BOROUGH OF PENNINGTON
COUNTY OF MERCER
NEW JERSEY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

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

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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MERCER COUNTY, NEW JERSEY

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MERCER COUNTY, NEW JERSEY

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BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2011 and 2010 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, 2011, which collectively comprise the Borough's financial statements, 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 described in Note 2, 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, United States of America that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget, bonding and fiscal affairs laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, which practices differ from 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. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2011 and 2010 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, 2011 and 2010 and the related statements 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, 2011 on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2012 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 conducted for the purpose of forming opinions on the financial statements of the Borough of Pennington, County of Mercer, New Jersey. The information included in Part II - Supplementary Schedules and Part III – Supplementary Data, as 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 Part II - 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 the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part III – Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

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

Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
May 8, 2012

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

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

We have audited the financial statements – regulatory basis of the Borough of Pennington as of and for the year ended December 31, 2011, which collectively comprise the Borough of Pennington's financial statements and have issued our report thereon dated May 8, 2012. 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

Management of the Borough of Pennington is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or 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.

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

Highland Park, New Jersey
May 8, 2012

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2011 AND 2010

ASSETS	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Cash and Investments - Treasurer	A-4	$ 679,949.84	$ 910,033.84
Change Funds	A-5	115.00	115.00
Due from State of N.J. Ch.73, L.1996	A-8		745.00
		680,064.84	910,893.84
Receivables and Other Assets With Full Reserves:			
Delinquent Prop. Taxes Receivable	A-7	230,939.39	216,463.44
Property Acquired for Taxes (At Assessed Valuation)	A-9	17,810.00	17,810.00
Revenue Accounts Receivable	A10	2,994.52	4,407.74
Interfunds Receivable	A-12	313,309.48	9.96
		565,053.39	238,691.14
Deferred Charges:			
Operating Deficit	A-6	99,416.68	
Emergency Approp.	A-6	800.00	
		100,216.68	
Total Current Fund		1,345,334.91	1,149,584.98
Grant Fund:			
Cash And Investments	A-4	$ 31,167.79	$ 39,440.72
State and Federal Grants Receivable	A-17	1,296,631.52	1,011,832.61
Total Grant Fund		1,327,799.31	1,051,273.33
		$ 2,673,134.22	$ 2,200,858.31

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Liabilities:			
Appropriation Reserves	A-3, A-13	$ 264,077.04	$ 171,224.16
Prepaid Property Taxes	A-14	112,937.24	63,196.82
Tax Overpayments	A-15	171.78	6,687.18
Reserve for Encumbrances	A-3, A-13	107,439.64	71,968.43
Var. Reserves and Accts. Payable	A-16	57,372.37	37,066.30
Due to State of NJ SC/Vet Deductions	A-8	655.68	
Taxes Payable	A-11	2,093.36	5,125.01
Reserve for Receivables	Reserve	565,053.39	238,691.14
Fund Balance	A-1	235,534.41	555,625.94
Total Current Fund		1,345,334.91	1,149,584.98
Grant Fund:			
Reserve for Encumbrances	A-19	$ 28,076.45	$ 234,387.65
Interfunds Payable	A-18	310,000.00	40,000.00
Reserve for State and Federal Grants:			
Appropriated	A-19	985,483.12	772,053.71
Unappropriated	A-20	4,239.74	4,831.97
Total Grant Fund		1,327,799.31	1,051,273.33
		$ 2,673,134.22	$ 2,200,858.31

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, 2011 AND 2010

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2011	YEAR 2010
Fund Balance Appropriated	A-1,A-2	$ 320,091.53	$ 284,323.00
Miscellaneous Revenues Anticipated	A-2	1,136,921.83	777,614.47
Receipts from Delinquent Taxes	A-2	224,051.82	153,186.59
Receipts from Current Taxes	A-2	11,417,999.01	11,294,886.82
Non-Budget Revenue	A-2	116,012.44	17,779.46
Other Credits to Income:			
Other Receivables			
Accounts Payable Cancelled			3,017.06
Interfunds Returned			93,113.99
Unexpended Balance of Approp. Reserves	A-13	72,877.38	114,456.74
Total Revenues		13,287,954.01	12,738,378.13
EXPENDITURES AND OTHER CHARGES			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,034,575.00	961,625.00
Other Expenses	A-3	1,640,440.37	1,305,464.53
Capital Improvements	A-3	327,140.00	302,500.00
Municipal Debt Service	A-3	334,128.37	295,941.26
Def. Charges and Statutory Expend.	A-3	227,957.50	181,725.00
Regional School Tax	A-11	6,816,349.88	6,647,044.51
County Tax	A-11	2,536,214.94	2,538,619.48
County Added Tax	A-11	2,093.36	5,125.01
Special District Tax	A-11	149,441.00	152,608.00
Local Open Space Tax	A-2,A-11	49,813.57	50,128.38
Interfund Loans Advanced (Net)	Various	309,990.04	
Refund of Prior Years Revenues	A-4	5,026.66	13,126.70
Total Expenditures		13,433,170.69	12,453,907.87
Excess (Deficit) in Revenue (Balance Forward)		(145,216.68)	284,470.26

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, 2011 AND 2010

	REF.	YEAR 2011	YEAR 2010
Excess (Deficit) in Revenue (Balance Brought Forward)		$ (145,216.68)	$ 284,470.26
Adjust. to Income Before Fund Balance:			
Expenditures Included Above Which are by Statutes Deferred Charges to Budget of Succeeding Years			
Operating Deficit	A-6	99,416.68	
Emergency Appropriation	A-3	45,800.00	
Statutory Excess (Deficit) to Fund Balance		$ 0.00	$ 284,470.26
FUND BALANCE			
Balance - January 1	A	555,625.94	555,478.68
		555,625.94	839,948.94
Decreased by:			
Utilization as Anticipated Revenue	A-1	320,091.53	284,323.00
Balance - December 31	A	$ 235,534.41	$ 555,625.94

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	REF.	ANTICIPATED 2011 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	$ 320,091.53	$	$ 320,091.53	$
Fees and Permits	A-10	10,900.00		15,464.00	$ 4,564.00
Fines and Costs:					
Municipal Court	A-10	84,000.00		66,735.08	(17,264.92)
Interest and Costs on Taxes	A-10	42,800.00		55,728.51	12,928.51
Interest on Investments and Deposits	A-10	7,600.00		10,269.63	2,669.63
Trash Collection Fees	A-10	34,600.00		37,448.13	2,848.13
Consolidated Municipal Property Tax Relief Aid	A-10	14,922.00		14,922.00	
Energy Receipts Taxes	A-10	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-10	48,900.00		48,099.00	(801.00)
Public and Private Revenues Offset with Approps.:	A-10				
N.J. Transportation Trust Fund Authority Act	A-3	267,000.00		267,000.00	
Recycling Tonnage Grant	A-3	3,858.89	4,739.74	8,598.63	
Green Acres Planning Initiative Grant	A-3		400,000.00	400,000.00	
Body Armor Grant	A-3	973.08	1,011.24	1,984.32	
Other Special Items:					
Administrative Charge to Library	A-10	4,000.00		4,000.00	
Verizon/Comcast Franchise Fee	A-10	29,687.13		29,687.13	
Interlocal Agreement-Hopewell Boro/Twp.	A-10	5,000.00		4,326.40	(673.60)
Total Miscellaneous Revenues	A-1	726,900.10	405,750.98	1,136,921.83	4,270.75
Receipts from Delinquent Taxes	A-1, A-2,A-8	216,952.26		224,051.82	7,099.56
Subtotal General Revenues		943,852.36	405,750.98	1,360,973.65	11,370.31
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes	A-2	2,100,518.00		2,099,086.26	(1,431.74)
Budget Totals		3,364,461.89	405,750.98	3,780,151.44	$ 9,938.57
Non-Budget Revenues	A-1,A-10			116,012.44	
		$ 3,364,461.89	$ 405,750.98	$ 3,896,163.88	
	Ref.	A-3	A-3		

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BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Tax Collections:			
2011 Collections	A-7	11,263,508.89	
Prepaid Taxes Applied	A-7	63,196.82	
Tax Overpayments Applied	A-7	22.09	
Homestead Rebates	A-7	72,171.89	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	19,099.32	
	A-1		$ 11,417,999.01
Allocated to:			
Regional School Tax	A-11	6,816,349.88	
County Taxes	A-11	2,536,214.94	
Added County Taxes	A-11	2,093.36	
Special District Tax	A-11	149,441.00	
Local Open Space Tax	A-1,A-6	49,813.57	
			9,553,912.75
			1,864,086.26
Add: Reserve for Uncollected Taxes	A-3		235,000.00
Amount for Support of Municipal Budget	A-2		$ 2,099,086.26
Allocation of Delinquent Tax Collections:			
2011 Collections	A-7		$ 224,051.82
	A-2		$ 224,051.82

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operations Within "CAPS"	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
GENERAL GOVERNMENT:						
Office of Business Administrator						
Salaries and Wages	$	$	$	$	$	
Other Expenses	13,500.00	14,500.00	13,165.46	732.00	602.54	
Elections						
Other Expenses	2,000.00	2,000.00	1,743.08		256.92	
Financial Administration						
Salaries and Wages	32,000.00	32,500.00	31,466.90		1,033.10	
Other Expenses	18,350.00	18,350.00	13,938.45		4,411.55	
Assessment of Taxes						
Salaries and Wages	14,200.00	14,200.00	13,446.13		753.87	
Other Expenses						
Maintenance of Tax Map	5,000.00	5,000.00	4,632.00	368.00		
Misc. Other Expenses	10,000.00	10,000.00	1,754.16	23.06	8,222.78	
Collection of Taxes						
Salaries and Wages	21,300.00	21,300.00	16,943.75		4,356.25	
Other Expenses	6,000.00	6,000.00	4,991.48		1,008.52	
Mayor & Council						
Other Expenses	1,000.00	1,000.00	999.82		0.18	
Office of the Borough Clerk						
Salaries and Wages	46,000.00	46,000.00	38,997.11		7,002.89	
Other Expenses	11,580.00	14,080.00	9,371.06	351.14	4,357.80	
Municipal Court						
Salaries and Wages	26,000.00	26,000.00	25,776.47		223.53	
Other Expenses	4,640.00	4,640.00	1,893.60	499.94	2,246.46	
Public Defender						
Other Expenses	1,400.00	1,400.00	870.00		530.00	
Legal Services and Costs						
Other Expenses	50,000.00	58,200.00	39,630.98	10,533.69	8,035.33	
Municipal Prosecutor						
Salaries and Wages	3,625.00	3,725.00	3,645.10		79.90	
Engineering Services and Costs						
Other Expenses	100,000.00	79,300.00	60,893.87	14,123.46	4,282.67	
Public Bldgs. and Grounds						
Salaries and Wages	11,900.00	11,900.00	11,782.56		117.44	
Other Expenses	27,500.00	27,500.00	21,162.39	5,860.20	477.41	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	44,000.00	44,000.00	43,999.38		0.62	
Other Expenses	10,250.00	10,250.00	4,979.71	20.00	5,250.29	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operations Within "CAPS" (Cont'd.)	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
GENERAL GOVERNMENT:						
Shade Tree						
Salaries and Wages	$ 7,200.00	7,200.00	$ 6,851.97	$	$ 348.03	
Other Expenses	12,500.00	12,500.00	12,022.72	170.00	307.28	
Insurance						
Group Insurance	146,250.00	136,250.00	125,709.36		10,540.64	
Workers Compensation	28,800.00	28,800.00	28,747.00		53.00	
Liability and Other Insurance	17,600.00	17,600.00	17,537.52		62.48	
Surety Bonds	1,500.00	1,500.00	1,126.00		374.00	
PUBLIC SAFETY:						
Police						
Salaries and Wages	513,000.00	513,000.00	405,088.19		107,911.81	
Other Expenses	34,200.00	34,200.00	25,698.76	4,047.79	4,453.45	
First Aid Organization - Contribution	10,000.00	32,000.00	32,000.00			
STREETS AND ROADS:						
Road Repairs and Maintenance						
Salaries and Wages	196,250.00	209,750.00	187,335.28		22,414.72	
Other Expenses	86,300.00	82,200.00	33,231.13	24,031.84	24,937.03	
Street Lighting						
Other Expenses	34,000.00	34,000.00	27,437.73	2,880.69	3,681.58	
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	44,300.00	44,300.00	42,812.71		1,487.29	
Other Expenses	145,900.00	145,900.00	123,753.99	14,454.04	7,691.97	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operations Within "CAPS" (Cont'd.)	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
HEALTH AND WELFARE:						
Board of Health						
Other Expenses	$ 650.00	650.00 $	$	$	650.00	
RECREATION AND EDUCATION:						
Recreation Committee						
Salaries and Wages	9,200.00	9,200.00	9,112.05		87.95	
Other Expenses	7,450.00	7,450.00	6,673.31		776.69	
Celebration of Public Event						
Other Expenses	1,500.00	1,500.00	1,499.98		0.02	
OTHER BOARDS & COMMISSIONS						
Environmental Commission						
Other Expenses	500.00	500.00	78.00	400.00	22.00	
Economic Development Commission						
Other Expenses	750.00	750.00	104.40		645.60	
Historic Preservation						
Other Expenses	500.00	500.00			500.00	
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	51,500.00	51,499.37		0.63	
Other Expenses	2,000.00	2,000.00	1,133.46	120 00	746.54	
UNCLASSIFIED:						
Telephone	14,500.00	15,500.00	12,513.71	2,366.35	619.94	
Electricity	26,500.00	26,500.00	19,176.23	1,321.80	6,001.97	
Gasoline & Lubricants	37,500.00	50,500.00	42,532.23	2,943.81	5,023.96	
Natural Gas	17,500.00	17,500.00	10,386.99	1,323.87	5,789.14	
Salary & Wage Adjustment	10,000.00					

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	$ 1,916,595.00	1,935,095.00	$ 1,590,145.55	$ 86,571.68	$ 258,377.77	
Total Operations Including Contingent Within "CAPS"	1,916,595.00	1,935,095.00	1,590,145.55	86,571.68	258,377.77	
DETAIL:						
Salaries and Wages	1,018,975.00	1,034,575.00	888,756.97		145,818.03	
Other Expenses	897,620.00	900,520.00	701,388.58	86,571.68	112,559.74	
REGULATORY Expenditures:						
Contribution to:						
Public Employees Retirment System	40,332.50	40,332.50	40,332.50			
Police and Firemen's Retirement	93,625.00	93,625.00	93,625.00			
Unemployment Insurance	35,000.00	20,000.00	20,000.00			
Social Security System (O.A.S.I.)	79,000.00	74,000.00	73,377.03		622.97	
Total Deferred Charges and REGULATORY Expenditures - Municipal Within "CAPS"	247,957.50	227,957.50	227,334.53		622.97	
Total General Approp. for Municipal Purposes Within "CAPS"	2,164,552.50	2,163,052.50	1,817,480.08	86,571.68	259,000.74	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library	167,987.42	167,987.42	164,459.94	3,471.31	56.17	
Group Insurance	8,750.00	8,750.00	8,750.00			
L.O.S.A.P. Contribution:						
First aid Organization	10,500.00	11,300.00	11,253.87		46.13	
Interlocal Service Agreements:						
Emergency 911 and Dispatch	60,000.00	60,000.00	45,000.00	15,000.00		
Health Services	37,100.00	37,100.00	35,205.00		1,895.00	
Recycling Agreement	23,500.00	23,500.00	21,275.65	1,934.15	290.20	
Administration of Municipal Alliance Program	1,400.00	1,400.00	1,400.00			
Janitorial Services	5,000.00	6,500.00	4,675.20		1,824.80	
Animal Control	9,800.00	9,800.00	9,800.00			
Basic Life Support Services.	3,000.00	3,000.00	3,000.00			
State and Federal Programs Offset by Revenues:						
Recycling Tonnage Grant	3,858.89	8,598.63	8,598.63			
BodyArmor Replacement Fund	973.08	1,984.32	1,984.32			
Green Acres Planning Incentive		400,000.00	400,000.00			
Total Operations - Excluded from "CAPS"	331,869.39	739,920.37	715,402.61	20,405.46	4,112.30	
DETAIL:						
Salaries and Wages						
Other Expenses	331,869.39	739,920.37	715,402.61	20,405.46	4,112.30	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Capital Improvements - Excluded from "CAPS"						
Capital Improvement Fund	$ 15,140.00	15,140.00	$ 15,140.00	$	$	
Acquisition of Chipper		45,000.00	43,573.50	462.50	964.00	
NJ Transportaion Trust Fund:						
Sked St. Reconstruction	267,000.00	267,000.00	267,000.00			
Total Capital Improvements - Excluded from "CAPS"	282,140.00	327,140.00	325,713.50	462.50	964.00	
Municipal Debt Service - Excluded from "CAPS":						
Payment of Bond Principal	240,000.00	240,000.00	240,000.00			
Interest on Bonds	110,900.00	110,900.00	94,128.37			16,771.63
Total Municipal Debt Service - Excluded from "CAPS"	350,900.00	350,900.00	334,128.37			16,771.63

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

		2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		964,909.39	1,417,960.37	1,375,244.48	20,867.96	5,076.30	16,771.63
Subtotal General Appropriations		3,129,461.89	3,581,012.87	3,192,724.56	107,439.64	264,077.04	16,771.63
Reserve for Uncollected Taxes		235,000.00	235,000.00	235,000.00			
Total General Appropriations		$ 3,364,461.89	3,816,012.87	$ 3,427,724.56	$ 107,439.64	$ 264,077.04	16,771.63
	Ref.	A-2		A-1	A,A-1	A, A-1	
Adopted Budget	A-2		3,364,461.89				
Emergency Appropriations	A-1,A-6		45,800.00				
Added by N.J.S.A. 40A:4-87	A-2		405,750.98				
			3,816,012.87				
Disbursed	A-4			$ 2,515,141.61			
Reserve for Uncollected Taxes	A-2			235,000.00			
Public & Private Programs Approp.	A-2			677,582.95			
				$ 3,427,724.56			

Note: See Notes to Financial Statements

Exhibit - B

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

ASSETS	REF.	BALANCE DEC. 31,2011	BALANCE DEC. 31,2010
Animal Control Fund:			
Cash - Treasurer	B-1	$ 6,611.98	$ 3,057.16
Total Animal Control Fund		6,611.98	3,057.16
Trust-Other Fund:			
Cash - Treasurer	B-1	975,618.69	838,877.72
Amounts Held by Plan Administrator-LOSAP (Unaudited)		411,799.14	364,456.54
Total Trust-Other Fund		1,387,417.83	1,203,334 26
		$ 1,394,029.81	$ 1,206,391.42

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31,2011	BALANCE DEC. 31,2010
Animal Control Fund:			
Due to Current Fund		$ 3,309.48	$ 9.96
Reserve to Pay Animal Control Fund Expenditures	B-1	3,302.50	3,047.20
Total Animal Control Fund		6,611.98	3,047.20
Trust-Other Fund:			
Reserve for:			
Unemployment Claims	B-1	26,200.89	21,852.15
Affordable Housing (COAH)	B-1	354,672.28	343,601.91
Recreation Funds	B-1	1,712.49	1,676.29
Law Enforcement Trust	B-1	3,172.99	3,152.66
Public Defender	B-1	200.00	130.00
Shade Tree	B-1	1,290.00	1,290.00
POAA	B-1	1,230.00	1,204.00
Verizon	B-1	100.00	100.00
Police Donations (Bellisfield)	B-1	6,112.60	2,012.60
Tax Sale Premium	B-1	65,300.00	5,100.00
Open Space Preservation Trust	B-1	472,735.49	420,208.56
Reserve for LOSAP Plan (Unaudited)		411,799.14	364,456.54
Developer Escrow Funds	B-1	42,891.95	38,549.55
Total Trust-Other Fund		1,387,417.83	1,203,334.26
		$ 1,394,029.81	$ 1,206,381.46

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2011 AND 2010

ASSETS	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Cash and Investments - Treasurer	C-2	$ 160,979.91	$ 150,839.91
Due from Grant Fund	C-5		40,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	2,148,000.00	2,388,000.00
Unfunded	C-6	593,623.97	593,623.97
		$ 2,902,603.88	$ 3,172,463.88

LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-8	$ 2,148,000.00	$ 2,388,000.00
Improvement Authorizations:			
Funded	C-7	136,976.81	136,976.81
Unfunded	C-7	593,100.00	593,100.00
Capital Improv. Fund	C-9	20,018.45	49,878.45
Fund Balance	C-1	4,508.62	4,508.62
		$ 2,902,603.88	$ 3,172,463.88

There were Bonds and Notes Authorized but not Issued on December 31, 2011 in the amount of $593,623.97 (Exhibit C-10).

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, 2011

	REF.	
Balance - December 31, 2010	C	$4,508.62
Balance - December 31, 2011	C	$4,508.62

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, 2011 AND 2010

ASSETS	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Operating Fund:			
Cash and Investments - Treasurer	D-4	$ 215,064.30	$ 167,004.39
Due from Water & Sewer Capital Fund	D-7		24,895.00
		215,064.30	191,899.39
Receivables With Full Reserves:			
Consumer Accounts Receivable	D-6	90,999.53	111,442.19
		90,999.53	111,442.19
Total Operating Fund		306,063.83	303,341.58
Capital Fund:			
Cash and Investments - Treasurer	D-4	17,197.04	448,803.77
Fixed Capital	D-9	5,562,138.20	5,562,138.20
Fixed Capital - Authorized and Uncompleted	D-10	676,749.60	676,749.60
Total Capital Fund		6,256,084.84	6,687,691.57
		$ 6,562,148.67	$ 6,991,033.15

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-3, D-11	$ 96,657.44	$ 48,884.97
Reserve for Encumbrances	D-3	32,729.91	56,736.81
Accounts Payable	D-12	10,772.50	10,772.50
Rent Overpayments	D-8	883.11	800.67
Accrued Interest on Bonds & Notes	D-13	29,698.10	36,689.84
		170,741.06	153,884.79
Reserve for Receivables	Reserve	90,999.53	111,442.19
Fund Balance	D-1	44,323.24	38,014.60
Total Operating Fund		306,063.83	303,341.58
Capital Fund:			
Serial Bonds Payable	D-19	2,261,000.00	2,416,000.00
Improvement Authorizations			
Funded	D-14	45,088.82	70,088.82
Unfunded	D-14	716,194.71	730,849.04
Due to Water & Sewer Operating Fund	D-16		24,895.00
Reserve for Encumbrances	D-14	46,860.60	413,918.00
Capital Improvement Fund	D-15	123.55	123.55
Reserve for Amortization	D-17	3,158,305.16	3,003,305.16
Deferred Reserve for Amortization	D-18	28,512.00	28,512.00
Total Capital Fund		6,256,084.84	6,687,691.57
		$ 6,562,148.67	$ 6,991,033.15

There were Bonds and Notes Authorized but not Issued at December 31, 2011 in the amount of $791,070.64 (Exhibit D-20).

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-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2011	YEAR 2010
Fund Balance	D-1, D-2	$ 38,014.50	$ 61,750.00
Water and Sewer Rents	D-6	1,137,229.00	1,117,296.45
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-2,D-4	4,988.35	4,022.30
Interest on Investments	D-2,D-4	2,437.30	7,364.00
Water Connection Fees			9,731.88
Stonybrook Rebate	D-2,D-4	6,373.00	
Miscellaneous	D-2,D-4	313.15	2,671.91
Unexpended Balance of Approp. Reserves	D-12	56,900.53	33,118.31
Total Revenues		1,246,255.83	1,235,954.85
EXPENDITURES			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-3	185,475.00	199,125.00
Other Expenses	D-3	726,875.45	735,029.00
Debt Service	D-3	231,249.74	207,107.37
Statutory Expenditures	D-3	58,332.50	50,743.00
Refunds of Prior Year Revenues			5,939.16
Total Expenditures		1,201,932.69	1,197,943.53
Excess in Revenues		44,323.14	38,011.32

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, 2011 AND 2010

Excess brought forward		$ 44,323.14	$ 38,011.32
FUND BALANCE			
Balance - January 1	D	38,014.60	61,753.28
		82,337.74	99,764.60
Decreased by:			
Utilization as Anticipated Revenue	D- 1	38,014.50	61,750.00
Balance - December 31	D	$ 44,323.24	$ 38,014.60

Note: See Notes to Financial Statements

Exhibit - D-2

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	REF.	2011 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance	D-1	$ 38,014.50	$ 38,014.50	$
Water and Sewer Rents	D-1,D-6	1,117,296.45	1,117,296.45	
Additional Water & Sewer Rents	D-1,D-6	33,072.00	19,932.55	(13,139.45)
Water and Sewer Connection Fees		9,700.00		(9,700.00)
Interest on Delinquencies	D-1,D-4	4,000.00	4,988.35	988.35
Interest on Investments	D-1,D-4	2,600.00	2,437.30	(162.70)
		$ 1,204,682.95	$ 1,182,669.15	$ (22,013.80)
	Ref.	D-3	D-1	

Note: See Notes to Financial Statements

Exhibit - D-3

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

		2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operating:							
Salaries and Wages		$ 185,475.00	$ 185,475.00	$ 177,907.50	$	$ 7,567.50	$
Other Expenses		222,000.00	221,250.00	124,460.52	31,531.11	65,258.37	
Sewer Service Fee		303,475.45	304,225.45	304,189.01		36.44	
Group Insurance		155,000.00	155,000.00	134,459.19		20,540.81	
Workers' Compensation Insurance		28,800.00	28,800.00	28,747.00		53.00	
Liability Insurance		17,600.00	17,600.00	17,537.48		62.52	
Debt Service:							
Payment of Bond Principal		155,000.00	155,000.00	155,000.00			
Interest on Bonds		79,000.00	79,000.00	76,249.74			2,750.26
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System		40,332.50	40,332.50	40,332.50			
Social Security System (O.A.S.I.)		18,000.00	18,000.00	13,662.40	1,198.80	3,138.80	
Total Water & Sewer Utility Appropriations		$ 1,204,682.95	$ 1,204,682.95	$ 1,072,545.34	$ 32,729.91	$ 96,657.44	$ 2,750.26
	Ref.	D-2		D-1	D,D-1	D, D-1	
Disbursed	D-4			$ 996,295.60			
Accrued Interest on Bonds and Notes	D-13			76,249.74			
				$ 1,072,545.34			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2011 AND 2010

ASSETS	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Cash and Investments - Treasurer	$ 9,132.15	$ 8,614.02
	$ 9,132.15	$ 8,614.02
LIABILITIES, RESERVES AND FUND BALANCE		
Payroll Deductions Payable	$ 9,132.15	$ 8,614.02
	$ 9,132.15	$ 8,614.02

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS (UNAUDITED)
DECEMBER 31,2011 AND 2010

	2011	2010
General Fixed Assets:		
Land	$ 706,150.00	$ 706,150.00
Buildings	1,970,980.00	1,970,980.00
Equipment, Furniture & Fixtures	668,517.14	668,517.14
Total General Fixed Assets	$ 3,345,647.14	$ 3,345,647.14
Investment in General Fixed Assets	$ 3,345,647.14	$ 3,345,647.14

Note: See Notes to Financial Statements

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

The accounting policies of the Borough of Pennington conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Pennington accounts for its financial transactions through the following separate funds:

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

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

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

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

B. Description of Funds (Cont'd.)

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

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

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

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

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

C. Basis of Accounting

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

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

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

C. Basis of Accounting (Cont'd.)

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

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

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

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may 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, 2011 and 2010, is unaudited.

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

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.

GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 2919, which does not conflict with or contradict GASB pronouncements (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" in June 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" in June 2011. The Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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

Comparative Data

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

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	YEAR 2011	YEAR 2010
Issued:		
General:		
Bonds & Notes	$ 2,148,000.00	$ 2,388,000.00
Water & Sewer Util:		
Bonds & Notes	2,261,000.00	2,416,000.00
Total Debt Issued	4,409,000.00	4,804,000.00
Net Debt Issued	4,409,000.00	4,804,000.00
Authorized but not Issued:		
General:		
Bonds & Notes	593,623.97	593,623.97
Water & Sewer Util:		
Bonds & Notes	791,070.64	791,070.64
Total Authorized but not Issued	1,384,694.61	1,384,694.61
Net Bonds & Notes Issued and Authorized but not Issued	$ 5,793,694.61	$ 6,188,694.61

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

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

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2011 and 2010:

	2011	2010
General Debt:		
$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%	$ 830,000.00	$ 920,000.00
$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%	170,000.00	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	1,148,000.00
Total General Debt	2,148,000.00	2,388,000.00
Utility Debt:		
$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%	895,000.00	1,050,000.00
$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	1,366,000.00
Total Utility Debt	2,261,000.00	2,416,000.00
Total Debt Issued and Outstanding	$ 4,409,000.00	$ 4,804,000.00

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, 2011:

General Improvement Debt:	AMOUNT ISSUED	AMOUNT OUTSTANDING	INTEREST RATE	FINAL MATURITY
General Improvement Refunding Bonds of 2004	2,125,000.00	$ 830,000.00	2.5-4.0%	2019
2004 Pension Refunding Bonds of 2004	320,000.00	170,000.00	4.65-5.2%	2013
General Improvement Refunding Bonds of 2010	1,148,000.00	1,148,000.00	2.25-4.0%	2030
Total Bonded General. Improv. Debt		2,148,000.00		
Utility Debt:				
Water & Sewer Refunding Bonds of 2004	1,775,000.00	895,000.00	2.5-4.0%	2019
Water & Sewer Refunding Bonds of 2010	1,366,000.00	1,366,000.00	2.25-4.0%	2030
Total Bonded Utility Debt		2,261,000.00		
Total Bonded Debt Issued and Outstanding		$ 4,409,000.00		

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

2011	Gross Debt	Deductions	Net Debt
Regional School District Debt	$3,937,250.48	$3,937,250.48	$
Water & Sewer Utility Debt	3,052,070.64	2,811,865.84	240,204.80
General Debt	2,741,623.97		2,741,623.97
	$9,730,945.09	$6,749,116.32	$2,981,828.77

Net Debt $2,981,828.77 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $505,098,420.67 = 0.59%.

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

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

2011
Equalized Valuation Basis

2009 Equalized Valuation Basis of Real Property	522,779,603.00
2010 Equalized Valuation Basis of Real Property	501,439,010.00
2011 Equalized Valuation Basis of Real Property	491,076,649.00
Average Equalized Valuation	$ 505,098,420.67

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

3 1/2% of Equalized Valuation Basis Municipal	17,678,444.72
Net Debt	2,981,828.77
Remaining Borrowing Power	$ 14,696,615.95

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:

2010	Gross Debt	Deductions	Net Debt
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	2,981,623.97		2,981,623.97
	$10,412,841.56	$7,431,217.59	$2,981,623.97

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%.

Equalized Valuation Basis

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	501,439,010.00
Average Equalized Valuation	$ 512,964,262.00
3 1/2% of Equalized Valuation Basis Municipal	17,953,749.17
Net Debt	$2,981,623.97
Remaining Borrowing Power	$ 14,972,125.20

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		$	1,189,355.30
Deductions:			
Operating & Maintenance Cost	970,682.95		
Debt Service Per Water & Sewer Acct.	231,249.74		
Total Deductions			1,201,932.69
Excess/(Deficit) in Revenues		$	(12,577.39)

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/ (Deficit) in Revenues - Cash Basis (D-1)		$	44,323.14
Less:			
Unexpended Balance of Appropriation Reserves	56,900.53		
			56,900.53
Excess/ (Deficit) in Revenues		$	(12,577.39)

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.	207,107.37	
Total Deductions		1,192,004.37
Excess in Revenues		$ 10,832.17

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	5,939.16	
		5,939.16
		43,950.48
Less:		
Unexpended Balance of Appropriation Reserves	33,118.31	
		33,118.31
Excess in Revenues		$ 10,832.17

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

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

Calendar Year	General		Water and Sewer Utility		
	Principle	Interest	Principle	Interest	Total
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
	$ 2,148,000.00	$ 606,764.39	$ 2,261,000.00	$ 631,260.64	$ 5,647,025.03

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, 2011 and 2010 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2011 and 2010 were as follows:

	Balance December 31, 2011	Utilized in 2012 Budget	Balance December 31, 2010	Utilized in 2011 Budget
Current Fund	$235,534.41	$100,000.00	$555,625.94	$320,091.53
Water and Sewer Operating Fund	44,323.14	44,087.60	38,014.60	38,014.50

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 that $25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

At December 31, 2011 and 2010, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	2011	2010
Cash (Demand Accts.)	$2,142,637.75	$2,671,467.40
Change Funds (On-Hand)	115.00	115.00
Total	$2,142,752.75	$2,671,582.40

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 $2,142,637.75 and the book balance was $2,095,721.63. Of the bank balance, $295,110.80 was covered by Federal depository insurance and $1,847,527.25 was covered under the provisions of NJGUDPA.

At December 31, 2011, 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.

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, 2011, 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.

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, 2011, 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, 2011 and 2010, exclusive of contributions from employees were $80,665 and $65,486, respectively for PERS and $93,625 and $72,982 respectively for PFRS. The contributions for PERS and PFRS for 2012 are $84,531 and $72,050 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 SHPB'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, 2011 and 2010 were $48,019.80 and $44,878.56 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, 2011. 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, 2011:

Fund:	Interfund Receivables	Interfund Payables
Current Fund	$313,309.48	$0.00
Grant Fund		310,000.00
Animal Control Fund	0.00	3,309.48
Totals	$313,309.48	$313,309.48

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 2011 were charged to the 2011 Municipal Budget.

Note 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

	Resulting In 2011	Balance to Succeeding Budgets
Current Fund:		
Emergency Appropriation	$800.00	$800.00
Operating Deficit	99,416.68	99,416.68
Total	$100,216.68	$100,216.68

Note 17: SUBSEQUENT EVENTS

The following bond ordinance were authorized:

Description	Bonds/Notes Authorized
Roadway Improvements – Safe Routes To School	$325,000

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART II

SUPPLEMENTARY SCHEDULES

Current Fund

Exhibit - A-4

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	CURRENT FUND		GRANT FUND	
Balance - December 31, 2010	A		$910,033.84		$ 39,440.72
Increased by Receipts:					
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	20,500.00			
Due from State of NJ - Homestead Rebate		72,171.89			
Taxes Receivable	A-7	11,487,560.71			
Tax Overpayments	A-15	11,757.06			
Revenue Accounts Receivable	A-10	575,351.32			
Interfund Loans Received/Returned	A-12, A-18	45,009.96		310,000.00	
Prepaid Property Taxes	A-14	112,937.24			
Various Payables and Reserves	A-16	4,847.27			
State and Federal Grants Receivable	A-17			387,952.07	
State and Federal Grants - Unappropriated	A-20			4,239.74	
			12,330,135.45		702,191.81
			$13,240,169.29		$741,632.53
Decreased by Disbursements:					
Budget Expenditures	A-3	2,515,141.61			
2010 Appropriation Reserves	A-13	148,940.41			
Interfund Loans Disbursed/Returned	A-12, A-18	310,000.00		40,000.00	
Refund of Prior Years Revenues	A-1	5,026.66			
Tax Overpayments	A-15	18,250.37			
Various Payables and Reserves	A-16	5,916.00			
Reserve for State and Federal Grants Appropriated	A-19			670,464.74	
Taxes Payable	A-11	9,556,944.40			
			12,560,219.45		710,464.74
Balance - December 31, 2011	A		$679,949.84		$ 31,167.79

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

DEPARTMENT		BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
Tax Collector		$115.00	$115.00
		$115.00	$115.00
	Ref.	A	A

Exhibit - A-6

SCHEDULE OF DEFERRED CHARGES

	AMOUNT RESULTING IN 2011	REFUNDED BY ORDINANCE	BALANCE DEC. 31, 2011
Emergency			
Purchase of Chipper	$ 45,000.00	$ 45,000.00	$ -
Losap	800.00		800.00
Operating Deficit	99,416.68		99,416.68
	$ 145,216.68	$ 45,000.00	$ 100,216.68
Ref.	A-1,A-3	A-12	A

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

YEAR	BALANCE DEC. 31,2010	2011 LEVY	COLLECTIONS BY CASH 2010	COLLECTIONS BY CASH 2011	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	HOMESTEAD REBATE	OVERPAYMENT APPLIED	BALANCE DEC. 31,2011
2010	216,463.44	7,588.38		224,051.82					
	216,463.44	7,588.38		224,051.82					
2011		11,665,997.18	63,196.82	11,263,508.89	19,099.32	17,058.78	72,171.89	22.09	230,939.39
	$216,463.44	$11,673,585.56	$63,196.82	$11,487,560.71	$19,099.32	$17,058.78	$72,171.89	$22.09	$230,939.39
Ref.	A	Reserve	A-2, A-14	A-2, A-4	A-2, A-8	Reserve	A-2,A-4	A-2, A-15	A

Analysis of 2011 Property Tax Levy:

	Ref.		
Tax Yield:			
General Purpose		11,516,556.18	
Special District Taxes		149,441.00	
			$11,665,997.18
Tax Levy:			
Regional School Tax (Abstract)	A-11	6,816,349.88	
Special District Tax	A-11	149,441.00	
County Tax (Abstract)	A-11	2,435,914.17	
County Open Space Tax (Abstract)	A-11	100,300.77	
Added County Tax	A-11	2,093.36	
			9,504,099.18
Local Open Space Tax	A-2,A-1	49,813.57	
Local Tax for Mun. Purposes (Abstract)	A-2	2,100,518.00	
Add: Additional Tax Levied		11,566.43	
			2,161,898.00
			$11,665,997.18

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

	REF.		
Balance - December 31, 2010	A		
Due from State of New Jersey			$745.00
Increased by:			
Collection	A-4	20,500.00	
			20,500.00
			21,245.00
Decreased by:			
Allowable Deductions Per Tax Billings (Abstract)	A-8	20,500.00	
2010 DeductionsDisallowed by Collector	A-8	1,400.68	
			21,900.68
Balance - December 31, 2011			
Due to State of New Jersey	A		$655.68

Analysis of Realized Revenue for 2011:

Deductions Allowed Per Tax Billings	A-8	20,500.00	
2011 Deductions Disallowed by Collector	A-8	1,400.68	
			$19,099.32
Realized as Revenue - 2011	A-7		$19,099.32

Exhibit - A-9

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

	REF.	
Balance - December 31, 2010	A	$17,810.00
Balance - December 31, 2011	A	$17,810.00

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

Anticipated Miscellaneous Revenues:	REF.	BALANCE DEC. 31, 2010	ACCRUED IN 2011	COLLECTED	BALANCE DEC. 31, 2011
Fees and Permits	A-2	$	$ 15,464.00	$ 15,464.00	$
Fines and Costs - Municipal Court	A-2	4,407.74	65,321.86	66,735.08	2,994.52
Interest and Costs on Taxes	A-2		55,728.51	55,728.51	
Interest on Investments and Deposits	A-2		10,269.63	10,269.63	
Trash Collection Fees	A-2		37,448.13	37,448.13	
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		48,099.00	48,099.00	
Administrative Charge to Library	A-2		4,000.00	4,000.00	
Verizon/Comcast Franchise Fee	A-2		29,687.13	29,687.13	
Interlocal Agreement - Hopewell Boro/Twp.	A-2		4,326.40	4,326.40	
Miscellaneous Revenue Not Anticipated	A-2		116,012.44	116,012.44	
		$ 4,407.74	$ 573,938.10	$ 575,351.32	$ 2,994.52
	Ref.	A	Reserve	A-4	A

Exhibit A-11

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	01/01/11	Taxes Levied	Cash Disbursements	12/31/11
County - General	$ -	$ 2,435,914.17	$ (2,435,914.17)	$ -
County - Open Space	-	100,300.77	(100,300.77)	-
County - Added & Omitted	5,125.01	2,093.36	(5,125.01)	2,093.36
Regional School Taxes		6,816,349.88	(6,816,349.88)	-
Local Open Space	-	49,813.57	(49,813.57)	-
Fire Districts		149,441.00	(149,441.00)	-
Total	$ 5,125.01	$ 9,553,912.75	$ (9,556,944.40)	$ 2,093.36
Ref.	A	A-1,A-2,A-7	A-4	A

Due to Open Space Fund

Exhibit A-12

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	01/01/11	Cash Receipts	Cash Disbursements	Adjustments	12/31/11
Interfunds:					
Grant Fund			$ (310,000.00)		$ (310,000.00)
General Capital Fund		$ 45,000.00		(45,000.00)	
Animal Control Trust Fund	(9.96)	9.96		(3,309.43)	(3,309.43)
Interfunds Receivable	(9.96)				(310,000.00)
Total	$ (9.96)	$ 45,009.96	$ (310,000.00)	$ (48,309.43)	$ (313,309.43)
Ref.	A	A-4	A-4		A

A-6	$45,000.00
Reserve	3,309.43
	$ 48,309.43

SCHEDULE OF 2010 APPROPRIATION RESERVES

	BALANCE DEC. 31 2010	ENCUMBERED DEC. 31, 2010	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
Inside "CAPS":					
Financial Administrator	$ 1,987.26	$	$ 1,987.26	$	$ 1,987.26
Assessment of Taxes	407.22		407.22		407.22
Collection of Taxes	774.36		774.36		774.36
Borough Clerk	2,399.74		2,399.74		2,399.74
Municipal Prosecutor	84.40		84.40		84.40
Public Buildings and Grounds	222.64		222.64		222.64
Planning and Zoning	726.60		726.60		726.60
Shade Tree	0.73		0.73		0.73
Police	23,231.02		23,231.02	22,209.80	1,021.22
Road Repair and Maintenance	524.83		524.83		524.83
Garbage & Trash Removal	4,072.88		4,072.88	685.50	3,387.38
Recreation	0.12		0.12		0.12
Construction Code Official	19.81		19.81		19.81
Municipal Court	53.95		53.95		53.95
Total Salaries and Wages	34,505.56		34,505.56	22,895.30	11,610.26
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	9.01	2,317.00	2,326.01	817.00	1,509.01
Elections	290.00		290.00		290.00
Financial Administration	365.92	49.00	414.92	110.50	304.42
Revision of Tax Map	335.56	863.20	1,198.76	1,198.76	
Assessment of Taxes	584.28		584.28		584.28
Collection of Taxes	90.82	23.68	114.50	23.68	90.82
Mayor and Council	135.01	64.99	200.00		200.00
Borough Clerk	1,684.11	1,118.87	2,802.98	1,118.87	1,684.11
Municipal Court	1,626.11	239.56	1,865.67	421.56	1,444.11
Public Defender	150.00		150.00		150.00
Legal Services & Costs	3,557.66	3,341.62	6,899.28	3,341.62	3,557.66
Engineering Services and Costs	79,653.05	12,076.65	91,729.70	86,572.36	5,157.34
Public Buildings and Grounds	1,959.93	1,043.85	3,003.78	1,543.85	1,459.93
Planning and Zoning Board	1,000.00	392.34	1,392.34	427.34	965.00
Shade Tree	2,814.86	2,315.00	5,129.86	2,265.00	2,864.86
Police	825.91	4,411.52	5,237.43	3,614.04	1,623.39
Road Repair and Maintenance	3,150.48	12,739.68	15,890.16	10,307.08	5,583.08
Street Lighting	2,803.93	2,995.33	5,799.26	2,995.33	2,803.93
Garbage & Trash Removal	3,577.79	11,205.93	14,783.72	11,193.93	3,589.79
Board of Health	150.00		150.00		150.00
Recreation	3.74	2,225.00	2,228.74	1,735.00	493.74

SCHEDULE OF 2010 APPROPRIATION RESERVES

	BALANCE DEC. 31 2010	ENCUMBERED DEC. 31, 2010	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Inside "CAPS":					
Celebration of Public Events	$ 0.16	$	$ 0.16	$	$ 0.16
Environmental Commission	275.00		275.00		275.00
Economic Development Commission	742.50		742.50		742.50
Constr. Code Official	355.04		355.04		355.04
Telephone	153.53	1,053.16	1,206.69	1,053.16	153.53
Natural Gas	5,732.34	1,931.46	7,663.80	1,931.46	5,732.34
Electricity	4,132.01	35.48	4,167.49	35.48	4,132.01
Gasoline & Lubricants	4,000.20	1,603.85	5,604.05	1,603.85	4,000.20
Social Security	98.38	1,158.00	1,256.38	1,158.00	98.38
Group Plan for Employees	3,813.54		3,813.54		3,813.54
Surety Bonds	196.51		196.51		196.51
Other Expenses:					
Out of "CAPS":					
First Aid LOSAP Contribution	0.87		0.87		0.87
Emergency 911 Dispatch	0.36		0.36		0.36
Health Services	0.29		0.29		0.29
Recreation	3,120.00		3,120.00		3,120.00
Recycling Agreement	226.52		226.52		226.52
Janitorial Services	274.40	1,584.00	1,858.40	1,584.00	274.40
Senior Service Coordinator	3,640.00		3,640.00		3,640.00
Free Public Library-Maintenance	5,188.78	7,179.26	12,368.04	12,368.04	
Total Other Expenses	136,718.60	71,968.43	208,687.03	147,419.91	61,267.12
Total Operations	$ 171,224.16	$ 71,968.43	$ 243,192.59	$ 170,315.21	$ 72,877.38
Ref.	A	A			A-1

	Ref.	
Disbursed	A-4	$148,940.41
Accounts Payable	A-16	21,374.80
		$170,315.21

Exhibit - A-14

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	REF.		
Balance - December 31, 2010	A		$63,196.82
Increased by:			
2012 Taxes Prepaid	A-4		112,937.24
			176,134.06
Decreased by:			
Applied to 2011 Taxes Receivable	A-7		63,196.82
Balance - December 31, 2011	A		$112,937.24

Exhibit - A-15

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	REF.		
Balance - December 31, 2010	A		$6,687.18
Increased by:			
Cash Received	A-4		11,757.06
			18,444.24
Decreased by:			
Refunded	A-4	18,250.37	
Applied to 2011 Taxes Receivable	A-7	22.09	
			18,272.46
Balance - December 31, 2011	A		$171.78

Exhibit A-16

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

		1/1/11	Cash Receipts	Cash Disbursements	Adjustments	12/31/11
Accounts Payable:						
Vendor Accounts Payable		$ 7,739.93	$	$ (1,705.00)	$ 21,374.80	$ 27,409.73
Due to Taxpayer			250.00			250.00
Marriage License Filing Fees		50.00	175.00	(175.00)		50.00
Due to Fire District (FEMA)			980.27			980.27
State Training Fees		3,769.54	3,442.00	(4,036.00)		3,175.54
Subtotal		11,559.47	4,847.27	(5,916.00)	21,374.80	31,865.54
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		3,047.33				3,047.33
Subtotal		25,506.83	-	-	-	25,506.83
Total		$ 37,066.30	$ 4,847.27	$ (5,916.00)	$ 21,374.80	$ 57,372.37
	Ref.	A	A-4	A-4		A

Charged to Appropriation Reserves	A-13	$ 21,374.80
		$ 21,374.80

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-17

GRANT	BALANCE DEC. 31,2010	2011 BUDGET REVENUE REALIZED	TRANSFERRED FROM RESERVES	COLLECTED 2011	BALANCE DEC. 31,2011
N.J.D.O.T. - Transportation Trust Fund - 2006 (Brookside Ave.)	$70,283.77			35,738.51	$34,545.26
N.J.D.O.T. - Transportation Trust Fund - 2007 (Hale St.)	2,709.69				2,709.69
N.J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)	54,710.83				54,710.83
N.J.D.O.T. - Transportation Trust Fund - 2009 (King George Rd..)	352,000.00			182,242.50	169,757.50
N.J.D.O.T. - Transportation Trust Fund - 2010(Green Ave.)	290,000.00			96,836.99	193,163.01
N.J.D.O.T. - Transportation Trust Fund - 2011		267,000.00			267,000.00
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			67,383.09	152,616.91
Green Acres Planning Incentive		400,000.00			400,000.00
Body Armor Replacement		1,984.32	973.08	1,011.24	
Recycling Tonnage Grant		8,598.63	3,858.89	4,739.74	
Emergency Road Repair Fund	5,073.82				5,073.82
Green Communities Challenge Grant	2,700.00				2,700.00
	$ 1,011,832.61	$ 677,582.95	$ 4,831.97	$ 387,952.07	$ 1,296,631.52
Ref.	A	A-19	A-30	A-4	A

Exhibit A-18

GRANT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	01/01/11	Cash Receipts	Cash Disbursements	12/31/11
Interfunds:				
Current Fund		$ 310,000.00		$ 310,000.00
General Capital Fund	40,000.00		(40,000.00)	-
Interfunds Payable	40,000.00			310,000.00
Total	$ 40,000.00	$ 310,000.00	$ (40,000.00)	$ 310,000.00
Ref.	A	A-4	A-4	A

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

GRANT/AID PROGRAM	BALANCE DEC 31,2010	ENCUMBERED DEC 31,2010	TRANSFERRED FROM 2011 BUDGET	PAID OR CHARGED	ENCUMBERED DEC 31,2011	BALANCE DEC 31,2011
N.J.D.O.T. - Transportation Trust Fund - 2006 (Brookside Ave.)	$ 24,569 76	$	$	$ (9,975.50)	$	$ 34,545.26
N J.D.O.T. - Transportation Trust Fund - 2008 (Burd St.)	54,710 83					54,710 83
N.J.D.O.T. - Transportation Trust Fund - 2009 (Lower King George Rd.)	158,000.00	194,000.00		308,297.25	6,819.58	36,883 17
N J.D.O.T. - Transportation Trust Fund - 2010(Green Ave.)	290,000 00		267,000 00	176,380 37		380,619.63
Emergency Road Repair Fund	3,880.00					3,880.00
Clean Communities Program-2009	6,317 43	3,965.00		5,680.86		4,601.57
Sustainable Jersey Small Grant	1,000.00			997 00		3 00
Pennington School	2,863.35	11,136.65		7,353.13		6,646.87
Body Armor Replacement Fund	1,074.49					1,074 49
Forestry Grant	4,200 00					4,200 00
Drunk Driving Enforcement Grant	204.92					204.92
Green Communities Challenge Grant	2,735 00					2,735.00
Green Acres Planning Incentive			400,000 00			400,000.00
Body Armor Replacement Fund	646 51					646.51
Body Armor Replacement Fund-2010			973 08			973 08
Body Armor Replacement Fund-2011			1,011 24			1,011 24
Solid Waste Recycling Grant-2003	1,860 23					1,860.23
Pennington Day Grant	1,000.00					1,000 00
Safe Routes to Schools Grants	194,714 00	25,286 00		181,731 63	21,256.87	17,011 50
Municipal Alcohol Ed.	225 52					225.52
Municipal Alcohol Ed.-2009	278.46					278.46
Community Stewardship Program	4,359 50					4,359.50
NJDEP Stormwater Regulation	368.00					368 00
Special Legislative Grants:						
Cemetery Restoration	2,683.65					2,683.65
Alchol Ed Rehab	481.91					481 91
Recycling Tonnage Grant	1,732.08					1,732 08
Recycling Tonnage Grant	1,422.51					1,422.51
Recycling Tonnage Grant	2,880 32					2,880.32
Recycling Tonnage Grant	3,708 60					3,708.60
Recycling Tonnage Grant-2009	6,136.64					6,136.64
Recycling Tonnage Grant-2010			3,858.89			3,858.89
Recycling Tonnage Grant-2011			4,739.74			4,739 74
	$ 772,053.71	$ 234,387.65	$ 677,582 95	$ 670,464.74	$ 28,076.45	$ 985,483 12
Ref.	A	A	A-17	A-4	A	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

GRANTS	BALANCE DEC. 31,2010	COLLECTED 2011	APPLIED TO GRANTS RECEIVABLE	BALANCE DEC. 31,2011
Body Armor Replacement Fund	$ 973.08	$	$ 973.08	$
Clean Communities		4,239.74		4,239.74
Solid Waste Recycling	3,858.89		3,858.89	
	$ $4,831.97	$ $4,239.74	$ $4,831.97	$ $4,239.74
Ref.	A	A-4	A-17	A

Trust Fund

Exhibit B-1

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/10	Cash Receipts	Cash Disbursements	Adjustments	Balance 12/31/11
Animal Control:					
Due Current Fund	9.96		(9.96)	3,309.48	3,309.48
Due NJ - State License Fees		306.60	(306.60)		-
Animal Control Reserves	3,047.20	4,773.60	(1,208.82)	(3,309.48)	3,302.50
Total	3,057.16	5,080.20	(1,525.38)	-	6,611.98
Trust - Other Funds:					
Due from Current Fund					-
Unemployment Claims	21,852.15	35,120.15	(30,771.41)		26,200.89
Affordable Housing	343,601.91	11,070.37			354,672.28
Recreation Funds	1,676.29	920.00	(883.80)		1,712.49
Law Enforcement Trust	3,152.66	20.33			3,172.99
Public Defender	130.00	400.00	(330.00)		200.00
Shade Tree	1,290.00				1,290.00
POAA	1,204.00	26.00			1,230.00
Verizon	100.00				100.00
Tax Sale Premium	5,100.00	65,100.00	(4,900.00)		65,300.00
Police Donations	2,012.60	4,100.00			6,112.60
Open Space Preservation Fund	420,208.56	52,526.93			472,735.49
Developer Escrow Funds	38,549.55	20,314.66	(15,972.26)		42,891.95
Total	838,877.72	189,598.44	(52,857.47)	-	975,618.69
Total	841,934.88	194,678.64	(54,382.85)	-	982,230.67
Ref.	B				B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

Year	Amount
2009	1,677.70
2010	1,624.80
	$3,302.50

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

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

General Capital Fund

Exhibit - C-2

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	REF.		
Balance - December 31, 2010	C		$150,839.91
Increased by:			
Due from Grant Fund	C-5	40,000.00	
Capital Improvement Fund	C-9	15,140.00	
			55,140.00
			205,979.91
Decreased by:			
Improvement Authorizations	C-7	45,000.00	
			45,000.00
Balance - December 31, 2011	C		$160,979.91

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

		BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
	Fund Balance	$4,508.62	$ 4,508.62
	Capital Improvement Fund	49,878.45	20,018.45
	Due from Grant Fund	(40,000.00)	
	IMPROVEMENT AUTHORIZATIONS:		
Ord. No.	General Improvements:		
1994-9	Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
1995-9	Pub. Works Vehicles & Equip.		
2003-9	Var. Capital Improvements	43,489.34	43,489.34
2004-11	Amend Ord. 99-4 Purch. Of land Const. PW Building	66,765.81	66,765.81
2005	Acqui. Of PW Vehicles	2,110.13	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	19,873.53	19,873.53
		$150,839.91	$160,979.91
	Ref.	C-2	C-2

Exhibit - C-4

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

	Ref.	
Balance - December 31, 2010	C	$2,388,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-8	240,000.00
Balance - December 31, 2011	C	$2,148,000.00

Exhibit - C-5

SCHEDULE OF DUE FROM GRANT FUND
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2010	C	$40,000.00
Decreased by:		
Interfunds Returned	C-2	$40,000.00

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

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DEC.31, 2010	BALANCE DEC.31, 2011	ANALYSIS OF BALANCE DEC. 31,2011 EXPEND-ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System	$523.97	$523.97	$523.97	
2003-09	Var. Capital Improvements	593,100.00	593,100.00		593,100.00
	Ref.	$593,623.97	$593,623.97	$523.97	$593,100.00
		C	C		

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2010 FUNDED	BALANCE DEC. 31, 2010 UNFUNDED	2011 AUTHORIZATIONS	PAID OR CHARGED	BALANCE DEC. 31, 2011 FUNDED	BALANCE DEC. 31, 2011 UNFUNDED
	General Improvements:								
2003-09	Var. Capital Improvements		754,500.00	43,489.34	593,100.00			43,489.34	593,100.00
2004-11	Amend Ord. 99-4 Purch. Land Const. PW Bldg.		1,000,000.00	66,765.81				66,765.81	
2005-10	Acquisition of PW Vehicles		102,500.00	2,110.13				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	19,873.53				19,873.53	
2010-1	Acquistion of Wood Chipper	12/5/11	45,000.00			45,000.00	45,000.00		
				$ 136,976.81	$ 593,100.00	$ 45,000.00	$ 45,000.00	$ 136,976.81	$ 593,100.00
			Ref.	C	C	C-9	C-2	C	C

Exhibit - C-8

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Purpose	ORIGINAL ISSUE DATE	ORIGINAL ISSUE AMOUNT	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2011 DATE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2011 AMOUNT	INTEREST RATE	BALANCE DEC 31,2010	DECREASES	BALANCE DEC. 31,2011
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%	$920,000 00	90,000 00	830,000.00
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	150000	170,000.00
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
						$ 2,388,000.00	$ 240,000.00	$ 2,148,000.00
					Ref.	C	C-4	C

Exhibit - C-9

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	REF.	
Balance - December 31, 2010	C	$49,878.45
Increased by:		
Budget Appropriation	C-2	15,140.00
		65,018.45
Decreased by:		
Improvement Authorizations	C-7	45,000.00
Balance - December 31, 2011	C	$20,018.45

Exhibit - C-10

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31,2010	BALANCE DEC. 31,2011
276	Constr. Of Sanitary Sewer System	$ 523.97	$ 523.97
2003-09	Various Capital Improvements	593,100.00	593,100.00
		$ 593,623.97	$ 593,623.97
	Ref.		Footnote C

Water & Sewer Utility Fund

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	OPERATING FUND		CAPITAL FUND	
Balance - December 31, 2010	D		$ 167,004.39		$ 448,803.77
Increased by Receipts:					
Consumer Accounts Receivable	D-2,D-6	1,136,766.09			
Interest on Investments	D-1	2,437.30			
Stonybrook Rebate	D-1	6,373.00			
Interest on Delinquencies	D-1	4,988.35			
Miscellaneous	D-1	313.15			
Rent Overpayments	D-8	883.11			
Due from Sewer Capital Fund	D-7	24,895.00			
			1,176,656.00		
			1,343,660.39		448,803.77
Decreased by Disbursements:					
2011 Budget Expenditures	D-3	996,295.60			
2010 Appro. Reserve	D-11	48,721.25			
Overpayment Refunds	D-8	337.76			
Accrued Interest on Bonds, Notes and Loans	D-13	83,241.48			
Due to Water/Sewer Operating Fund	D-16			24,895.00	
Improvement Authorizations	D-14			406,711.73	
			1,128,596.09		431,606.73
Balance - December 31, 2011	D		$ 215,064.30		$ 17,197.04

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
	Capital Improvement Fund	123.55	123.55
	Due to Water/Sewer Operating	24,895.00	
	Reserve for Encumbrances	413,918.00	46,860.60
ORD. NO.	IMPROVEMENT AUTHORIZATIONS		
	Tank and Appurtenances, Replacement of Water Mains	(10,670.64)	(10,670.64)
526	Underground Tank Removal	23,835.20	23,835.20
03-08	Var. Water/Sewer Improv.	37,241.62	12,241.62
07-10	Acquisition of Backhoe	9,012.00	9,012.00
07-09	Var. Water/Sewer Improvements	(49,550.96)	(64,205.29)
		$ 448,803.77	$ 17,197.04
		D	D

( ) Denotes Deficit or Deduction

Exhibit - D-6

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	REF.		
Balance - December 31, 2010	D		$111,442.19
Increased by:			
Water and Sewer Utility Billings (Net)	Reserve		1,116,786.34
			1,228,228.53
Decreased by:			
Collected	D-4	1,136,766.09	
Overpayments Applied	D-8	462.91	
	D-1,D-5		1,137,229.00
Balance - December 31, 2011	D		$90,999.53

Exhibit - D-7

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

	REF.	
Balance - December 31, 2010	D	$24,895.00
Decreased by:		
Interfund Returned	D-4	$24,895.00

Exhibit - D-8

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

	REF.		
Balance - December 31, 2010	D		$800.67
Increased by:			
Cash Receipts	D-4		883.11
			1,683.78
Decreased by:			
Disbursed	D-4	337.76	
Applied to Rents Receivable	D-6	462.91	
			800.67
Balance - December 31, 2011	D		$883.11

Exhibit - D-9

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

ACCOUNT	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
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	2,682,151.39	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
	5,562,138.20	5,562,138.20
Ref.	D	D

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

Exhibit - D-10

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

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
	General Improvements:				
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	527.28	527.28
2003-08	Var. Improv. To Water/Sewer		404,500.00	62,136.62	62,136.62
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	604,966.92	604,966.92
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012.00	9,012.00
				$ 676,749.60	$ 676,749.60
			Ref.	D	D

Exhibit - D-11

SCHEDULE OF 2010 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31,2010	ENCUMBRANCES PAYABLE 12/31/10	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	$ 21,564.25	$	$ 21,564.25	685.50	$ 20,878.75
Other Expenses	18,806.55	55,580.01	74,386.56	46,878.95	27,507.61
Sewer Service Fee	0.01		0.01		0.01
Workers Compensation Insurance	5,335.33		5,335.33		5,335.33
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	3,178.83	1,156.80	4,335.63	1,156.80	3,178.83
	$ 48,884.97	$ 56,736.81	$ 105,621.78	$ 48,721.25	$ 56,900.53
Ref.	D	D		D-4	D-1

Exhibit - D-12

SCHEDULE OF ACCOUNTS PAYABLE
WATER AND SEWER UTILITY OPERATING FUND

	Ref.	
Balance - December 31, 2010	D	$ 10,772.50
Balance - December 31, 2011	D	$ 10,772.50

Exhibit - D-13

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

	REF.	
Balance - December 31, 2010	D	$ 36,689.84
Increased by:		
Accrued Interest Charged to:		
2011 Budget Appropriations	D-3	76,249.74
		112,939.58
Decreased by:		
Payment	D-4	83,241.48
Balance - December 31, 2011	D	$ 29,698.10

Analysis of Balance - December 31, 2011:

Principal Outstanding Dec. 31, 2011	Interest Rate	From	To	Period	Amount
180,000.00	3.000%	9/15/11	12/31/11	3.5 mos.	1,575.00
110,000.00	3.125%	9/15/11	12/31/11	3.5 mos.	1,002.60
105,000.00	3.375%	9/15/11	12/31/11	3.5 mos.	1,033.59
105,000.00	3.400%	9/15/11	12/31/11	3.5 mos.	1,041.25
105,000.00	3.500%	9/15/11	12/31/11	3.5 mos.	1,071.88
100,000.00	3.750%	9/15/11	12/31/11	3.5 mos.	1,093.75
100,000.00	4.000%	9/15/11	12/31/11	3.5 mos.	1,166.67
90,000.00	4.000%	9/15/11	12/31/11	3.5 mos.	1,050.09
55,000.00	2.250%	6/1/11	12/31/11	5.5 mos.	567.19
65,000.00	2.500%	6/1/11	12/31/11	5.5 mos.	744.79
70,000.00	2.500%	6/1/11	12/31/11	5.5 mos.	802.08
80,000.00	2.500%	6/1/11	12/31/11	5.5 mos.	916.67
90,000.00	2.750%	6/1/11	12/31/11	5.5 mos.	1,134.38
100,000.00	3.000%	6/1/11	12/31/11	5.5 mos.	1,375.00
115,000.00	3.000%	6/1/11	12/31/11	5.5 mos.	1,581.25
60,000.00	3.250%	6/1/11	12/31/11	5.5 mos.	893.75
60,000.00	3.250%	6/1/11	12/31/11	5.5 mos.	893.75
65,000.00	3.500%	6/1/11	12/31/11	5.5 mos.	1,042.71
65,000.00	3.625%	6/1/11	12/31/11	5.5 mos.	1,079.95
70,000.00	3.625%	6/1/11	12/31/11	5.5 mos.	1,163.02
70,000.00	3.750%	6/1/11	12/31/11	5.5 mos.	1,203.13
75,000.00	3.875%	6/1/11	12/31/11	5.5 mos.	1,332.03
75,000.00	3.875%	6/1/11	12/31/11	5.5 mos.	1,332.03
80,000.00	4.000%	6/1/11	12/31/11	5.5 mos.	1,466.67
85,000.00	4.000%	6/1/11	12/31/11	5.5 mos.	1,558.33
86,000.00	4.000%	6/1/11	12/31/11	5.5 mos.	1,576.55
$2,261,000.00					$29,698.10

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC 31, 2010 FUNDED	BALANCE DEC 31, 2010 UNFUNDED	RESERVE FOR ENCUMBRANCES DEC. 31, 2010	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC 31, 2011	BALANCE DEC 31, 2011 FUNDED	BALANCE DEC 31, 2011 UNFUNDED
	General Improvements									
526	Underground Tank Removal	5/2/94	50,000.00	23,835 20					23,835 20	
98-3	Improv To Water Supply System	9/8/98	600,000 00			527.28		527 28		
2003-8	Various Water & Sewer Utility Improvements		400,000.00	37,241 62				25,000.00	12,241 62	
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012 00					9,012 00	
2007-9	Various Various Water & Sewer Utility Improvements	11/15/07	1,200,000 00		730,849.04	413,390.72	406,711 73	21,333.32		716,194.71
				$ 70,088 82	$ 730,849 04	$ 413,918 00	$ 406,711 73	$ 46,860 60	$ 45,088 82	$ 716,194 71
			Ref	D	D	D	D-5	D	D	D

Exhibit - D-15

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

	REF.	
Balance - December 31, 2010	D	$123.55
Balance - December 31, 2011	D	$123.55

Exhibit - D-16

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

	REF.	
Balance - December 31, 2010	D	$24,895.00
Decreased by:		
Cash Disbursements	D-4	$24,895.00

Exhibit - D-17

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	REF.		
Balance - December 31, 2010	D		$ 3,003,305.16
Increased by:			
Serial Bonds Paid	D-19	155,000.00	
			155,000.00
Balance - December 31, 2011	D		$ 3,158,305.16

Exhibit - D-18

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
	General Improvements:		
2003-08	Var. Improv. To Water/Sewer	19,500.00	19,500.00
2007-10	Acquisition of Backhoe	9,012.00	9,012.00
		$ 28,512.00	$ 28,512.00
	Ref.	D	D

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2011 DATE	AMOUNT	INTEREST RATE	BALANCE DEC. 31, 2010	DECREASE	BALANCE DEC. 31, 2011
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000.00	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%	1,050,000.00	155,000.00	895,000.00
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%	1,366,000.00		1,366,000.00
						$2,416,000.00	$155,000.00	$2,261,000.00
					Ref.	D	D-17	D

Exhibit - D-20

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2011
	Tank and Appurtenances, Replacement of Water Mains	$10,670.64	$10,670.64
2007-9	Various Water & Sewer Utility Improvements	$780,400.00	780,400.00
		$791,070.64	$791,070.64
	Ref.		Footnote D

Payroll Fund

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2011 AND 2010

AGENCY/CATEGORY	BALANCE DEC.31, 2011	BALANCE DEC.31, 2010
PW Assoc. Fees	$8.18	$90.18
Health Benefits	900.92	
PERS	4,036.21	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	334.15	368.87
PFRS	1,762.11	2,095.46
PFRS Arrears	225.50	498.10
PFRS Loans	1,735.38	874.06
Colonial Penn Disability	135.23	613.16
	$9,132.15	$8,655.77

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

Length of Service Award Program (LOSAP) (Unaudited)

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
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, 2011 and 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 is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and practices prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
May 8, 2012

Exhibit - A

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
AS AT DECEMBER 31, 2011

	2011	2010
Assets		
Investments, at fair value	$411,799.14	$364,456.54
Total Assets	$411,799.14	$411,799.14
Net Assets		
Restricted	$411,799.14	$364,456.54
Total Net Assets	$411,799.14	$411,799.14

See Accompanying Notes and Independent Accountant's Review Report

Exhibit - B

SCHEDULE OF LENGTH OF SERVICE
AWARD PROGRAM (LOSAP) - (UNAUDITED)
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Restricted Net Assets:		
Contributions	$ 45,015.06	$ 41,900.70
Appreciation/(Investment Losses)	2,327.54	34,163.25
Withdrawals		(6,000.00)
Increase (Decrease) in Net Assets	47,342.60	70,063.95
Net Assets - Beginning of Year	364,456.54	294,392.59
Net Assets - End of Year	$ 411,799.14	$ 364,456.54

See Accompanying Notes and Independent Accountants Review Report

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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.

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.

Other Supplementary Data

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS DEC. 31,2011	MEMORANDUM ONLY TOTALS DEC. 31,2010
Cash and Investments	$ 711,232.63	$ 982,230.67	$ 160,979.91	$ 232,261.34	$ 9,132.15	$	$ 2,095,836.70	$ 2,566,786.53
Amounts Held by Plan Admin.		411,799.14					411,799.14	364,456.54
Accounts Receivable:								
State & Federal Grants Receivable	1,296,631.52						1,296,631.52	1,011,832.61
Taxes, Assessments, Liens & Utility Charges	230,939.39			90,999.53			321,938.92	327,905.63
Interfund Loans	313,309.48						313,309.48	64,904.96
Other Accounts Receivable	2,994.52						2,994.52	5,152.74
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						3,345,647.14	3,345,647.14	3,345,647.14
Fixed Capital - Utility				5,562,138.20			5,562,138.20	5,658,585.13
Fixed Capital - Authorized and Uncompleted - Utility				676,749.60			676,749.60	580,302.67
Deferred Charges to Revenue of Succeeding Years	100,216.68						100,216.68	
Deferred Charges to Future Taxation: General Capital Fund			2,741,623.97				2,741,623.97	2,981,623.97
	$ 2,673,134.22	$ 1,394,029.81	$ 2,902,603.88	$ 6,562,148.67	$ 9,132.15	$ 3,345,647.14	$ 16,886,695.87	$ 16,925,007.92

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS (UNAUDITED)	MEMORANDUM ONLY TOTALS DEC. 31,2011	MEMORANDUM ONLY TOTALS DEC. 31,2010
Bonds and Notes Payable	$	$	$ 2,148,000.00	$ 2,261,000.00	$	$	$ 4,409,000.00	$ 4,804,000.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	112,937.24						112,937.24	63,196.82
Tax, Assessment, Lien, License and Utility Charge Overpayments	171.78			883.11			1,054.89	7,487.85
Appropriation Reserves	264,077.04			96,657.44			360,734.48	220,109.13
Reserve for Encumbrances/ Accounts Payable	135,516.09			90,363.01			225,879.10	796,397.41
Other Liabilities	60,121.41	65,300.00		29,130.95	9,132.15		163,684.51	42,191.31
Amts. Pledged to Specific Purposes	989,722.86	1,282,528.38	20,018.45	123.55			2,292,393.24	2,069,958.98
Escrow Funds		42,891.95					42,891.95	38,549.55
Improvement Authorizations			730,076.81	761,283.53			1,491,360.34	1,492,465.12
Interfund Loans	310,000.00	3,309.48					313,309.48	64,904.96
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				3,186,817.16			3,186,817.16	3,031,817.16
Reserve for Certain Assets Acquired or Receivables & Inventories	565,053.39			90,999.53			656,052.92	350,133.33
Fund Balance	235,534.41		4,508.62	44,890.39			284,933.42	598,149.16
	$ 2,673,134.22	$ 1,394,029.81	$ 2,902,603.88	$ 6,562,148.67	$ 9,132.15	$ 3,345,647.14	$ 16,886,695.87	$ 16,925,007.92

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

Revenue and Other Income Realized	Year 2011 Amount	%	Year 2010 Amount	%
Fund Balance Utilized	$320,091.53	2.41	$284,323.00	2.23
Miscellaneous - From Other Than Local Property Tax Levies	1,325,811.65	9.98	1,005,981.72	7.90
Collection of Delinquent Taxes and Tax Title Liens	224,051.82	1.69	153,186.59	1.20
Collection of Current Tax Levy	11,417,999.01	85.93	11,294,886.82	88.67
Total Income	13,287,954.01	100.00	12,738,378.13	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	3,564,241.94	26.53	3,047,255.79	24.47
County Taxes	2,538,308.30	18.90	2,543,744.49	20.43
Local School Taxes	6,816,349.88	50.74	6,647,044.51	53.37
Fire District Taxes	149,441.00	1.11	152,608.00	1.23
Other Expenditures	364,829.57	2.72	63,255.08	0.51
Total Expenditures	13,433,170.69	100.00	12,453,907.87	100.00
Excess in Revenue	(145,216.68)		284,470.26	
Adj. to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	45,800.00			
Operating Deficit	99,416.68			
Fund Balance January 1	555,625.94		555,478.68	
	555,625.94		839,948.94	
Less:				
Utilization as Anticipated Revenue	320,091.53		284,323.00	
Fund Balance December 31	$235,534.41		$555,625.94	

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

Revenue and Other Income Realized	Year 2011 Amount	Year 2011 %	Year 2010 Amount	Year 2010 %
Fund Balance Utilized	38,014.50	3.05	61,750.00	5.00
Collection of Water and Sewer Rents	1,137,229.00	91.25	1,117,296.45	90.40
Miscellaneous - From Other Than Water and Sewer Rents	71,012.33	5.70	56,908.40	4.60
Total Income	1,246,255.83	100.00	1,235,954.85	100.00
Expenditures				
Budget Expenditures:				
Operating	912,350.45	75.94	934,154.00	77.98
Capital Improvements				
Debt Service	230,682.59	19.20	207,107.37	17.29
Deferred Charges and Statutory Expenditures	58,332.50	4.86	50,743.00	4.24
Other Expenditures			5,939.16	0.50
Total Expenditures	1,201,365.54	100.00	1,197,943.53	100.00
Statutory Excess to Fund Balance	44,890.29		38,011.32	
Fund Balance January 1	38,014.60		61,753.28	
	82,904.89		99,764.60	
Less:				
Utilization as Anticipated Revenue	38,014.50		61,750.00	
Fund Balance December 31	$44,890.39		$38,014.60	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2011	2010	2009
Tax Rate:	$2.298	$2.297	$2.140
Apportionment of Tax Rate:			
Municipal	0.422	0.422	0.422
Local Open Space	0.010	0.010	0.010
County	0.509	0.507	0.475
Regional School	1.327	1.328	1.203
Fire District	0.030	0.030	0.030
Assessed Valuation:			
2011			
2010		$498,135,705.00	
2009			$524,348,708.00

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Mercer County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be $20,500.00 for the year 2011.

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.

		CURRENTLY	
Year	Tax Levy	Cash Collections	Percentage of Collection
2011	$11,665,997.18	$ 11,417,999.01	97.87%
2010	11,525,527.85	11,294,886.82	98.00%
2009	11,240,055.81	11,018,994.24	98.03%

DELINQUENT TAXES AND TAX TITLE LIENS

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

Dec. 31 Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2011	$0.00	$230,939.39	230,939.39	1.98%
2010	0.00	216,463.44	216,463.44	1.88%
2009	0.00	153,186.59	153,186.59	1.36%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

Year	Amount
2011	$17,810.00
2010	17,810.00
2009	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

Year	Billings	*Collections
2011	$1,148,207.48	$1,117,296.45
2010	1,106,148.52	1,096,543.24
2009	1,135,161.68	1,126,871.04

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund	2011	$235,534.41	
	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
Water and Sewer Utility Operating Fund	2011	$44,890.39	
	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

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2011:

NAME	TITLE	AMOUNT OF BOND	NAME OF CORPORATE SURETY
Anthony Persichilli	Mayor		
Edwin Tucker	President of Council		
Glen Griffiths	Councilperson		
Eileen Heinzel	Councilperson		
Thomas Ogren	Councilperson		
Dina Dunn	Councilperson		
Alyce McClurg-Doldy	Councilperson		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer		
Wayne Blauth	Tax Collector, Tax Search Officer	$1,000,000.00	Mid Jersey JIF
Antoinette Sost	Tax Assessor		
Elizabeth Sterling	Registrar of Vital Statistics		
Eric Perkins	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		
Roberts Engineering Group	Borough Engineer		
William Meytrott	Public Safety Director		
Craig Hubert	Boro Prosecutor		

All of the above bonds were examined and properly executed.

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2011

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, 2011, 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, 2011, 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/remit cash receipts in or for the following offices/departments: Construction Code, Clerk, Police, Recreation, Court and Registrar of Vital Statistics/Board of Health.

The deficiency in internal control was 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 $17,500.00 except by contract or agreement."

On May 5, 2011, the Local Public Contracts Law was amended, effective for periods beginning on January 1, 2011. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby decreasing the amount to $17,500.00 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 $36,000.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed $17,500.00 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, 2011.

GENERAL COMMENTS

Interfund Balances

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

Fund	Interfunds Receivable	Interfunds Payable
Current Fund	$313,309.48	$0.00
Grant Fund		310,000.00
Animal Control Fund	0.00	3,309.48
Total	$313,309.48	$313,309.48

During 2011, a post-completion dispute regarding the eligibility of certain costs for a grant financed capital project delated the receipt of grant proceeds and forced the Borough to advance $310,000.00 of its current surplus to cover the negative cash flows spawned by the grant project. This in turn resulted in the reported operating deficit of $99,416.68. As the grant was expended in accordance with the approved specifications, any dispute should have been resolved by the grantor and regulators prior to authorizing the expenditure of funds.

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, 2011 and 2010.

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

Condition of Records – Payrolls

During 2011 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 good order.

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 during 2011. 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 2011 in the amount of $920.00. The amount of expenditures for dedicated recreation programs was $883.80 during 2011. This resulted in a net decrease in available funds of approximately $36.00. 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, 2011. A review of surety bond coverage as of December 31, 2011, 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 2011, 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 $1,246,255.83 and expenditures amounted to $1,201,365.54 resulting in excess revenues of $44,890.29. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in a deficit for debt statement purposes of $(12,010.24). A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

GENERAL COMMENTS

Compliance with Technical Accounting Directives

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

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

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

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

Compliance with Local Finance Notices

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

RECOMMENDATIONS

None

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ACKNOWLEDGMENT

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

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

Respectfully submitted,

HODULIK & MORRISON, P.A.

Robert S. Morrison
Registered Municipal Accountant
No. 412