assets Acquired or Receivables & Inventories	238,691.14			3,031,817.16			3,031,817.16	2,871,817.16
Fund Balance	555,625.94		4,508.62	111,442.19			350,133.33	350,465.08
				38,014.60			598,149.16	717,719.65
	<u>\$ 2,200,858.31</u>	<u>\$ 1,206,391.42</u>	<u>\$ 3,172,463.88</u>	<u>\$ 6,991,033.15</u>	<u>\$ 8,614.02</u>	<u>\$ 3,345,647.14</u>	<u>\$ 16,925,007.92</u>	<u>\$ 17,116,701.06</u>

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

Revenue and Other <u>Income Realized</u>	Year 2010		Year 2009	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$284,323.00	2.23	\$254,200.00	1.96
Miscellaneous - From Other Than Local Property Tax Levies	1,005,981.72	7.90	1,500,953.62	11.58
Collection of Delinquent Taxes and Tax Title Liens	153,186.59	1.20	128,020.43	0.99
Collection of Current Tax Levy	11,294,886.82	88.67	11,077,288.77	85.47
Total Income	12,738,378.13	100.00	12,960,462.82	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	3,047,255.79	24.47	3,662,530.71	28.90
County Taxes	2,543,744.49	20.43	2,495,807.19	19.70
Local School Taxes	6,647,044.51	53.37	6,306,595.77	49.77
Fire District Taxes	152,608.00	1.23	154,547.00	1.22
Other Expenditures	63,255.08	0.51	52,434.87	0.41
Total Expenditures	12,453,907.87	100.00	12,671,915.54	100.00
Excess in Revenue	284,470.26		288,547.28	
Fund Balance January 1	555,478.68		521,131.40	
	839,948.94		809,678.68	
Less:				
Utilization as Anticipated Revenue	284,323.00		254,200.00	
Fund Balance December 31	\$555,625.94		\$555,478.68	

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

Revenue and Other <u>Income Realized</u>	Year 2010		Year 2009	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	61,750.00	5.00	96,446.00	7.34
Collection of Water and Sewer Rents	1,117,296.45	90.40	1,096,543.24	83.41
Miscellaneous - From Other Than Water and Sewer Rents	<u>56,908.40</u>	<u>4.60</u>	<u>121,679.53</u>	<u>9.26</u>
Total Income	<u>1,235,954.85</u>	<u>100.00</u>	<u>1,314,668.77</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	934,154.00	77.98	926,489.64	73.86
Capital Improvements			56,000.00	4.46
Debt Service	207,107.37	17.29	223,864.51	17.85
Deferred Charges and Statutory Expenditures	50,743.00	4.24	47,046.50	3.75
Other Expenditures	<u>5,939.16</u>	<u>0.50</u>	<u>1,004.79</u>	<u>0.08</u>
Total Expenditures	<u>1,197,943.53</u>	<u>100.00</u>	<u>1,254,405.44</u>	<u>100.00</u>
Statutory Excess to Fund Balance	38,011.32		60,263.33	
Fund Balance January 1	<u>61,753.28</u>		<u>97,935.95</u>	
	99,764.60		158,199.28	
Less:				
Utilization as Anticipated Revenue	<u>61,750.00</u>		<u>96,446.00</u>	
Fund Balance December 31	<u>\$38,014.60</u>		<u>\$61,753.28</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate:</u>	<u>\$2.297</u>	<u>\$2.140</u>	<u>\$2.035</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.422</u>	<u>0.422</u>	<u>0.416</u>
Local Open Space	<u>0.010</u>	<u>0.010</u>	<u>0.010</u>
County	<u>0.507</u>	<u>0.475</u>	<u>0.422</u>
Regional School	<u>1.328</u>	<u>1.203</u>	<u>1.157</u>
Fire District	<u>0.030</u>	<u>0.030</u>	<u>0.030</u>
<u>Assessed Valuation:</u>			
2010	<u>\$498,135,705.00</u>		
2009		<u>\$524,348,708.00</u>	
2008			<u>\$523,462,225.00</u>

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 \$20,500.00 for the year 2010.

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.

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2010	\$11,525,527.85	\$ 11,294,886.82	98.00%
2009	11,240,055.81	11,018,994.24	98.03%
2008	10,834,957.27	10,622,752.70	98.04%

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.

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	\$0.00	\$216,463.44	216,463.44	1.88%
2009	0.00	153,186.59	153,186.59	1.36%
2008	2,809.52	125,210.91	128,020.43	1.18%

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:

<u>Year</u>	<u>Amount</u>
2010	\$17,810.00
2009	17,810.00
2008	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2010	\$1,148,207.48	\$1,117,296.45
2009	1,106,148.52	1,096,543.24
2008	1,135,161.68	1,126,871.04

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2010	\$555,625.94	\$320,091.53
	2009	555,478.68	284,323.00
	2008	521,131.40	254,200.00
	2007	679,032.61	334,158.90
	2006	461,959.08	330,736.00
Water and Sewer Utility Operating Fund	2010	\$38,014.60	\$38,014.50
	2009	61,753.28	61,750.00
	2008	97,935.95	96,446.00
	2007	115,595.45	69,000.00
	2006	114,824.93	63,550.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2010:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE SURETY</u>
Anthony Persichilli	Mayor		
Edwin Tucker	President of Council		
Glen Griffiths	Councilperson		
Eileen Heinzel	Councilperson		
Thomas Ogren	Councilperson		
Joseph Lawver	Councilperson		
Catherine Chandler	Councilperson		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer		
Sandra Webb	Tax Collector, Tax Search Officer	\$1,000,000.00	Mid Jersey JIF
Wayne Blauth	Deputy Tax Collector		
Antoinette Sost	Tax Assessor		
Elizabeth Sterling	Registrar of Vital Statistics		
Robert C. Billmeier	Borough Magistrate	\$1,000,000.00	Mid Jersey JIF
Nancy MacLean	Court Administrator	\$1,000,000.00	Mid Jersey JIF
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, 2010**

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, 2010, 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

In planning and performing our audit of the financial statements of the Borough of Pennington, County of Mercer, New Jersey as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness to the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

INTERNAL CONTROL MATTERS (CONT'D)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

Control Deficiencies

A. 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/remittance 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 not 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.

B. 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; Water Main Extension

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 were no Tax Liens held by the Borough at December 31, 2010.

GENERAL COMMENTS

Interfund Balances

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$9.96	\$0.00
Grant Fund		40,000.00
Animal Control Fund		9.96
Water Sewer Operating Fund	24,895.00	
Water Sewer Capital Fund		24,895.00
General Capital Fund	<u>40,000.00</u>	<u>0.00</u>
Total	<u>\$64,904.96</u>	<u>\$64,904.96</u>

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, 2010 and 2009.

All cash and investments held by the Borough were directly confirmed as of December 31, 2010.

Condition of Records – Payrolls

During 2010 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.

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 except for the recreations department and economic development commission. 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.

There were fees collected for recreation programs during 2010 in the amount of \$1,278.00. The amount of expenditures for dedicated recreation programs was \$402.00 during 2010. This resulted in a net increase in available funds of approximately \$876.00 to \$1,676.29. 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, 2010. A review of surety bond coverage as of December 31, 2010, 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.

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 2010, 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 \$1,235,954.85 and expenditures amounted to \$1,197,943.53 resulting in excess revenues of \$38,011.32. 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 \$10,832.17. 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

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