

**BOROUGH OF DUNELLEN
MIDDLESEX COUNTY
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEAR
ENDED DECEMBER 31, 2011**

HODULIK & MORRISON, P.A.

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

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
<u>PART I</u>	1
Independent Auditor's Report	2 - 3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	4 - 5
<u>FINANCIAL STATEMENTS</u>	6
A Current Fund - Comparative Balance Sheet - Regulatory Basis - December 31, 2011 and 2010	7
A- 1 Current Fund - Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	8
A- 2 Current Fund - Statement of Revenues - Regulatory Basis	9 - 10
A- 3 Current Fund - Statement of Expenditures - Regulatory Basis	11 - 16
B Trust Fund - Comparative Balance Sheet - Regulatory Basis - December 31, 2011 and 2010	17
C General Capital Fund - Comparative Balance Sheet - Regulatory Basis - December 31, 2011 and 2010	18
C- 1 General Capital Fund - Statement of Fund Balance - Regulatory Basis	19
Notes to Financial Statements	20 - 35
<u>PART II - SUPPLEMENTARY SCHEDULES</u>	36
<u>Current Fund</u>	37
A- 4 Schedule of Current Fund Cash and Investments - Treasurer	38
A- 5 Schedule of Current Cash and Reconciliation Per N.J.S.A. 40A:4-5 - Treasurer	39
A- 6 Schedule of Change Funds - Collector	39
A- 7 Schedule of Due from State of New Jersey for Sr. Citizens and Veterans Deductions per Chapter 73, P.L. 1976	40
A- 8 Schedule of Property Taxes Receivable and Levy Analysis	41
A- 9 Schedule of Revenue Accounts Receivable	42
A-10 Schedule of 2010 Appropriation Reserves	43 - 47
A-11 Schedule of Reserve for Encumbrances	48
A-12 Schedule of Changes in Various Accounts Payable & Reserves	49
A-13 Schedule of Taxes Payable	50
A-14 Schedule of Interfunds	51
A-15 Schedule of Deferred Charges	52
A-16 Schedule of State and Federal Grants Receivable	53
A-17 Schedule of Due from Current Fund - Grant Fund	54
A-18 Schedule of State and Federal Grants - Appropriated - Grant Fund	55 - 57
A-19 Schedule of State and Federal Grants - Unappropriated - Grant Fund	58

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
<u>Trust Fund</u>	59
B- 1 Schedule of Cash and Reserve Activity	60
<u>General Capital Fund</u>	61
C- 2 Analysis of Cash and Investments	62
C- 3 Schedule of Due from Various Agencies - Grants Receivable	63
C- 4 Schedule of Deferred Charges to Future Taxation - Funded	63
C- 5 Schedule of Deferred Charges to Future Taxation - Unfunded	64 - 65
C- 6 Schedule of Interfunds	66
C- 7 Schedule of Capital Improvement Fund	66
C- 8 Schedule of Improvement Authorizations	67 - 68
C- 9 Schedule of Bond Anticipation Notes	69
C-10 Schedule of Infrastructure Trust Loan Payable	70
C-11 Schedule of Infrastructure Fund Loan Payable	70
C-12 Schedule of MCIA Lease Payable	71
C-13 Schedule of Bonds & Notes Authorized but not Issued	72 - 73
<u>PART III - SUPPLEMENTARY DATA</u>	74
Combined Balance Sheet - All Funds for the Year Ending December 31, 2011	75
Comparative Statement of Operations - Change in Fund Balance - Current Fund	76
Comparative Schedule of Tax Rate Information	77
Comparison of Tax Levies and Collection Currently	77
Delinquent Taxes and Tax Title Liens	78
Comparative Schedule of Fund Balances	78
Officials in Office and Surety Bonds	79
<u>PART IV - GENERAL COMMENTS AND RECOMMENDATIONS</u>	80
General Comments	81 - 88
Recommendations	89
Acknowledgment	89

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY



PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

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JO ANN BOOS, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Dunellen
County of Middlesex, New Jersey

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Borough of Dunellen, County of Middlesex, New Jersey, as of and for the year ended December 31, 2011 and the related statements of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for 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 following 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 – regulatory basis referred to in the first paragraph do not include the Statement of Governmental Fixed Assets, which should be included to conform with the basis of accounting described in Note 2. The amount that should be recorded for Governmental Fixed Assets is not known.

As described in Note 2, the Borough of Dunellen 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, 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. 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 Dunellen, County of Middlesex, 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 Dunellen, County of Middlesex, New Jersey as of December 31, 2011 the changes in its financial position, or where applicable, its cash flows of its proprietary funds for the year then ended.

Further, in our opinion, except for the effect on the financial statements of the omission of 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 Dunellen, County of Middlesex, New Jersey as of December 31, 2011 and the related statements of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements 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 July 20, 2012 on our consideration of the Borough of Dunellen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Dunellen, County of Middlesex, 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 Dunellen, County of Middlesex, 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 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, and 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.

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

Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
July 20, 2012

HODULIK & MORRISON

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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 Dunellen
County of Middlesex, New Jersey

We have audited the financial statements – regulatory basis of the Borough of Dunellen as of and for the year ended December 31, 2011, which collectively comprise the Borough of Dunellen’s financial statements and have issued our report thereon dated July 20, 2012. The Borough of Dunellen prepares its financial statements in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our report expressed a qualified opinion on the financial statements in conformity with this regulatory basis due to the omission of 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. 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 Dunellen is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Dunellen’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 Dunellen’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Dunellen’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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is 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 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 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Dunellen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the following instance of noncompliance that is 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: The Borough has not maintained its fixed asset accounting system.

We also noted other matters involving internal control over financial reporting that we have reported to management of the Borough of Dunellen in the General Comments section of the Report of Audit.

This report is intended solely for the information and use of the Mayor and Borough Council, management, Division of Local Government Services, Department of Community Affairs, State of New Jersey and federal and state awarding agencies 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
July 20, 2012

FINANCIAL STATEMENTS

**BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY**

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

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2011</u>	<u>BALANCE DEC. 31, 2010</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2011</u>	<u>BALANCE DEC. 31, 2010</u>
Current Fund:				Current Fund:			
Cash - Treasurer	A - 4	\$ 414,180.85	\$ 758,317.24	Liabilities:			
Cash - Change Fund - Collector	A - 6	100.00	100.00	Appropriation Reserves	A-3	\$ 165,399.46	\$ 122,612.94
Due from State of New Jersey - Sr. Cit. and Vets. Ded. per Ch. 73, P.L. 1976	A - 7	<u>48,650.97</u>	<u>39,754.28</u>	Prepaid Taxes	A - 8	77,439.93	65,196.71
		<u>462,931.82</u>	<u>798,171.52</u>	Tax Overpayments	A - 8	2,113.85	
Other Accounts Receivable				Reserve for Encumbrances	A - 11	57,182.05	34,504.49
Receivables With Full Reserves:				Due to State of N.J. - Var. Fees	A - 12	698.00	1,174.00
Delinquent Property Taxes Receivable	A - 8	283,056.84	272,134.44	Payroll Deductions Payable	A - 12	21,218.56	22,243.79
Revenue Accounts Receivable	A - 9	12,243.35	18,647.14	Accounts Payable	A - 12	32,797.23	74,298.07
Property Acquired for Taxes (at Assessed Valuation)	A - 8	118,000.00	118,000.00	Reserve for Prep. of Tax Maps	A - 12	200.00	200.00
Tax Title Liens Receivable	A - 8	10,518.84	8,715.74	Res. for Codification of Ordinances	A - 12	67.00	67.00
Due from General Capital Fund	A - 14	585,527.69	529,091.93	Fire Prevention Fees	A - 12	5,312.10	2,432.00
Due from Trust Other Fund	A - 14	<u>4,193.93</u>	<u>4,193.93</u>	Res. For Insurance Proceeds	A - 12	522.13	10,522.13
		<u>1,009,346.72</u>	<u>950,783.18</u>	Res. For Sale of Municipal Assets	A - 12	340.07	340.07
Deferred Charges				Reserve for Tax Appeals	A - 12	8,194.89	14,294.40
Special Emergency	A-15	<u>100,000.00</u>	<u>100,000.00</u>	Reserve for Master Plan	A - 12	1,309.18	1,309.18
				Reserve for Third Party Lien Redemptions	A - 12	22,862.25	57,857.86
Total Current Fund		<u>1,572,278.54</u>	<u>1,748,954.70</u>	Due to Grant Fund	A - 14	66,557.40	106,916.41
Grant Fund:				Due to Trust Other Fund	A - 14	69,226.96	69,226.96
Federal and State Grants Receivable	A- 16	\$ 308,195.26	\$ 307,119.54	Due to Animal Control Fund	A - 14	<u>5,363.33</u>	<u>4,368.03</u>
Due from Current Fund	A- 17	<u>66,557.40</u>	<u>106,916.41</u>			<u>536,804.39</u>	<u>518,337.08</u>
				Reserve for Receivables	Reserve	1,009,346.72	950,783.18
Total Grant Fund		<u>374,752.66</u>	<u>414,035.95</u>	Fund Balance	A - 1	<u>26,127.43</u>	<u>279,834.44</u>
		<u>\$ 1,947,031.20</u>	<u>\$ 2,162,990.65</u>	Total Current Fund		<u>1,572,278.54</u>	<u>1,748,954.70</u>
				Grant Fund:			
				Reserve for Encumbrances	A- 11	\$ 26,449.61	\$ 66,644.19
				Reserve for State and Federal Grants			
				Appropriated	A - 18	318,362.62	340,318.84
				Unappropriated	A - 19	<u>29,940.43</u>	<u>7,072.92</u>
				Total Grant Fund		<u>374,752.66</u>	<u>414,035.95</u>
						<u>\$ 1,947,031.20</u>	<u>\$ 2,162,990.65</u>

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DEC. 31, 2011 AND 2010

	<u>REF.</u>	<u>2011</u>	<u>2010</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-1,A-2	\$ 260,000.00	\$ 585,000.00
Miscellaneous Revenue Anticipated	A-2	1,450,660.19	1,374,801.71
Receipts from Delinquent Taxes	A-2	272,134.44	146,877.40
Receipts from Current Taxes	A-2	16,553,247.67	16,174,896.41
Non-Budget Revenue	A-2	114,678.87	26,129.79
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-10	27,976.76	113,600.34
Cancel Accounts Payable	A-12	38,374.36	
		<u>18,717,072.29</u>	<u>18,421,305.65</u>
Total Income			
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating	A-3	5,489,178.00	5,587,497.00
Deferred Charges and			
Statutory Expenditures	A-3	673,162.00	376,454.00
State and Federal Grants	A-3	101,062.64	100,741.44
Capital Improvements	A-3	25,000.00	10,000.00
Municipal Debt Service	A-3	336,695.62	319,294.00
Local District School Taxes	A-13	9,708,619.00	9,484,197.00
County Taxes	A-13	2,173,023.84	2,023,014.53
Prior Year Revenue Returned	A-4	1,796.37	1,091.44
Senior Citizen Disallowed	A-7		750.00
Interfunds Advanced (Net)	A-14	302,241.83	295,101.20
		<u>18,810,779.30</u>	<u>18,198,140.61</u>
Total Expenditures			
Excess/(Deficit) in Revenues (Carried Forward)		(93,707.01)	223,165.04
Excess/(Deficit) in Revenue Brought Forward		\$ <u>(93,707.01)</u>	\$ <u>223,165.04</u>
Adj. to Income Before Fund Balance:			
Expend. Included Above Which are			
by Statute Deferred Charges to			
Budget of Succeeding Years		<u>100,000.00</u>	
Statutory Excess to Fund Balance		6,292.99	223,165.04
<u>FUND BALANCE</u>			
Balance - Jan. 1		279,834.44	641,669.40
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>260,000.00</u>	<u>585,000.00</u>
Balance - Dec. 31	A	<u>\$ 26,127.43</u>	<u>\$ 279,834.44</u>

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	REF.	ANTICIPATED 2011 BUDGET	N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated		\$ 260,000.00	\$	\$ 260,000.00	\$
Total Surplus Anticipated	A- 1	260,000.00		260,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-9	6,600.00		8,316.00	1,716.00
Other	A-9	26,000.00		17,845.00	(8,155.00)
Fees and Permits	A-9	37,000.00		51,638.08	14,638.08
Fines and Costs:					
Municipal Court	A-9	248,000.00		182,148.05	(65,851.95)
Interest and Costs on Taxes	A-9	31,000.00		47,900.92	16,900.92
Interest on Deposits	A-9	10,000.00		7,184.50	(2,815.50)
Cable TV Franchise Fees	A-9	19,000.00		20,829.00	1,829.00
Consolidated Municipal Property Tax Relief Act	A-9	121,197.00		121,197.00	
Energy Receipts Tax	A-9	481,757.00		481,757.00	
Uniform Construction Code Fees	A-9	94,000.00		53,782.00	(40,218.00)
Public and Private Revenues Off-Set					
With Appropriations:					
Alcohol Education and Rehabilitation Fund	A-16	3,569.39	1,510.17	5,079.56	
Clean Communities Program	A-16		9,226.87	9,226.87	
Community Development Block Grant	A-16		40,174.00	40,174.00	
Drunk Driving Enforcement Fund	A-16				
Municipal Alliance on Alcohol and Drug Abuse	A-16	11,747.53		11,747.53	
Municipal Stormwater Regulation Program	A-16				
NJ DEP - 2010 Green Communities Grant	A-16		2,000.00	2,000.00	
NJ Energy Efficiency and Conservation Block Grant	A-16		29,834.68	29,834.68	
Other Special Items:					
Parking Authority Contribution	A-9	100,000.00		100,000.00	
Interfund - Due from General Capital Fund	A-14	250,000.00		250,000.00	
Reserve for Insurance Funds	A-12	10,000.00		10,000.00	
Total Miscellaneous Revenues	A- 1	1,449,870.92	82,745.72	1,450,660.19	(81,956.45)
Receipts from Delinquent Taxes	A-1,A-8	260,000.00		272,134.44	12,134.44
Subtotal General Revenues		1,709,870.92	82,745.72	1,722,794.63	(69,822.01)

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	<u>REF.</u>	ANTICIPATED 2011 <u>BUDGET</u>	N.J.S.A. <u>40A:4-87</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2,A-8	\$ 4,716,294.00		\$	\$
Minimum Library Tax	A-2,A-8	<u>211,512.00</u>	_____	_____	_____
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>4,927,806.00</u>	_____	<u>5,121,604.83</u>	<u>193,798.83</u>
 Total General Revenues		6,897,676.92	82,745.72	7,104,399.46	<u>\$ 123,976.82</u>
 Non-Budget Revenues	A-1,A-9	_____	_____	<u>114,678.87</u>	
		<u>\$ 6,897,676.92</u>	<u>\$ 82,745.72</u>	<u>\$ 7,219,078.33</u>	
	<u>Ref.</u>	A- 3	A- 3	A- 1	
<u>Analysis of Realized Revenues</u>					
Allocation of Current Tax Collections:					
2010 Collections	A- 8	\$65,196.71			
2011 Collections	A- 8	16,418,279.61			
State Share of Sr. Cit. and Vets. Ded.	A- 8	<u>69,771.35</u>			
	A- 1	\$16,553,247.67			
Allocated to:					
School and County Taxes	A-13	<u>11,881,642.84</u>			
		4,671,604.83			
Add: Reserve for Uncollected Taxes	A- 3	<u>450,000.00</u>			
Amount for Support of Municipal Budget Appropriations	A- 2	<u>\$5,121,604.83</u>			

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Operations Within "CAPS"</u>						
Administrative and Executive						
Salaries and Wages	\$ 44,880.00	\$ 44,880.00	\$ 43,990.92		\$ 889.08	\$
Other Expenses						
Miscellaneous Other Expenses	3,000.00	3,000.00	1,051.59	125.00	1,823.41	
Borough Clerk						
Salaries and Wages	44,880.00	44,880.00	44,257.24		622.76	
Other Expenses	6,300.00	6,300.00	5,470.51	497.22	332.27	
Legal Advertising	3,000.00	3,000.00	1,388.01		1,611.99	
Elections						
Other Expenses	3,000.00	3,000.00	2,025.10		974.90	
Financial Administration						
Salaries and Wages	71,400.00	71,400.00	70,547.84		852.16	
Annual Audit	28,000.00	29,000.00		29,000.00		
Other Expenses	3,000.00	2,000.00	1,083.40		916.60	
Mayor and Council						
Salaries and Wages	20,800.00	20,600.00	20,508.13		91.87	
Other Expenses	4,000.00	4,200.00	4,078.97		121.03	
Assessment of Taxes						
Salaries and Wages	7,140.00	7,140.00	7,044.57		95.43	
Other Expenses	8,000.00	8,600.00	2,599.54	6,000.00	0.46	
Collection of Taxes						
Salaries and Wages	61,200.00	59,150.00	58,602.82		547.18	
Other Expenses	18,000.00	18,500.00	18,149.20	30.00	320.80	
Legal Services and Costs						
Salaries and Wages	46,920.00	46,920.00	46,415.20		504.80	
Other Expenses	10,000.00	10,000.00	5,720.13		4,279.87	
Municipal Prosecutor						
Salaries and Wages	18,360.00	18,360.00	17,610.08	300.00	449.92	
Engineering Services						
Other Expenses	16,000.00	16,000.00	12,802.00	1,240.50	1,957.50	
Postage						
Other Expenses	9,000.00	9,000.00	7,651.16		1,348.84	

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
Public Buildings and Grounds						
Salaries and Wages	\$ 6,000.00	\$ 6,500.00	\$ 6,147.50		\$ 352.50	
Other Expenses:						
Miscellaneous Other Expenses	44,000.00	43,500.00	31,649.90	4,825.55	7,024.55	
Municipal Land Use Law (NJSA 40:55D)						
Planning Board						
Salaries and Wages	6,000.00	3,000.00	2,273.35		726.65	
Other Expenses	6,000.00	6,000.00	3,792.75	646.33	1,560.92	
Municipal Court						
Salaries and Wages	120,360.00	120,360.00	115,682.03		4,677.97	
Other Expenses	12,000.00	12,000.00	6,323.45	563.50	5,113.05	
<u>PUBLIC SAFETY:</u>						
Fire						
Salaries and Wages						
Uniform Fire Safety Act	4,660.00	4,660.00			4,660.00	
Other Expenses:						
Fire Hydrant Service	78,440.00	77,840.00	67,629.21		10,210.79	
Misc. Other Expenses	25,000.00	25,000.00	23,751.33	861.30	387.37	
Fire Prevention						
Other Expenses	500.00	500.00			500.00	
Police						
Salaries and Wages						
Regular	1,520,000.00	1,518,950.00	1,518,900.15		49.85	
Overtime	31,200.00	31,800.00	31,734.94		65.06	
Other Expenses						
Misc. Other Expenses	60,000.00	60,000.00	56,458.35	1,314.89	2,226.76	
School Crossing Guards						
Salaries and Wages	62,730.00	56,130.00	54,288.93		1,841.07	
Aid to Volunteer Ambulance Companies	18,000.00	18,000.00	18,000.00			
Emergency Vehicle Leases						
Other Expenses	39,000.00	39,000.00	38,259.63		740.37	

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	\$ 460,760.00	\$ 460,760.00	\$ 445,889.89		\$ 14,870.11	\$
Misc. Other Expenses	39,000.00	39,000.00	37,098.80	1,725.65	175.55	
Other Expenses-Leaf Bags	20,000.00	18,500.00	18,480.00		20.00	
Other Expenses-Road Sweeper	24,000.00	17,000.00	16,404.08		595.92	
Tree Maintenance						
Other Expenses - (Emergency Appropriation - \$100,000.00)	20,000.00	120,000.00	119,368.29		631.71	
Shade Tree						
Other Expenses	2,000.00	2,000.00	1,857.71		142.29	
<u>SANITATION:</u>						
Sewer System						
Salaries and Wages	25,500.00	25,500.00	20,749.88		4,750.12	
Other Expenses	16,000.00	16,000.00	11,004.36		4,995.64	
Landfill/Solid Waste Disposal Costs						
Other Expenses	22,000.00	44,800.00	33,041.07	1,074.43	10,684.50	
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Salaries and Wages	20,000.00	19,200.00	18,070.57		1,129.43	
Other Expenses	13,000.00	13,000.00	12,915.80		84.20	
Green Brook Flood Control Commission (R.S. 40:14-16)						
Share of Cost	500.00	500.00	457.85		42.15	
Insurance						
General Liability	221,100.00	206,100.00	204,923.00		1,177.00	
Employee Group Health	726,471.00	716,071.00	678,896.81		37,174.19	
<u>RECREATION AND EDUCATION:</u>						
Recreation Commission						
Salaries and Wages	51,000.00	57,700.00	57,689.87		10.13	
Other Expenses	15,000.00	11,200.00	8,015.50	1,094.96	2,089.54	
Sr. Citizens Activities						
Misc. Other Expenses	2,500.00	2,500.00	2,280.29		219.71	

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>UNIFORM CONSTRUCTION CODE- APPROPS. OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)</u>						
Construction Code Official						
Salaries and Wages	\$ 71,400.00	\$ 76,400.00	\$ 76,358.87	\$	\$ 41.13	\$
Other Expenses	3,000.00	3,000.00	2,965.89	28.52	5.59	
<u>UNCLASSIFIED:</u>						
Telephone	40,000.00	40,000.00	36,593.08		3,406.92	
Water	5,000.00	5,000.00	3,038.82		1,961.18	
Gasoline	30,000.00	56,000.00	54,161.71		1,838.29	
Natural Gas and Electricity	180,000.00	192,700.00	192,039.93		660.07	
Total Operations within "CAPS"	4,469,001.00	4,592,101.00	4,398,190.00	49,327.85	144,583.15	
Contingent	1,500.00	1,500.00			1,500.00	
Total Operations Including Contingent Within "CAPS"	4,470,501.00	4,593,601.00	4,398,190.00	49,327.85	146,083.15	
<u>DETAIL:</u>						
Salaries and Wages	2,695,190.00	2,694,290.00	2,656,762.78	300.00	37,227.22	
Other Expenses (Including Contingent)	1,775,311.00	1,899,311.00	1,741,427.22	49,027.85	108,855.93	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL WITHIN "CAPS"</u>						
<u>Statutory Expenditures</u>						
<u>Contribution to:</u>						
Public Employees' Retirement System	146,455.00	146,455.00	145,461.05		993.95	
Social Security System (O.A.S.I.)	167,440.00	144,340.00	132,443.03	7,519.20	4,377.77	
Police and Firemen's Retirement System of N.J.	376,117.00	376,117.00	376,117.00			
Unemployment Compensation Ins.	6,250.00	6,250.00			6,250.00	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	696,262.00	673,162.00	654,021.08	7,519.20	11,621.72	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,166,763.00	5,266,763.00	5,052,211.08	56,847.05	157,704.87	

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Operations Excluded from "CAPS"</u>						
Maintenance of Free Public Library	\$ 211,512.00	\$ 211,512.00	\$ 211,512.00	\$	\$	
Joint Sewer System-Service Charge- Contractual-PARSA	430,800.00	430,800.00	429,634.36		1,165.64	
Employee Group Health (P.L. 2007, C.62) Employee Group Health	59,129.00	59,129.00	59,129.00			
Intergovernmental-County of Middlesex Recycling-Other Expenses	80,000.00	80,000.00	75,484.05	335.00	4,180.95	
Health Services-Other Expenses	32,000.00	32,000.00	31,788.00		212.00	
Dispatch Service - Other Expenses	80,000.00	80,000.00	80,000.00			
Fire Other Expenses Uniform Fire Safety Act	2,136.00	2,136.00			2,136.00	
<u>PUBLIC AND PRIVATE PROGRAMS</u>						
<u>OFFSET BY REVENUES:</u>						
Alcohol Education and Rehabilitation Fund	3,569.39	5,079.56	5,079.56			
Clean Communities Program		9,226.87	9,226.87			
Community Development Block Grant		40,174.00	40,174.00			
Municipal Alliance on Alcohol and Drug Abuse	11,747.53	11,747.53	11,747.53			
Municipal Alliance - Matching Funds	3,000.00	3,000.00	3,000.00			
NJ Energy Efficiency and Conservation Block Grant		29,834.68	29,834.68			
NJ DEP - 2010 Green Communities Grant		2,000.00	2,000.00			
Total Operations - Excluded from "CAPS"	<u>913,893.92</u>	<u>996,639.64</u>	<u>988,610.05</u>	<u>335.00</u>	<u>7,694.59</u>	
<u>DETAIL:</u>						
Salaries and Wages	2,136.00	2,136.00			2,136.00	
Other Expenses	911,757.92	994,503.64	988,610.05	335.00	5,558.59	

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ _____	\$ _____	\$ _____
Total Capital Improvements - Excluded from "CAPS"	<u>25,000.00</u>	<u>25,000.00</u>	<u>25,000.00</u>	_____	_____	_____
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Anticipation Notes and Capital Notes	145,000.00	145,000.00	144,900.00			100.00
Interest on Notes	24,800.00	24,800.00	23,103.63			1,696.37
Infrastructure Trust & Loan	122,220.00	122,220.00	120,063.95			2,156.05
M.C.I.A.-Lease Payments - Principal	40,000.00	40,000.00	40,000.00			
M.C.I.A.-Lease Payments - Interest	10,000.00	10,000.00	8,628.04			1,371.96
Total Municipal Debt Service - Excluded from "CAPS"	<u>342,020.00</u>	<u>342,020.00</u>	<u>336,695.62</u>	_____	_____	<u>5,324.38</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,280,913.92</u>	<u>1,363,659.64</u>	<u>1,350,305.67</u>	<u>335.00</u>	<u>7,694.59</u>	<u>5,324.38</u>
Subtotal General Appropriations	6,447,676.92	6,630,422.64	6,402,516.75	57,182.05	165,399.46	5,324.38
Reserve for Uncollected Taxes	<u>450,000.00</u>	<u>450,000.00</u>	<u>450,000.00</u>	_____	_____	_____
Total General Appropriations	<u>\$ 6,897,676.92</u>	<u>\$ 7,080,422.64</u>	<u>\$ 6,852,516.75</u>	<u>\$ 57,182.05</u>	<u>\$ 165,399.46</u>	<u>\$ 5,324.38</u>
	Ref.		A- 1	A-1,A-11	A,A-1	
Adopted Budget	A- 2	\$ 6,897,676.92				
Emergency Appropriation	A-15	100,000.00				
Approp. by N.J.S.A. 40A:4-87	A- 2	<u>82,745.72</u>				
		<u>\$ 7,080,422.64</u>				
Reserve for Uncollected Taxes	A- 2		\$ 450,000.00			
Disbursed	A- 4		6,276,454.11			
Reserve for State & Fed. Grants Approp.	A-14		101,062.64			
Capital Improvement Fund	A-14		<u>25,000.00</u>			
			<u>\$ 6,852,516.75</u>			

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

Exhibit - B

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

<u>ASSETS</u>	<u>REF.</u>	BALANCE DEC. 31, <u>2011</u>	BALANCE DEC. 31, <u>2010</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	BALANCE DEC. 31, <u>2011</u>	BALANCE DEC. 31, <u>2010</u>
Animal Control Fund:				Animal Control Fund:			
Due from Current Fund	B- 1	\$ <u>5,363.33</u>	\$ <u>4,368.03</u>	Res. for Animal Control Fund Expend.	B- 1	\$ <u>5,363.33</u>	\$ <u>4,368.03</u>
Total Dog License Fund		<u>5,363.33</u>	<u>4,368.03</u>	Total Animal Control Fund		<u>5,363.33</u>	<u>4,368.03</u>
Other Trust Fund:				Other Trust Fund:			
Cash	B- 1	142,211.49	57,530.77	Various Reserves	B- 1	311,438.45	153,336.84
Due from Current Fund	B- 1	69,226.96		Due to Current Fund	B- 1	<u>4,193.93</u>	<u>4,193.93</u>
Due from General Capital Fund	B- 1	<u>100,000.00</u>	<u>100,000.00</u>				
Total Other Trust Fund		<u>311,438.45</u>	<u>157,530.77</u>	Total Other Trust Fund		<u>311,438.45</u>	<u>157,530.77</u>
Public Assistance Trust Fund				Public Assistance Trust Fund			
Cash	B- 1	<u>3,280.58</u>	<u>3,280.58</u>	Reserve for Expenditures	B- 1	<u>3,280.58</u>	<u>3,280.58</u>
		<u>\$ 320,082.36</u>	<u>\$ 165,179.38</u>			<u>\$ 320,082.36</u>	<u>\$ 165,179.38</u>

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

<u>ASSETS</u>	<u>REF.</u>	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Due from Various Grantor Agencies	C- 3	\$ 4,009,411.12	\$ 3,959,762.59
Deferred Charges to Future Taxation:			
Funded	C- 4	1,312,511.25	1,439,661.84
Unfunded	C- 5	<u>3,341,821.20</u>	<u>3,554,839.60</u>
		<u>\$ 8,663,743.57</u>	<u>\$ 8,954,264.03</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Due to Trust Other Fund	C- 6	\$ 100,000.00	\$ 100,000.00
Due to Current Fund	C- 6	585,527.69	529,091.93
Bond Anticipation Notes	C- 9	1,360,600.00	986,500.00
NJ Infrastructure Trust Loan Payable	C-10	620,000.00	660,000.00
NJ Infrastructure Fund Loan Payable	C-11	534,923.80	582,677.54
M.C.I.A. Lease Payable	C-12	157,587.45	196,984.30
Improvement Authorizations:			
Funded	C- 8	3,422,897.89	3,775,413.46
Unfunded	C- 8	1,729,505.61	2,045,117.18
Capital Improvement Fund	C- 7	99,133.17	70,278.53
Fund Balance	C- 1	<u>53,567.96</u>	<u>8,201.09</u>
		<u>\$ 8,663,743.57</u>	<u>\$ 8,954,264.03</u>
Bonds and Notes Authorized but not Issued	C-13	<u>\$ 1,981,383.26</u>	<u>\$ 2,568,339.60</u>

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>REF.</u>	
Balance - December 31, 2010	C	\$ 8,201.09
Increased by:		
Improvement Authorizations Canceled	C-8	<u>45,366.87</u>
Balance - December 31, 2011	C	<u>\$ 53,567.96</u>

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1: FORM OF GOVERNMENT

The Borough of Dunellen 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 Dunellen include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Dunellen, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Dunellen do not include the operations of the municipal library, the board of education, first aid organization or volunteer fire company.

B. Description of Funds

The accounting policies of the Borough of Dunellen 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 Dunellen 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.)
- Municipal Alliance Program
- Outside Employment of Off-Duty Municipal Police Officers
- Public Defender Fees
- Recreation Trust

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.

Governmental Fixed Assets – Governmental Fixed Assets system 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.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ 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

Basis of Accounting and Measurement Focus - 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 other more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for regulatory 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. 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.

NOTES TO FINANCIAL STATEMENTS

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.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough 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.

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.

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. Contributions in aid of construction are not capitalized.

Governmental Fixed Assets - Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Governmental fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and utilize an acquisition cost threshold, the maximum of which is \$5,000.00. Infrastructure assets are excluded from governmental fixed assets. Depreciation is not recorded in governmental fixed assets.

The Borough has not maintained its governmental fixed asset accounting and reporting system and, accordingly, a Statement of Governmental Fixed Assets, which is required pursuant to accounting practices promulgated by the Division of Local Government Services, is not included in the financial statements.

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt: The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 61, “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

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, 1989, 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. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

GASB issued Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53” in June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or 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. The adoption of these new standards will not adversely effect the reporting on the Borough’s financial condition.

Comparative Data

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

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND REGULATORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's municipal debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>2011</u>	<u>2010</u>
<u>Issued:</u>		
General:		
Bonds & Notes	\$ 1,360,600.00	\$ 986,500.00
Loans Payable	<u>1,312,511.25</u>	<u>1,439,661.83</u>
Total Debt Issued	<u>2,673,111.25</u>	<u>2,426,161.83</u>
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	<u>1,981,383.26</u>	<u>2,568,339.60</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>\$ 4,654,494.51</u>	<u>\$ 4,994,501.43</u>

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

<u>General Improvement Debt:</u>	<u>2011</u>	<u>2010</u>
\$1,845,475 State of NJ - Environmental Infrastructure Loan Aug. 1, 2003, interest at 3.00%-5.00%	\$ 1,154,923.80	\$ 1,242,677.54
\$315,174.87 M.C.I.A. Loan Aug. 15, 2005, interest at 3.00%-3.70%	157,587.45	196,984.29
\$1,360,600.00, Bond Anticipation Note, mature on October 19, 2012, interest at 1.45%	1,360,600.00	
\$986,500.00, Bond Anticipation Note, mature on October 20, 2011, interest at 1.50%		<u>986,500.00</u>
Total General. Improvement Debt	<u>2,673,111.25</u>	<u>2,426,161.83</u>
Total Debt Issued and Outstanding	<u>\$ 2,673,111.25</u>	<u>\$ 2,426,161.83</u>

NOTES TO FINANCIAL STATEMENTS

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2011</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 10,975,000.00	\$ 10,975,000.00	
General Debt	4,654,494.51		4,654,494.51
	<u>\$15,629,494.51</u>	<u>\$10,975,000.00</u>	<u>\$4,654,494.51</u>

Net Debt \$4,654,494.51 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$632,656,417.00 = 0.74%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2011</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$22,142,974.60
	<u>4,654,494.51</u>
Remaining Borrowing Power	<u>\$17,488,480.09</u>

<u>2010</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 11,780,000.00	\$ 11,780,000.00	
General Debt	4,994,501.43		4,994,501.43
	<u>\$16,774,501.43</u>	<u>\$11,780,000.00</u>	<u>\$4,994,501.43</u>

Net Debt \$4,994,501.43 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$670,937,145.00 = 0.74%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2010</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$23,482,800.08
	<u>4,994,501.43</u>
Remaining Borrowing Power	<u>\$18,488,298.65</u>

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

C. Schedule of Annual Debt Service for Principal and Interest
for New Jersey Environmental Infrastructure Loan at December 31, 2011

<u>Year</u>	<u>State</u> <u>Principal</u>	<u>Trust</u> <u>Principal</u>	<u>Trust</u> <u>Interest</u>	<u>Total</u>
2012	\$ 49,714.54	\$ 45,000.00	\$ 31,062.50	\$ 125,777.04
2013	48,243.94	45,000.00	28,812.50	122,056.44
2014	49,967.81	50,000.00	26,450.00	126,417.81
2015	48,252.11	50,000.00	23,825.00	122,077.11
2016	49,886.12	55,000.00	21,325.00	126,211.12
2017	48,088.87	55,000.00	18,575.00	121,663.87
2018	49,559.32	60,000.00	15,825.00	125,384.32
2019	47,598.51	60,000.00	12,825.00	120,423.51
2020	48,905.71	65,000.00	9,825.00	123,730.71
2021	46,781.51	65,000.00	6,575.00	118,356.51
2022	47,925.36	70,000.00	3,325.00	121,250.36
	<u>\$ 534,923.80</u>	<u>\$ 620,000.00</u>	<u>\$ 198,425.00</u>	<u>\$ 1,353,348.80</u>

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balance for the Current Fund at December 31, 2011 was reported in the amount of \$26,127.43, of which \$26,000.00 was appropriated and included as anticipated revenue for the transition year ending December 31, 2011.

Fund balance for the Current Fund at December 31, 2010 was reported in the amount of \$279,834.44, of which \$260,000.00 was appropriated and included as anticipated revenue for the transition year ending December 31, 2011.

Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011 the following deferred charges are shown on the balance sheet of the various funds:

	Balance December 31, <u>2010</u>	Amount in 2011 <u>Budget</u>	Amount Raised in <u>2011</u>	Balance December 31, <u>2011</u>
Current Fund:				
Special Emergency App.	<u>\$ 0.00</u>	<u>\$ 100,000.00</u>	<u>\$ 0.00</u>	<u>\$100,000.00</u>
Total	<u>\$ 0.00</u>	<u>\$ 100,000.00</u>	<u>\$ 0.00</u>	<u>\$100,000.00</u>

Note 6: CASH AND CASH EQUIVALENTS 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.

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

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

The Borough's deposits and investments at December 31, 2011 and 2010 were as follows:

	<u>2011</u>	2010
Deposits, NOW & Money Market	\$559,772.92	\$819,228.59
Savings Certificate	<u>0.00</u>	<u>0.00</u>
	<u>\$559,772.92</u>	<u>\$819,228.59</u>

Based upon GASB criteria, the Borough considers change funds, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2011, the book value of the Borough's cash, cash equivalents and investments was \$559,772.92, and bank balances of the Borough's deposits and investments amounted to \$841,632.29. Of the bank balance, \$250,000.00 was covered by Federal depository insurance and \$591,632.29 was covered under the provisions of NJGUDPA.

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.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The government does not have a specific deposit policy for custodial risk other than those policies that adhere to the requirements of statute. As of December 31, 2011, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Borough's bank balance was considered exposed to custodial risk.

Concentration of Credit Risk – This is the risk associated with the amount of investments that 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.

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 investments maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 585,527.69	\$ 141,147.69
Grant Fund	66,557.40	
Animal Control Fund	5,363.33	
Trust Fund	169,226.96	
General Capital Fund	<u> </u>	<u>685,527.69</u>
 Total	 \$ <u><u>826,675.38</u></u>	 \$ <u><u>826,675.38</u></u>

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to collect to fund the appropriation and the statute or budget to expend them.

Note 8: 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 10th of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed 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 NJ 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 amounts 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% shall 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.

NOTES TO FINANCIAL STATEMENTS

Note 9: PENSION AND RETIREMENT PLANS

Employees of the Borough of Dunellen 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 normal contribution in 2011 was \$145,461.05 for PERS and \$376,117.00 and for PFRS, which includes contributions from the employees that are remitted on a quarterly basis.

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 10: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

Note 11: ACCRUED SICK AND VACATION BENEFITS

The Borough has established personnel policies via employee contracts and municipal ordinances, which set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave - Sick leave shall accumulate at the rate of one (1) day per month up to a maximum of seven (7) days per year. Unused sick leave is forfeited upon separation from employment or retirement. The Borough police officers enrolled in the Police and Fire Retirement System (PFRS) are allotted an unlimited number of days up to one full year. Sick leave may not be accrued.

NOTES TO FINANCIAL STATEMENTS

Note 11: ACCRUED SICK AND VACATION BENEFITS (CONT'D.)

Vacations - Vacation pay for permanent employees accumulates in accordance with the approved schedules for one additional calendar year. Vacations days may be taken during the calendar year in which it is earned or in the first three (3) succeeding years. Unused vacation leave may be carried forward into the next succeeding year only with prior approval of the department head or appropriate committee. Any employee who has separated his/her employment may be paid the salary equivalent for vacation accrued.

Terminal Leave – Lieutenants hired as patrolmen prior to July 1, 2005 shall be entitled to 60 calendar days of terminal leave provided the employee has 20 years of service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Sergeants hired as patrolmen prior to July 1, 2005 shall be eligible for 30 calendar days terminal leave provided the employee has at least 20 years service with the Borough of Dunellen and at least 25 years with the Police Fire Pension System. Patrolmen shall not be eligible for terminal leave. Sergeants and lieutenants hired as patrolmen after July 1, 2005 and promoted after July 1, 2005 must have at least 25 years with the Borough of Dunellen as well as 25 years in the Police Fire Pension System.

The Borough has permitted certain employees to accrue unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$51,934.00 for December 31, 2011. In addition, based on the above criteria, there are no individuals that qualify for terminal leave and qualify as being hired prior to July 1, 2005 and having 20 years of service with the Borough of Dunellen and have at least 25 years with the Police Fire Pension System. The above amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick, vacation and terminal leave benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 12: LEASE COMMITMENTS

The Borough has entered into lease/purchase agreements with the Middlesex County Improvement Authority (MCIA) for the acquisition of equipment and other capital projects. Financing for these programs is provided from the proceeds of sales of MCIA Bonds, which are guaranteed by the County of Middlesex. Lease payments are structured to match the maturing principal and interest on the underlying MCIA Bonds, which includes all costs of issuance, plus annual "Administrative" and "Trustee" fees. Interest rates on lease commitments range from 3.5% to 3.7%.

NOTES TO FINANCIAL STATEMENTS

Note 12: LEASE COMMITMENTS (CONT'D.)

Future lease payments and the present value of net minimum lease payments at December 31, 2011 are as follows:

Year Ended <u>Dec 31,</u>	<u>Amount</u>
2012	\$44,981.36
2013	43,651.72
2014	42,272.83
2015	<u>40,854.54</u>
Total Minimum Lease Payments	\$171,760.45
Less: Amount Representing Interest	<u>14,173.00</u>
Present Value of Net Minimum Lease Payments	<u>\$157,587.45</u>

Note 13: POST RETIREMENT HEALTH BENEFITS

Plan Description: The Borough of Dunellen contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit 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. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. 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 www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Dunellen on a monthly basis. Currently there is no cost-sharing requirement for retirees.

NOTES TO FINANCIAL STATEMENTS

Note 13: POST RETIREMENT HEALTH BENEFITS

The Borough of Dunellen contributions to SHBP for the year ended December 31, 2011 were \$214,830.74, which equaled the required contributions for the year. There were approximately 19 retired participants eligible at December 31, 2011.

Note 14: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2011, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2011 the Borough of Dunellen was a party to various construction contracts and commitments that totaled \$377,302.36. The majority of these construction contracts relate to the following projects: Sanitary Sewer Improvements with total commitments of \$57,234; Columbia Park Improvements with total commitments of \$25,330; Culvert under Railroad with total commitments of \$14,088; Streetscape Improvements with total commitments of \$120,167; McCoy Park Improvements with total commitments of \$11,687; and various street improvements with total commitments of \$114,416.

Litigation

As at the date of this report, the Borough had litigation pending. There are a number of tort claim notices served on the Borough involving negligence litigation. These claims have been turned over to the Borough's insurance carrier and no determination as to the outcome of these matters can be made at this time.

Note 15: SUBSEQUENT EVENTS

Subsequent to December 31, 2011, the Borough authorized the issuance of debt for the following capital projects:

The Borough appropriated \$770,000 therefore authorized the issuance of \$731,500 Bond and/or Notes dated June 18, 2012, for Various General Improvements.

The Borough issued Bond Anticipation Notes dated April 24, 2012 with a maturity date of October 19, 2012. The BAN's were issued for \$544,000.00 with an interest rate of 3.00%.

TOWNSHIP OF BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY



PART II
SUPPLEMENTARY SCHEDULES

Current Fund

SCHEDULE OF CURRENT FUND CASH
AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2010	A		\$758,317.24
Increased by Receipts:			
Due from State of N.J. - Ch. 73			
P.L. 1976	A- 7	60,874.66	
Taxes Receivable	A- 8	16,690,414.05	
Prepaid Taxes	A- 8	77,439.93	
Tax Overpayments	A- 8	2,113.85	
Revenue Accounts Receivable	A- 9	1,207,276.42	
Various Payables	A-12	2,771.00	
Various Reserves	A-12	155,311.17	
Interfunds Received	A-14	<u>2,715,223.05</u>	
			<u>20,911,424.13</u>
			21,669,741.37
Decreased by Disbursements:			
Prior Year Revenue Returned	A- 1	1,796.37	
Budget Appropriations	A- 3	6,276,454.11	
Appropriation Reserves	A-10	127,858.90	
Various Payables	A-12	8,680.48	
Various Reserves	A-12	193,526.19	
Local District School Tax	A-13	9,708,619.00	
County Taxes	A-13	1,973,358.47	
County Open Space Taxes	A-13	193,156.71	
County Added Taxes	A-13	6,508.66	
Interfunds Disbursed	A-14	<u>2,765,601.63</u>	
			<u>21,255,560.52</u>
Balance - December 31, 2011	A		<u><u>\$414,180.85</u></u>

SCHEDULE OF CURRENT CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - TREASURER

The reconciliation per compliance with N.J.S.A. 40A:5-5 are on file with the Chief Financial Officer of the Borough.

SCHEDULE OF CHANGE FUNDS - COLLECTOR
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2010	A	\$100.00
Balance - December 31, 2011	A	<u>\$100.00</u>

SCHEDULE OF DUE FROM STATE OF NEW JERSEY
FOR SENIOR CITIZENS AND VETERANS DEDUCTIONS
PER CHAPTER 73, P.L. 1976

	<u>REF.</u>		
Balance - December 31, 2010	A		\$39,754.28
Increased by:			
Sr. Cit. & Veteran's Deds. Allowed per Tax Billings - 2011	A- 7	61,250.00	
2011 Sr. Citizen & Vet. Deduct. Allowed	A- 7	<u>13,183.01</u>	
			<u>74,433.01</u>
			114,187.29
Decreased by:			
Collection	A- 4	60,874.66	
2011 Sr. Citizen & Vet. Deduct. Disallowed	A- 7	<u>4,661.66</u>	
			<u>65,536.32</u>
Balance - December 31, 2011	A		<u><u>\$48,650.97</u></u>
 <u>Analysis of Realized Revenues for 2011</u>			
Sr. Cit. & Veterans Deds. Allowed by:			
Per Tax Billings - 2011	A- 7		\$61,250.00
By Collector - 2011 Taxes	A- 7		13,183.01
2011 Sr. Citizen & Vet. Deduct. Disallowed	A- 7		<u>(4,661.66)</u>
Amount Realized as Revenue - 2011	A-8		<u><u>\$69,771.35</u></u>

CURRENT FUND
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

		Total	2011 Prepaid	2011 Current	2010 Delinquent	Tax Overpayments	Tax Liens	Property Acquired for Taxes
Balance 12/31/2010.....	<u>Ref.</u> A	\$333,653.47		(\$65,196.71)	\$272,134.44		\$8,715.74	\$118,000.00
Billings / Levy:								
Original Levy.....	A- 8	16,803,664.22		16,803,664.22				
Added & Omitted.....	A- 8	50,651.45		50,651.45				
Added by Assessor.....	A- 8	7,422.20		7,422.20				
Canceled Taxes.....	A- 8	(23,630.26)		(23,630.26)				
Transfers								
Tax Lien.....	A- 8			(1,803.10)			1,803.10	
Revenue								
Sr.Citizens & Vets.....								
Original Levy.....	A-7	(61,250.00)		(\$61,250.00)				
Allowed/Disallowed.....	A-7	(8,521.35)		(8,521.35)				
Cash Receipts.....	A- 4	(16,769,967.83)	(77,439.93)	(16,418,279.61)	(272,134.44)	(2,113.85)		
Prepaid Applied.....	A- 8		65,196.71	(65,196.71)				
Balance 12/31/2011.....	<u>Ref.</u> A	<u>\$332,021.90</u>	<u>(\$77,439.93)</u>	<u>\$283,056.84</u>		<u>(\$2,113.85)</u>	<u>\$10,518.84</u>	<u>\$118,000.00</u>
			A	A, A-7	A	A	A	A

Analysis of 2011 Property Tax Levy:

<u>Tax Yield:</u>		<u>Tax Levy:</u>	<u>Ref.</u>		<u>Current Taxes Realized:</u>	<u>Ref.</u>	
General Purpose Tax	\$16,803,664.22	Local School District Tax	A-13	\$9,708,619.00	Sr. Citizens & Vets	A- 7, A- 8	69,771.35
Added Taxes	50,651.45	County Tax	A-13	1,973,358.47	Cash Receipts	A- 8	16,418,279.61
		County Open Space	A-13	193,156.71	Prepayments	A- 8	65,196.71
		Due County - Added & Omitted	A-13	6,508.66	Subtotal	A- 1	16,553,247.67
	<u>\$16,854,315.67</u>				Res. For Uncoll. Tax	A- 3	450,000.00
				\$11,881,642.84			17,003,247.67
		Local Tax for Municipal Purposes	A- 2	4,716,294.00	Allocated to School and County	A-13	(11,881,642.84)
		Minimum Library Tax	A- 2	211,512.00			
		Add: Additional Tax Levied		44,866.83			
				<u>\$16,854,315.67</u>			<u>\$5,121,604.83</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Exhibit - A-9

	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>ACCRUED</u> <u>2011</u>	<u>COLLECTED</u>	<u>BALANCE</u> <u>DEC. 31, 2011</u>
By Revenue Type:					
Miscellaneous Revenues:					
Alcoholic Beverages	A- 2	\$	\$ 8,316.00	\$ 8,316.00	\$
Licenses - Other	A- 2		17,845.00	17,845.00	
Fees and Permits	A- 2		51,638.08	51,638.08	
Municipal Court:					
Fines and Costs	A- 2	18,647.14	175,744.26	182,148.05	12,243.35
Interest and Costs on Taxes	A- 2		47,900.92	47,900.92	
Interest on Investments and Deposits	A- 2		7,184.50	7,184.50	
Cable TV Franchise Fees	A- 2		20,829.00	20,829.00	
Consol. Mun. Property Tax Relief Act	A- 2		121,197.00	121,197.00	
Energy Receipts Tax	A- 2		481,757.00	481,757.00	
Uniform Construction Code Fees	A- 2		53,782.00	53,782.00	
Parking Authority Contribution	A- 2		100,000.00	100,000.00	
Miscellaneous Revenue Not Anticipated:					
Sr. Citizens & Vet. Admin. Fee	A- 2		1,217.49	1,217.49	
Recycling Tonnage/Absolute Auto/Colgate paper	A- 2		8,454.18	8,454.18	
Division of Motor Vehicle Inspection Fines	A- 2		9,000.00	9,000.00	
State Police	A- 2		9,338.02	9,338.02	
DPW Auction	A- 2		5,002.96	5,002.96	
FEMA - Hurricane Irene/Snow Storm	A- 2		55,840.46	55,840.46	
Miscellaneous	A- 2		25,825.76	25,825.76	
		\$ 18,647.14	\$ 1,200,872.63	\$ 1,207,276.42	\$ 12,243.35
<u>Ref.</u>		A	Reserve	A- 4	A

SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10
Page 1 of 5

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2010</u>	<u>BALANCE AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
<u>Operations Within "CAPS"</u>					
Administrative and Executive					
Salaries and Wages	\$ 396.42	\$ 220.90	\$ 396.42	\$ 220.90	\$ 396.42
Miscellaneous Other Expenses	513.91		734.81		513.91
Borough Clerk					
Other Expenses	15.69	12.54	28.23	12.54	15.69
Legal Advertising	991.93		991.93		991.93
Elections					
Other Expenses	59.82		59.82		59.82
Financial Administration					
Salaries and Wages	92.78		92.78		92.78
Annual Audit	28,000.00		28,000.00	28,000.00	
Other Expenses	1,182.33	125.00	307.33	125.00	182.33
Mayor and Council					
Salaries and Wages	631.18		631.18		631.18
Other Expenses	281.63	50.00	331.63	99.36	232.27
Assessment of Taxes					
Salaries and Wages	94.14		94.14		94.14
Other Expenses	47.32	3,400.00	3,447.32	2,820.31	627.01
Collection of Taxes					
Salaries and Wages	85.58		85.58		85.58
Other Expenses	136.09	925.00	1,061.09	887.50	173.59
Legal Services and Costs					
Salaries and Wages	495.06		295.06		295.06
Other Expenses	36.56	7,961.15	8,197.71	4,546.58	3,651.13
Municipal Prosecutor					
Salaries and Wages	402.03		402.03		402.03
Engineering Services and Costs					
Other Expenses	4,200.00	1,920.75	2,020.75	1,990.75	30.00
Postage	1,131.02	9.00	140.02	36.39	103.63
Public Buildings and Grounds					
Salaries and Wages	222.50		222.50		222.50
Miscellaneous Other Expenses	2,024.22	4,727.37	4,511.59	4,404.66	106.93

SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10
Page 2 of 5

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2010</u>	<u>BALANCE AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Municipal Land Use Law (NJSA 40:55D)					
Planning Board					
Salaries and Wages	\$ 523.70	\$	\$ 523.70	\$	\$ 523.70
Other Expenses	554.58	697.50	1,252.08	697.50	554.58
Municipal Court					
Salaries and Wages	5,409.33	62.50	971.83	62.50	909.33
Other Expenses	4,911.49	2,130.45	3,041.94	2,247.77	794.17
<u>PUBLIC SAFETY:</u>					
Fire					
Salaries and Wages					
Uniform Fire Safety Act	160.00		160.00		160.00
Other Expenses:					
Fire Hydrant Service	482.50		482.50		482.50
Miscellaneous Other Expenses	782.42	1,539.40	2,321.82	1,987.40	334.42
Fire Department Equipment Lease	27.75		27.75		27.75
Fire Prevention					
Salaries and Wages	592.31		592.31		592.31
Police					
Salaries and Wages:					
Regular	288.27		288.27		288.27
Overtime	5,659.66		1,159.66	723.78	435.88
Other Expenses:					
Misc. Other Expenses	2,098.15	569.29	2,667.44	872.82	1,794.62
School Crossing Guards					
Salaries and Wages	2,704.63		2,704.63	1,861.74	842.89
Emergency Management Services					
Other Expenses	40.37		40.37		40.37

SCHEDULE OF 2010 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2010</u>	<u>BALANCE AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
<u>STREETS AND ROADS:</u>					
Road Repairs and Maintenance					
Salaries and Wages	\$ 55.44	\$	\$ 4,255.44	\$ 2,008.51	\$ 2,246.93
Other Expenses					
Misc. Other Expenses	693.88	1,739.33	2,433.21	2,082.91	350.30
Leaf Bags	240.00		240.00		240.00
Tree Maintenance					
Other Expenses	2,650.00	2,000.00	3,650.00	3,650.00	
Shade Trees					
Other Expenses	429.14	129.44	558.58	129.44	429.14
<u>SANITATION:</u>					
Sewer System					
Salaries and Wages	2,118.47		118.47		118.47
Other Expenses	1,274.25		274.25		274.25
Landfill/Solid Waste Disposal Costs					
Other Expenses	963.43		963.43	935.00	28.43
<u>HEALTH AND WELFARE:</u>					
Board of Health					
Salaries and Wages	36.49		636.49	612.00	24.49
Other Expenses	142.36	1,054.25	1,196.61	1,054.25	142.36
Green Brook Flood Control Commission					
Share of Cost	42.15		42.15		42.15
Insurance					
General Liability	189.00		189.00		189.00
Employee Group Health	531.87		6,271.87	6,268.82	3.05

SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10
Page 4 of 5

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2010</u>	<u>BALANCE AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
<u>RECREATION AND EDUCATION:</u>					
Recreation Commission					
Salaries and Wages	\$ 211.77	\$	\$ 411.77	\$ 310.50	\$ 101.27
Other Expenses	380.64	5,183.62	5,564.26	5,564.26	
Senior Citizens Activities					
Other Expenses:					
Misc. Other Expenses	333.74	17.00	450.74	291.59	159.15
Construction Code Official					
Salaries and Wages	15.54		15.54		15.54
Other Expenses	49.00		49.00	22.83	26.17
<u>UNCLASSIFIED</u>					
Telephone	17,535.58	30.00	5,865.58	5,865.58	
Water	909.67		909.67	16.51	893.16
Gasoline	6,518.77		6,518.77	5,309.71	1,209.06
Natural Gas and Electricity	1,327.80		19,327.80	19,298.11	29.69
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Operations Within "CAPS"	101,924.36	34,504.49	128,228.85	105,017.52	23,211.33
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Contingent	1,500.00		1,500.00		1,500.00
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Operations Including Contingent Within "CAPS"	103,424.36	34,504.49	129,728.85	105,017.52	24,711.33
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10
Page 5 of 5

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2010</u>	<u>BALANCE AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	\$ 3,784.05	\$	\$ 6,284.05	\$ 6,266.00	\$ 18.05
Public Employees' Retirement System	0.66		0.66		0.66
	<hr/>		<hr/>	<hr/>	<hr/>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	3,784.71		6,284.71	6,266.00	18.71
	<hr/>		<hr/>	<hr/>	<hr/>
Total General Appropriations for Municipal Purposes Within "CAPS"	107,209.07	34,504.49	136,013.56	111,283.52	24,730.04
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Operations Excluded from "CAPS"</u>					
Joint Sewer System - Service Charge - Contractual-PARSA	837.24		837.24		837.24
Intergovernmental - County of Middlesex					
Recycling - Other Expenses	12,218.63		17,918.63	17,857.15	61.48
Health Services - Other Expenses	212.00		212.00		212.00
Fire					
Other Expenses					
Uniform Fire Safety Act	2,136.00		2,136.00		2,136.00
	<hr/>		<hr/>	<hr/>	<hr/>
Total Operations - Excluded from "CAPS"	15,403.87		21,103.87	17,857.15	3,246.72
	<hr/>		<hr/>	<hr/>	<hr/>
Total General Appropriations	\$ 122,612.94	\$ 34,504.49	\$ 157,117.43	\$ 129,140.67	\$ 27,976.76
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	A	A-11			A-1
Accounts Payable	Ref. A-12			\$ 1,281.77	
Disbursed	A-4			<hr/> 127,858.90	
				<hr/> <hr/> \$ 129,140.67	

SCHEDULE OF RESERVE FOR ENCUMBRANCES
CURRENT FUND AND GRANT FUND

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance - December 31, 2010	A	\$34,504.49	\$66,644.19
Increased by:			
Transferred from Budget Appropriations	A-3,A-18	<u>57,182.05</u>	<u>26,449.61</u>
		91,686.54	93,093.80
Decreased by:			
Transferred to Approp. Reserves	A-10,A-18	<u>34,504.49</u>	<u>66,644.19</u>
Balance - December 31, 2011	A	<u><u>\$57,182.05</u></u>	<u><u>\$26,449.61</u></u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	Balance Dec. 31, 2010	Transfer from/(to) Budget	Cash Receipts	Cash Disbursements	Transfer from Approp. Reserves	Cancelled	Balance Dec. 31, 2011
Accounts Payable:							
Due to State of NJ - Building Code Fees	\$1,174.00		\$1,736.00	(\$2,412.00)			\$498.00
Due to State of NJ - Marriage License Fees	-		1,025.00	(825.00)			200.00
Due to State of NJ - Burial Permit Fees	-		10.00	(10.00)			-
Payroll Deductions Payable	22,243.79			(1,025.23)			21,218.56
Vendor Accounts Payable	74,298.07			(4,408.25)	1,281.77	(38,374.36)	32,797.23
Subtotal	97,715.86	0.00	2,771.00	(8,680.48)	1,281.77	(38,374.36)	54,713.79
Reserve for:							
Preparation of Tax Map	200.00						200.00
Codification of Ordinances	67.00						67.00
Fire Prevention Fees	2,432.00		8,313.77	(5,433.67)			5,312.10
Insurance Proceeds	10,522.13	(10,000.00)	8,828.16	(8,828.16)			522.13
Sale of Municipal Assets	340.07						340.07
Tax Appeals	14,294.40			(6,099.51)			8,194.89
Third Party Lien Redemptions	57,857.86		138,169.24	(173,164.85)			22,862.25
Master Plan	1,309.18						1,309.18
Subtotal	87,022.64	(10,000.00)	155,311.17	(193,526.19)	-	-	38,807.62
Total	\$184,738.50	(\$10,000.00)	\$158,082.17	(\$202,206.67)	\$1,281.77	(\$38,374.36)	\$93,521.41
Ref.	A	A-2	A-4	A-4	A-10	A-1	A

206,808.15

SCHEDULE OF TAXES PAYABLE
CURRENT FUND

		<u>2011 Levy</u>	<u>Cash Disbursements</u>
County - General		\$1,973,358.47	\$1,973,358.47
County - Open Space		193,156.71	193,156.71
County - Added & Omitted		6,508.66	6,508.66
Local District School Tax		<u>9,708,619.00</u>	<u>9,708,619.00</u>
		<u>\$11,881,642.84</u>	<u>\$11,881,642.84</u>
	<u>REF.</u>		A-4
County	A-1,A-2,A-8	\$2,173,023.84	
Local District School Tax	A-1,A-2,A-8	<u>9,708,619.00</u>	
		<u>\$11,881,642.84</u>	

SCHEDULE OF INTERFUNDS
CURRENT FUND

Exhibit - A-14

	<u>REF.</u>	<u>TOTAL</u>	<u>GENERAL CAPITAL FUND</u>	<u>OTHER TRUST FUND</u>	<u>ANIMAL CONTROL FUND</u>	<u>GRANT FUND</u>
Balance - December 31, 2010	A	(\$422,001.42)	(\$529,091.93)	(\$4,193.93)	\$4,368.03	\$106,916.41
Increased by:						
Interfund Loans Received	A- 4	2,715,223.05	2,324,851.47	267,755.15	2,762.00	119,854.43
2011 State & Fed. Grants Budget Appropriations	A- 3	101,062.64				101,062.64
2011 Budget Appropriations - Cap. Improv. Fund	A- 3	<u>25,000.00</u>	<u>25,000.00</u>			
		2,419,284.27	1,820,759.54	263,561.22	7,130.03	327,833.48
Decreased by:						
Interfund Loans Disbursed	A- 4	2,765,601.63	2,406,287.23	194,334.26	1,766.70	163,213.44
State & Fed. Grants Realized as 2010 Budget Revenue	A- 2	<u>98,062.64</u>				<u>98,062.64</u>
Balance - December 31, 2011	A	<u><u>(\$444,380.00)</u></u>	<u><u>(\$585,527.69)</u></u>	<u><u>\$69,226.96</u></u>	<u><u>\$5,363.33</u></u>	<u><u>\$66,557.40</u></u>

() Denotes Interfund Receivable

SCHEDULE OF DEFERRED CHARGES

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	AMOUNT RESULTING <u>IN 2011</u>	<u>BALANCE</u> <u>DEC. 31, 2011</u>
Special Emergency: Hurricane Irene - Tree Service	<u> </u>	<u>\$100,000.00</u>	<u>\$100,000.00</u>
	<u> </u>	<u>\$100,000.00</u>	<u>\$100,000.00</u>
<u>Ref.</u>	A	A-3	A

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> <u>DEC. 31,2010</u>	<u>2011</u> <u>BUDGET</u> <u>REVENUE</u> <u>REALIZED</u>	<u>COLLECTED</u> <u>2011</u>	<u>TRANS. FROM</u> <u>STATE & FED.</u> <u>GRANTS</u> <u>UNAPPROP.</u>	<u>BALANCE</u> <u>DEC. 31,2011</u>
County of Middlesex- CDBG (07-08)	\$ 416.50	\$	\$ 416.50	\$	\$
County of Middlesex- CDBG (08-09)	43,695.27		26,832.28		16,862.99
County of Middlesex- CDBG (09-10)	26,201.61		11,177.74		15,023.87
County of Middlesex- CDBG (10-11)	47,700.00		(8,000.00)		55,700.00
County of Middlesex- CDBG (11-12)		40,174.00			40,174.00
County of Middlesex- CDBG - Economic Stimulus Grant	14,060.00				14,060.00
Alcohol Education and Rehabilitation Fund		5,079.56	1,510.17	3,569.39	
Clean Communities Program	6,262.91	9,226.87	9,226.87		6,262.91
Hazardous Discharge Grant - Walieczkiewicz Garage	38,310.00				38,310.00
Hazardous Discharge Grant - The Strip Joint	6,018.00				6,018.00
Middlesex County Building Restoration	28,425.00				28,425.00
Middlesex County Sustainable Economic Growth Improvement Fund	52,500.00				52,500.00
Middlesex County Bicycle/Pedestrian Safety Grant	1,784.00				1,784.00
Municipal Alliance on Alcohol and Drug Abuse		11,747.53	8,169.51	3,503.53	74.49
NJ DEP - 2010 Green Communities Grant		2,000.00			2,000.00
NJ Energy Efficiency and Conservation Block Grant		29,834.68	29,834.68		
NJ Forest Service Business Stimulus Fund	7,000.00		7,000.00		
State of NJ - DCA - Smart Future Planning Grant	31,000.00				31,000.00
Cool Cities Comm Stewardship Incentive Prog	3,746.25		3,746.25		
	<u>\$ 307,119.54</u>	<u>\$ 98,062.64</u>	<u>\$ 89,914.00</u>	<u>\$ 7,072.92</u>	<u>\$ 308,195.26</u>
<u>Ref.</u>	A	A-17	A-17	A-19	A

SCHEDULE OF DUE FROM CURRENT FUND
GRANT FUND

	<u>REF.</u>		
Balance - December 31, 2010	A		\$106,916.41
Increased by:			
State & Federal Grants Approp. - Transferred from 2011 Budget	A-18	101,062.64	
Current Fund Collections:			
State & Federal Grants Received	A-16	89,914.00	
State & Federal Grants Unapprop.	A-19	<u>29,940.43</u>	
			<u>220,917.07</u>
			327,833.48
Decreased by:			
State & Federal Grants Realized as 2011 Budget Revenue	A-16	98,062.64	
State & Federal Grants Approp. & Unapprop. Expend. Paid by Current Fund	A-18	<u>163,213.44</u>	
			<u>261,276.08</u>
Balance - December 31, 2011	A		<u><u>\$66,557.40</u></u>

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED
GRANT FUND

<u>Grant</u>	<u>Balance December 31, 2010</u>	<u>Transferred from 2011 Budget Appropriations</u>	<u>Reserve for Encumbrances 2010</u>	<u>Paid or Charged</u>	<u>Reserve for Encumbrances 2011</u>	<u>Balance December 31, 2011</u>
SFY 2002						
Solid Waste Funds	\$ 3,276.81	\$	\$			\$ 3,276.81
HCD Bonnegut Brook	3,972.42					3,972.42
SFY 2003						
Hazardous Discharge Grant	37,764.41					37,764.41
SFY 2004						
HCD Bonnegut Brook	21,480.00			3,671.37		17,808.63
Urban Forestry	978.80			978.80		
SLA-HEOP	842.32					842.32
SFY 2005						
Hazardous Discharge Grant	3,500.00		47,139.63	33,888.34	10,728.66	6,022.63
Matching Funds for Grants	19.00		4,818.00		4,818.00	19.00
SFY 2006						
Municipal Stormwater Regulation Program			834.50		834.50	
SFY 2007						
Alcohol Education Rehabilitation Fund	1,238.11					1,238.11
Body Armor Grant	221.04			221.04		
Municipal Stormwater Regulation Program	1,855.81		24.00	1,554.81	325.00	
State of NJ - Solid Waste	7,253.57					7,253.57
SFY 2008						
Alcohol Education Rehabilitation Fund	2,029.70					2,029.70
Body Armor Grant	1,914.49			1,914.49		
Morecrat Park Improvements			2,500.00		2,500.00	
Smart Futures Planning Grant			5,384.50		5,384.50	
State of NJ - Solid Waste	3,028.24					3,028.24
Matching Funds for Grants	6,000.00					6,000.00
SFY 2009						
Alcohol Education Rehabilitation Fund	1,563.53					1,563.53
2008 Cool Cities Comm Stewardship Incentive Prog	52.91			52.91		
2008 Cool Cities Comm Stewardship Incentive Prog - Match	6,244.00					6,244.00
Middlesex County Sustainable Economic Growth Improve Fund	50,196.07		1,158.11	14,772.11		36,582.07
Middlesex County Bicycle/Pedestrian Safety Grant	1,784.00					1,784.00
Municipal Stormwater Regulation Program	2,117.00			916.19		1,200.81
Solid Waste Admin - Recycling Tonnage	7,232.92					7,232.92

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED
GRANT FUND

Grant	Balance December 31, 2010	Transferred from 2011 Budget Appropriations	Reserve for Encumbrances 2010	Paid or Charged	Reserve for Encumbrances 2011	Balance December 31, 2011
TY 2009						
Alcohol Education Rehabilitation Fund	4,269.68					4,269.68
Clean Communities Grant	9,007.25					9,007.25
Division of Criminal Justice - Body Armor	1,755.55			1,755.55		
Drunk Driving Enforcement Fund	4,699.81			3,014.32	295.95	1,389.54
Municipal Alliance on Alcoholism and Drug Abuse	1,891.65			1,891.65		
Municipal Alliance - Matching Funds	2,000.00					2,000.00
Cool Cities Comm Stewardship Incentive Prog	6,244.00					6,244.00
Cool Cities Comm Stewardship Incentive Prog - Match	1,274.00					1,274.00
CY 2010						
Body Armor Grant	2,779.92			8.92		2,771.00
Clean Communities Program	6,736.64			1,448.10		5,288.54
Drunk Driving Enforcement Fund	13,009.04			10,040.22		2,968.82
Municipal Alliance on Alcohol and Drug Abuse	2,104.50			2,104.50		
Municipal Alliance - Matching Funds	2,115.00					2,115.00
NJ Forest Service Business Stimulus Fund	0.18		1,979.50	1,979.50		0.18
Solid Waste Administration - Recycling Tonnage Grant	10,265.80					10,265.80
CY 2011						
Alcohol Education Rehabilitation Fund		5,079.56				5,079.56
Clean Communities Program		9,226.87				9,226.87
Municipal Alliance on Alcohol and Drug Abuse		11,747.53		11,673.04		74.49
Municipal Alliance - Matching Funds		3,000.00		2,100.00		900.00
NJ DEP - 2010 Green Communities Grant		2,000.00				2,000.00
NJ Energy Efficiency and Conservation Block Grant		29,834.68		29,834.68		
CDBG						
2007/08:						
Tree Planting Program			426.95	426.95		
2008/09:						
Tree Planting Program			16.50	16.50		
Moorecraft Park Improvements	4,115.00		1,563.00		1,563.00	4,115.00
Bonnegut Brook Dredging	21,984.45			19,037.54		2,946.91
Fire Dept Ladder Truck				(95.86)		95.86
Mountainview Terrace Curbs	1,200.00			1,200.00		
2009/10:						
Senior Citizen Van Driver	4,060.30			4,060.30		
Tree Planting Program	0.50		799.50	799.50		0.50
Bonnegut Brook Dredging	2,000.00			2,000.00		
Sewer Line Repair	8,700.00					8,700.00
Manhole Retrofit	3,780.42			1,078.00		2,702.42
Economic Stimulus Grant	14,060.00					14,060.00

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED
GRANT FUND

Grant	Balance December 31, 2010	Transferred from 2011 Budget Appropriations	Reserve for Encumbrances 2010	Paid or Charged	Reserve for Encumbrances 2011	Balance December 31, 2011
2010/11:						
Senior Center Coordinator	6,000.00					6,000.00
Senior Citizen Van Driver	11,000.00			4,869.97		6,130.03
Code Enforcement	10,000.00					10,000.00
Tree Planting Program	4,000.00			4,000.00		
Bonnegut Brook Dredging	2,000.00			2,000.00		
Senior Center Improvements	2,000.00					2,000.00
Sewer Line Repair	8,700.00					8,700.00
Manhole Retrofit	4,000.00					4,000.00
2011/12:						
Senior Center Coordinator		6,000.00				6,000.00
Senior Citizen Van Driver		11,000.00				11,000.00
Code Enforcement		10,000.00				10,000.00
Bonnegut Brook Dredging		2,000.00				2,000.00
Sewer Line Repair		8,000.00				8,000.00
Manhole Retrofit		3,174.00				3,174.00
	<u>\$ 340,318.84</u>	<u>\$ 101,062.64</u>	<u>\$ 66,644.19</u>	<u>\$ 163,213.44</u>	<u>\$ 26,449.61</u>	<u>\$ 318,362.62</u>
Ref.	A	A-17	A-11	A-17	A-11	A

SCHEDULE OF STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

<u>GRANT</u>	<u>BALANCE</u> <u>DEC. 31,2010</u>	<u>RECEIVED IN</u> <u>CASH</u>	<u>TRANSFERRED</u> <u>TO 2011</u> <u>BUDGET AS</u> <u>REVENUE</u>	<u>BALANCE</u> <u>DEC. 31,2011</u>
Municipal Alliance Grant	\$ 3,503.53	\$ 2,100.00	\$ 3,503.53	\$ 2,100.00
Alcohol Education	3,569.39		3,569.39	
Body Armor Grant		1,863.32		1,863.32
DDEF		7,496.61		7,496.61
State of NJ - Solid Waste - Recycling Tonnage Grant		18,480.50		18,480.50
	<u>\$ 7,072.92</u>	<u>\$ 29,940.43</u>	<u>\$ 7,072.92</u>	<u>\$ 29,940.43</u>
<u>Ref.</u>	A	A-17	A-16	A

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/10Cash..... Receipts	Disbursements	Balance 12/31/11
Animal Control:				
Due from Current Fund.....	(\$4,368.03)	\$1,766.70	(\$2,762.00)	(\$5,363.33)
Due to NJ - State License Fees.....	-	343.20	(343.20)	-
Animal Control Reserves.....	4,368.03	2,418.80	(1,423.50)	5,363.33
Total	-	4,528.70	(4,528.70)	-
Other Trust Fund:				
Due from General Capital Fund.....	(100,000.00)			(100,000.00)
Due to Current Fund.....	4,193.93	194,334.26	(267,755.15)	(69,226.96)
Various Reserves:				
Affordable Housing.....	50.01			50.01
D.A.R.E.	2,109.42			2,109.42
F.E.M.A.....	26,054.83			26,054.83
Fire Prevention Fees.....	6,681.72	2,000.00		8,681.72
Law Enforcement Trust Fund.....	4,314.07	457.19	(200.00)	4,571.26
Off Duty Police.....	5,836.41	110,043.00	(99,726.50)	16,152.91
Performance Bonds.....	1,000.00			1,000.00
Planning Board Escrow.....	40,532.10	104,137.41	(22,606.17)	122,063.34
POAA.....	4,140.85	152.00	(1,867.76)	2,425.09
Premium on Third Party Tax Sale.....	9,300.00	84,500.00	(22,800.00)	71,000.00
Public Defender.....	6,834.42	12,043.50	(11,116.77)	7,761.15
Recreation Trust.....	5,444.37	58,342.75	(48,259.95)	15,527.17
Recycling funds.....	1,238.70			1,238.70
Road Opening Deposits.....	200.00			200.00
Shade Tree Escrow.....	1,250.00	225.00	(1,250.00)	225.00
Snow Emergency	18,110.67		(9,113.28)	8,997.39
State Firearms Registration Fees.....	427.00			427.00
Street Lighting.....	10,000.00			10,000.00
Unemployment compensation insurance fund.....	9,812.27	4,084.65	(943.46)	12,953.46
Total	57,530.77	570,319.76	(485,639.04)	142,211.49
Public Assistance:				
Reserves for Expenditures.....	3,280.58			3,280.58
Total	3,280.58	-	-	3,280.58
Total	\$60,811.35	\$574,848.46	(\$490,167.74)	\$145,492.07
<u>Ref.</u>	B			B

General Capital Fund

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

Exhibit - C-2

	BALANCE DEC. 31, <u>2010</u>	BALANCE DEC. 31, <u>2011</u>
Fund Balance	\$8,201.09	\$53,567.96
Capital Improvement Fund	70,278.53	99,133.17
Various Accounts Receivable	(2,025,000.10)	(2,025,000.10)
N.J. D.O.T. Grants Receivable	(1,934,762.49)	(1,984,411.02)
Due to Trust Fund	100,000.00	100,000.00
Due to/(from) Current Fund	529,091.93	585,527.69
Excess BAN proceeds		162.06

Improvement Authorizations:

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>		
98-02	Reconstr. Of Dunellen & So. Ave.	2,913.62	
98-03	Remediate San. Sewer System	2,578.50	
01-01	Road Improvements South Madison	2,458.08	
01-02	Improv. to San. Sewer System	30,070.74	30,018.50
01-09/	Sanitary Sewer/ Pump Station		
02-05	Improvements (Amended)	(5,570.82)	(53,819.42)
02-08	Improv. to San. Sewer System	(237.59)	(278.11)
02-10	Computer Purchases	673.00	
02-15	Various Purchases	218.69	
03-19	Construction of Field House/Senior Center	3,038.25	2,253.25
03-22	Improvement of High Street	(29.46)	(32.39)
03-24	Improvement of Public Work Facility	178.25	
04-01	Columbia Park Improvements	(30,279.64)	(34,086.52)
04-06	Improvement of Sanford Avenue	44,515.62	
04-07	Improvement to Streetscape	(16,014.80)	(29,664.37)
04-15	Breathalyzer	(384.13)	(390.97)
04-15	Laptops for Police Vehicles	(331.29)	(840.57)
04-15	Purchase Trailer	578.20	
04-15	Replace Dump Body	326.24	
04-15	Clerk's Office Computers	(2,260.68)	(1,763.61)
05-07	Purchase Trip Pumper Combination Fire Truck	10,173.98	10,173.98
05-08	Fire Department Communications Devices	(1,548.05)	(1,554.89)
05-09	Purchase Various Equipment (Sewer Jet, Diesel Mower)	(1,720.16)	(1,744.08)
05-10	Dunellen Redevelopment Project	(3,786.83)	(3,810.07)
05-12	Resurfacing of Whittier Avenue	(4,857.35)	(4,897.05)
05-18	Sidewalk and Culvert Improvement	202,081.20	202,081.20
05-20	Emergency equipment	(248.40)	(264.80)
05-21	Supplemental Appropriation - Columbia Park	187,460.35	163,782.27
06-02	Improvements to Walnut Street	14,405.53	14,405.53
06-03	Acquisition of Equipment	2,640.68	2,640.68
06-12	Construct Culvert under Railroad	780,003.58	733,655.09
06-18	Supplemental Appropriation - Sanitary Sewer	(52,452.95)	(39,958.87)
06-24	Improvements to First Street	(71,177.50)	35.00
06-25	Acquisition of Equipment	(476.07)	(585.43)
07-02	Various Capital Improvements	(409.87)	(421.59)
07-05	Acquisition of Reverse 9-1-1 Equipment	(3,941.38)	28.76
07-15	McCoy Park Improvements	(23,313.29)	(313.29)
07-18	West 4th Street Improvements	(5,995.51)	(1,106.06)
07-21	Boiler Replacement in Municipal Building	(7,765.89)	(798.81)
08-07	First Street Phase II Improvements	(46,664.44)	(783.22)
08-08A	Various Street Improvements	(1,556.89)	(56.89)
08-08B	Manhole Covers	(8,548.07)	(48.07)
08-08C	Various Improvement - Computers, Radar Equip	(18,777.56)	2,023.50
08-17	McCoy Park Improvements - Amended	(37,427.25)	(427.25)
08-22A	Overhead Garage Door	(5,074.22)	(157.22)
08-22B	Telephone System	(27,794.72)	(2,794.72)
08-22C	Diesel Mason Dump Truck	(8,540.03)	(3,540.03)
08-22D	Bucket Truck	(1,090.76)	(1,194.06)
09-04	Front Street Improvements (\$275,000 NJ DOT)	146,718.60	(29,920.73)
09-10	Acquisition of Property	2,008,750.00	1,888,169.00
09-12	Various Capital Improvements	(162,823.99)	(68,730.32)
09-14	Streetscape Improvements	4,331.26	4,331.26
10-05	Sewer System Improvements	8,580.73	8,580.73
10-10	Improvements to Fairview Avenue	350,595.53	37,887.38
11-11	Improvements to Dunellen Avenue		354,937.52
		\$0.00	\$0.00

<u>Ref.</u>	C	C
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SCHEDULE OF DUE FROM VARIOUS GRANTOR AGENCIES
GRANTS RECEIVABLE
GENERAL CAPITAL FUND

	Ordinance Number	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011
Receivables:					
Dunellen & So. Ave. - NJ DOT	98-02	\$5,788.79			\$5,788.79
Various Improvements - Lincoln and Prospect Ave. - NJ DOT	00-06	2,779.75			2,779.75
High Street Improvm. - NJ DOT	03-22	4,248.40			4,248.40
Sanford Ave. Improvm.- NJ DOT	04-06	61,929.02			61,929.02
Streetscape Improvm. - NJ DOT	04-07	31,803.60			31,803.60
Due from Dunellen Board of Ed.	03-19	0.10			0.10
Due from Middlesex County - CDBG	03-19	25,000.00			25,000.00
Resurfacing of Whittier Av.	05-12	127,061.83			127,061.83
Sidewalk and Culvert Improvm.	05-18	200,000.00			200,000.00
Construct Culvert under Railroad	06-12	900,000.00			900,000.00
First Street Phase II Improvements	08-07	125,875.68		73,927.56	51,948.12
Front Street - NJ DOT	09-04	115,275.42			115,275.42
County of Middlesex	09-10	2,000,000.00			2,000,000.00
Fairview Avenue - NJ DOT	10-10	360,000.00		226,423.91	133,576.09
Improvements to Dunellen Avenue	11-11		350,000.00		350,000.00
		<u>\$3,959,762.59</u>	<u>\$350,000.00</u>	<u>\$300,351.47</u>	<u>\$4,009,411.12</u>
<u>Ref.</u>	C		C-8	C-6	C

Exhibit - C-4

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

	<u>REF.</u>	
Balance - December 31, 2010	C	\$1,439,661.84
Decreased by:		
NJ Infrastructure Trust Loan	C-10	40,000.00
NJ Infrastructure Fund Loan	C-11	47,753.74
MCIA Lease Payable	C-12	<u>39,396.85</u>
		<u>127,150.59</u>
Balance - December 31, 2011	C	<u>\$1,312,511.25</u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	2011 AUTHORI- ZATIONS	CANCELLED	PAID BY BUDGET APPROP.	ANALYSIS OF BALANCE - DECEMBER 31, 2011			
						BALANCE DEC. 31, 2011	BOND ANTICIPATION NOTES	EXPENDI- TURES	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>								
98-02	Reconstr. Dunellen & So. Ave.	\$42,795.00		\$42,795.00					
98-03	Remediate San. Sewer System	27,145.01		27,145.01					
01-02	Improv. to San. Sewer System	53,609.61			\$15,700.00	\$37,909.61	\$37,800.00		\$109.61
01-09/ 02-05	Sanitary Sewer/ Pump Station Improvements (Amended)	174,025.00			17,400.00	156,625.00	72,600.00	53,819.42	30,205.58
02-08	Improv. to San. Sewer System	41,825.60		47.49	8,500.00	33,278.11	33,000.00	278.11	
02-15	Various Purchases	85,143.94		27,306.00	16,000.00	41,837.94	41,837.94		
03-22	Improvement of High Street	10,852.44		7,820.05	2,000.00	1,032.39	1,000.00	32.39	
04-01	Columbia Park Improvements	154,300.00			6,700.00	147,600.00	84,600.00	34,086.52	28,913.48
04-06	Improvement of Sanford Avenue	47,500.00		47,500.00					
04-07	Improvement to Streetscape	71,250.00				71,250.00	16,000.00	29,664.37	25,585.63
04-15	Breathalyzer	7,400.00		9.03	1,000.00	6,390.97	6,000.00	390.97	
04-15	Laptops for Police Vehicles	10,600.00		759.43	1,500.00	8,340.57	7,500.00	840.57	
04-15	Replace Dump Body	9,500.00		9,500.00					
04-15	Clerk Office Computers	5,500.00		236.39	1,000.00	4,263.61	2,500.00	1,763.61	
05-08	Fire Department Communications Devices	16,703.00			1,000.00	15,703.00	6,000.00	1,554.89	8,148.11
05-09	Purchase Various Equipment	44,600.00			3,500.00	41,100.00	21,000.00	1,744.08	18,355.92
05-10	Dunellen Redevelopment Project	84,800.00			3,400.00	81,400.00	20,400.00	3,810.07	57,189.93
05-12	Resurfacing of Whittier Avenue	43,900.00			1,200.00	42,700.00	7,200.00	4,897.05	30,602.95
05-18	Sidewalk and Culvert Improvement	47,500.00				47,500.00			47,500.00
05-20	Emergency equipment	19,300.00			2,400.00	16,900.00	14,400.00	264.80	2,235.20
06-02	Improvements to Walnut Street	47,500.00				47,500.00			47,500.00
06-12	Construct Culvert under Railroad	380,000.00				380,000.00			380,000.00
06-18	Supplemental Appropriation - Sanitary Sewer	275,000.00			11,000.00	264,000.00	141,000.00	39,958.87	83,041.13
06-24	Improvements to First Street	71,250.00				71,250.00	71,000.00		250.00
06-25	Acquisition of Equipment	74,000.00			8,500.00	65,500.00	55,500.00	585.43	9,414.57
07-02	Various Capital Improvements	23,000.00			1,200.00	21,800.00	10,800.00	421.59	10,578.41
07-05	Acquisition of Reverse 9-1-1 Equipment	26,600.00			2,000.00	24,600.00	22,000.00		2,600.00
07-15	McCoy Park Improvements	83,000.00			6,000.00	77,000.00	65,000.00	313.29	11,686.71
07-18	West 4th Street Improvements	115,040.00			10,000.00	105,040.00	95,000.00	1,106.06	8,933.94
07-21	Boiler Replacement in Municipal Building	24,700.00			1,900.00	22,800.00	20,300.00	798.81	1,701.19
08-07	First Street Phase II Improvements	175,750.00				175,750.00	46,000.00	783.22	128,966.78
08-08A	Various Street Improvements	132,500.00			10,000.00	122,500.00	121,500.00	56.89	943.11
08-08B	Manhole Covers	9,500.00			1,000.00	8,500.00	7,500.00	48.07	951.93
08-08C	Various Improvement - Computers, Radar Equip	23,750.00			3,000.00	20,750.00	18,000.00		2,750.00
08-17	McCoy Park Improvements - Amended	38,000.00				38,000.00	37,000.00	427.25	572.75
08-22A	Overhead Garage Door	11,400.00				11,400.00	5,000.00	157.22	6,242.78
08-22B	Telephone System	38,000.00				38,000.00	25,000.00	2,794.72	10,205.28
08-22C	Diesel Mason Dump Truck	52,100.00			4,000.00	48,100.00	36,000.00	3,540.03	8,559.97
08-22D	Bucket Truck	80,500.00			5,000.00	75,500.00	50,000.00	1,194.06	24,305.94
09-04	Front Street Improvements (\$275,000 NJ DOT)	71,000.00				71,000.00		29,920.73	41,079.27
09-10	Acquisition of Property	166,250.00				166,250.00			166,250.00

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	2011 AUTHORI- ZATIONS	CANCELLED	PAID BY BUDGET APPROP.	BALANCE DEC. 31, 2011	ANALYSIS OF BALANCE - DECEMBER 31, 2011		
							BOND ANTICIPATION NOTES	EXPENDI- TURES	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>								
09-12A	McCoy Park Improvements	4,760.00				4,760.00		3,750.00	1,010.00
09-12B	Repaving Portion of Madison Avenue	38,050.00				38,050.00	15,000.00	3,931.97	19,118.03
09-12C	Fire House Air Conditioner Replacement	47,600.00				47,600.00	42,500.00	5,100.00	
09-12D	Purchase Diesel Pick-up Truck	42,850.00				42,850.00	35,000.00	5,401.47	2,448.53
09-12E	Replace Fire House Roof	25,670.00				25,670.00	9,500.00	3,829.08	12,340.92
09-12F	Replace Fire House Furnace	4,760.00				4,760.00		1,376.50	3,383.50
09-12G	Acquisition of Turn Out Gear	19,000.00				19,000.00		5,570.79	13,429.21
09-12H	Improvements to Air House	23,760.00				23,760.00	12,500.00	8,230.49	3,029.51
09-12I	Replacement of Cell Block Plumbing	14,250.00				14,250.00	5,000.00	7,089.44	2,160.56
09-12J	Acquisition of Dictograph for Police Department	15,200.00				15,200.00	5,000.00	7,917.79	2,282.21
09-12K	Improvements to Dispatch Area	17,100.00				17,100.00	7,500.00	8,759.39	840.61
09-12L	Acquisition of Fire House Generator	38,000.00				38,000.00	30,000.00	7,773.40	226.60
09-14	Streetscape Improvements	90,250.00				90,250.00			90,250.00
10-05	Sewer System Improvements	171,000.00				171,000.00			171,000.00
10-10	Improvements to Fairview Avenue	85,500.00				85,500.00			85,500.00
11-11	Improvements to Dunellen Avenue		95,000.00			95,000.00			95,000.00
		<u>\$3,554,839.60</u>	<u>\$95,000.00</u>	<u>\$163,118.40</u>	<u>\$144,900.00</u>	<u>\$3,341,821.20</u>	<u>\$1,360,437.94</u>	<u>\$283,983.41</u>	<u>\$1,697,399.85</u>
Ref.	C		C-8	C-8	C-6	C			
	Bond Anticipation Notes						\$1,360,600.00		
	Excess BAN's						162.06		
							<u>\$1,360,437.94</u>		
	Unexpended Balances of Unfunded Improv. Authors.								\$1,729,505.61
	Less: Unexpended Proceeds of Bond Anticipation Notes								32,105.76
									<u>\$1,697,399.85</u>

SCHEDULE OF INTERFUNDS
GENERAL CAPITAL FUND

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>TRUST FUND</u>
Balance - December 31, 2010 Due from/(to)	C	(\$629,091.93)	(\$529,091.93)	(100,000.00)
Increased by:				
Bond Anticipation Notes Sold	C- 9	1,879,600.00	1,879,600.00	
Funded by Grants	C- 3	300,351.47	300,351.47	
Deferred Charges - Unfunded	C- 5	144,900.00	144,900.00	
2011 Budget Appropriations: Capital Improvement Fund	C- 7	<u>25,000.00</u>	<u>25,000.00</u>	
		<u>1,720,759.54</u>	<u>1,820,759.54</u>	<u>(100,000.00)</u>
Decreased by:				
Improvement Authorization Expenditures Paid by Current Fund	C- 8	900,787.23	900,787.23	
Bond Anticipation Notes Redeemed	C- 9	<u>1,505,500.00</u>	<u>1,505,500.00</u>	
		<u>2,406,287.23</u>	<u>2,406,287.23</u>	
Balance - December 31, 2011 Due from/(to)	C	<u><u>(\$685,527.69)</u></u>	<u><u>(\$585,527.69)</u></u>	<u><u>(\$100,000.00)</u></u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2010	C	\$70,278.53
Increased by:		
2011 Budget Appropriation	C- 6	25,000.00
Improvement Authorizations Canceled	C- 8	<u>8,854.64</u>
		<u>33,854.64</u>
		104,133.17
Decreased by:		
Improvement Authorizations Funded	C- 8	<u>5,000.00</u>
Balance - December 31, 2011	C	<u><u>\$99,133.17</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2010		2011 AUTHORIZATIONS			AUTHOR. CANCELLED	PAID OR CHARGED	BALANCE - DEC. 31, 2011	
		DATE	AMOUNT	FUNDED	UNFUNDED	CAP. IMPROV. FUND	DEFERRED - UNFUNDED	OTHER			FUNDED	UNFUNDED
General Improvements:												
98-02	Reconstr. Of Dunellen & So. Ave.	11/16/98	\$270,000.00	\$2,913.62	\$42,795.00				\$45,708.62			
98-03	Remediate San. Sewer System	02/01/99	75,000.00	2,578.50	27,145.01				29,723.51			
01-01	Road Improvements South Madison	05/21/01	167,000.00	2,458.08					2,458.08			
01-02	San. Sewer System Improvements	06/04/01	200,000.00		30,180.35					52.24		30,128.11
01-09/	Sanitary Sewer/ Pump Station											
02-05	Improvements (Amended)	11/05/01	2,205,000.00		78,454.18					48,248.60		30,205.58
02-08	Road Improvements Madison Ave.	07/01/02	236,250.00		88.01				47.49	40.52		
02-10	Computer Purchases	10/07/02	16,500.00	673.00					673.00			
02-15	Various Purchases	2/3/03	286,000.00		27,362.63				27,306.00	56.63		
03-19	Construction of Field House/Senior Center (CDBG \$75,000, Grants from State of NJ \$175,000, (Board of Education \$315,000)	05/05/03	575,000.00	3,038.25						785.00	2,253.25	
03-22	Improvement of High Street (NJ DOT \$115,000)	07/07/03	140,000.00		7,822.98				7,820.05	2.93		
03-24	Improvement of Public Work Facility	12/01/03	10,000.00	178.25					178.25			
04-01	Columbia Park Improvements (Open Space Grant \$1,000,000)	02/02/04	2,200,000.00		62,720.36					33,806.88		28,913.48
04-06	Improvement of Sanford Avenue (NJ DOT \$250,000)	04/19/04	300,000.00	44,515.62	47,500.00				92,015.62			
04-07	Improvement to Streetscape (NJ DOT \$200,000)	04/19/04	275,000.00		55,235.20					29,649.57		25,585.63
04-15	Breathalyzer	09/13/04	12,000.00		15.87				9.03	6.84		
04-15	Laptops for Police Vehicles	09/13/04	18,000.00		768.71				759.43	9.28		
04-15	Purchase Trailer	09/13/04	2,000.00	578.20					578.20			
04-15	Replace Dump Body	09/13/04	10,000.00	326.24	9,500.00				9,826.24			
04-15	Clerk's Office Computers	09/13/04	10,000.00		239.32				236.39	2.93		
05-07	Purchase Trip Pumper Combination Fire Truck	05/16/05	400,000.00	10,173.98							10,173.98	
05-08	Fire Department Communications Devices (FEMA \$109,260)	06/06/05	130,000.00		8,154.95					6.84		8,148.11
05-09	Purchase Various Equipment - (Sewer Jet, Diesel Mower) NJDCA \$95,000	06/20/05	153,000.00		18,379.84					23.92		18,355.92
05-10	Dunellen Redevelopment Project	08/08/05	100,000.00		57,213.17					23.24		57,189.93
05-12	Resurfacing of Whittier Avenue (\$200,000 NJ DOT)	09/26/05	250,000.00		30,642.65					39.70		30,602.95
05-18	Sidewalk and Culvert Improvement to New Market Road (\$200,000 NJ DOT)	11/21/05	250,000.00	202,081.20	47,500.00					16.40	202,081.20	47,500.00
05-20	Emergency equipment	11/21/05	28,000.00		2,251.60						2,235.20	
05-21	Supplemental Appropriation - Columbia Park	11/21/05	500,000.00	187,460.35						23,678.08	163,782.27	2,235.20
06-02	Improvements to Walnut Street (\$200,000 NJ DOT)	02/20/06	250,000.00	14,405.53	47,500.00						14,405.53	47,500.00
06-03	Acquisition of Equipment	03/20/06	26,000.00	2,640.68							2,640.68	
06-12	Construct Culvert under Railroad	08/07/06	1,300,000.00	780,003.58	380,000.00					46,348.49	733,655.09	380,000.00
06-18	Supplemental Appropriation - Sanitary Sewer	09/25/06	300,000.00		122,547.05					39,505.92		83,041.13
06-24	Improvements to First Street	12/18/06	320,000.00	72.50						-212.50		285.00
06-25	Acquisition of Equipment	12/18/06	100,000.00		9,523.93					109.36		9,414.57
07-02	Various Capital Improvements	02/19/07	48,000.00		10,590.13					11.72		10,578.41
07-05	Acquisition of Reverse 9-1-1 Equipment	04/09/07	28,000.00		2,658.62					29.86		2,628.76
07-15	McCoy Park Improvements (\$500,000 Open Space)	09/10/07	600,000.00		11,686.71							11,686.71
07-18	West 4th Street Improvements	09/24/07	160,000.00		9,044.49					110.55		8,933.94
07-21	Boiler Replacement in Municipal Building	11/05/07	30,000.00		1,734.11					32.92		1,701.19
08-07	First Street Phase II Improvements (\$235,000 NJ DOT)	04/07/08	420,000.00		129,085.56					118.78		128,966.78
08-08A	Various Street Improvements	04/07/08	150,000.00		943.11							943.11
08-08B	Manhole Covers	04/07/08	10,000.00		951.93							951.93
08-08C	Various Improvement - Computers, Radar Equip	04/07/08	25,000.00		4,972.44					198.94		4,773.50
08-17	McCoy Park Improvements - Amended	09/05/08	40,000.00		572.75							572.75
08-22A	Overhead Garage Door	12/01/08	12,000.00		6,325.78					83.00		6,242.78
08-22B	Telephone System	12/01/08	40,000.00		10,205.28							10,205.28
08-22C	Diesel Mason Dump Truck	12/01/08	55,000.00		8,559.97							8,559.97
08-22D	Bucket Truck	12/01/08	85,000.00		24,409.24					103.30		24,305.94
09-04	Front Street Improvements (\$275,000 NJ DOT)	02/26/09	350,000.00	146,718.60	71,000.00					176,639.33		41,079.27

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2010		2011 AUTHORIZATIONS			AUTHOR. CANCELLED	PAID OR CHARGED	BALANCE - DEC. 31, 2011	
		DATE	AMOUNT	FUNDED	UNFUNDED	CAP. IMPROV. FUND	DEFERRED - UNFUNDED	OTHER			FUNDED	UNFUNDED
General Improvements:												
09-10	Acquisition of Property	08/03/09	2,175,000.00	2,008,750.00	166,250.00					120,581.00	1,888,169.00	166,250.00
09-12A	McCoy Park Improvements	09/21/09	5,000.00		1,026.50					16.50		1,010.00
09-12B	Repaving Portion of Madison Avenue	09/21/09	40,000.00		19,250.00					131.97		19,118.03
09-12C	Fire House Air Conditioner Replacement	09/21/09	50,000.00		5,000.00					5,000.00		
09-12D	Purchase Diesel Pick-up Truck	09/21/09	45,000.00		2,597.00					148.47		2,448.53
09-12E	Replace Fire House Roof	09/21/09	27,000.00		12,430.00					89.08		12,340.92
09-12F	Replace Fire House Furnace	09/21/09	5,000.00	240.00	4,760.00					1,616.50		3,383.50
09-12G	Acquisition of Turn Out Gear	09/21/09	20,000.00		13,495.20					65.99		13,429.21
09-12H	Improvements to Air House	09/21/09	25,000.00	1,240.00	23,760.00					21,970.49		3,029.51
09-12I	Replacement of Cell Block Plumbing	09/21/09	15,000.00		2,210.05					49.49		2,160.56
09-12J	Acquisition of Dictigraph for Police Dpartment	09/21/09	16,000.00		2,335.00					52.79		2,282.21
09-12K	Improvements to Dispatch Area	09/21/09	18,000.00		900.00					59.39		840.61
09-12L	Acquisition of Fire House Generaor	09/21/09	40,000.00	932.26	38,000.00					38,705.66		226.60
09-14	Streetscape Improvements	12/07/09	95,000.00	4,331.26	90,250.00						4,331.26	90,250.00
10-05	Sewer System Improvements	06/07/10	180,000.00	8,580.73	171,000.00						8,580.73	171,000.00
10-10	Improvements to Fairview Avenue (\$360,000 NJ DOT)	08/02/10	450,000.00	350,595.53	85,500.00					312,708.15	37,887.38	85,500.00
11-11	Improvements to Dunellen Avenue	09/19/11	450,000.00			5,000.00	95,000.00	350,000.00		62.48	354,937.52	95,000.00
				<u>\$3,775,413.46</u>	<u>\$2,045,117.18</u>	<u>\$5,000.00</u>	<u>\$95,000.00</u>	<u>\$350,000.00</u>	<u>\$217,339.91</u>	<u>\$900,787.23</u>	<u>\$3,422,897.89</u>	<u>\$1,729,505.61</u>
		<u>Ref.</u>		C	C	C- 7	C- 5	C- 3		C- 6	C	C
	Fund Balance			C-1					\$45,366.87			
	Deferred Charges to Future Taxation Unfunded			C-5					163,118.40			
	Capital Improvement Fund			C-7					8,854.64			
									<u>\$217,339.91</u>			

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2010	INCREASED	DECREASED	BALANCE DEC. 31, 2011
01-02	Sanitary Sewer System Improvements	10/28/03	10/20/11	10/19/12	1.45%	\$53,500.00	\$37,800.00	\$53,500.00	\$37,800.00
02-01	Sanitary Sewer Pump System Improvements	10/25/07	10/20/11	10/19/12	1.45%	90,000.00	72,600.00	90,000.00	72,600.00
02-08	Improv. to San. Sewer System	10/27/04	10/20/11	10/19/12	1.45%	41,500.00	33,000.00	41,500.00	33,000.00
02-15A	Replace Police Console	10/28/03	10/20/11	10/19/12	1.45%	30,000.00	32,000.00	30,000.00	32,000.00
02-15B	Turnout Gear, Cylinders, SCBA	10/28/03	10/20/11	10/19/12	1.45%	8,000.00	5,000.00	8,000.00	5,000.00
02-15C	Replace Phone System	10/28/03	10/20/11	10/19/12	1.45%	4,000.00	2,000.00	4,000.00	2,000.00
02-15D	Replace Office Furniture	10/27/04	10/20/11	10/19/12	1.45%	10,000.00	2,000.00	10,000.00	2,000.00
02-15E	Replace Library Furnace	10/28/03	10/20/11	10/19/12	1.45%	6,000.00	1,000.00	6,000.00	1,000.00
03-22	Improvement of High Street	10/27/04	10/20/11	10/19/12	1.45%	3,000.00	1,000.00	3,000.00	1,000.00
04-01	Columbia Park Improvements	10/25/07	10/20/11	10/19/12	1.45%	61,300.00	114,600.00	91,300.00	84,600.00
04-07	Streetscape Improvements	04/07/11	10/20/11	10/19/12	1.45%		32,000.00	16,000.00	16,000.00
04-15A	Breathalyzer	10/28/05	10/20/11	10/19/12	1.45%	7,000.00	6,000.00	7,000.00	6,000.00
04-15B	Laptops for Police Vehicles	10/28/05	10/20/11	10/19/12	1.45%	9,500.00	7,500.00	9,500.00	7,500.00
04-15E	Clerk's Office Computers	10/28/05	10/20/11	10/19/12	1.45%	3,000.00	2,500.00	3,000.00	2,500.00
05-08	Fire Department Communications Devices	10/26/06	10/20/11	10/19/12	1.45%	7,000.00	6,000.00	7,000.00	6,000.00
05-09A	Sewer Jet	10/26/06	10/20/11	10/19/12	1.45%	24,500.00	21,000.00	24,500.00	21,000.00
05-10	Dunellen Redevelopment Project	10/26/06	10/20/11	10/19/12	1.45%	23,800.00	20,400.00	23,800.00	20,400.00
05-12	Resurfacing of Whittier Avenue	10/25/07	10/20/11	10/19/12	1.45%	8,400.00	7,200.00	8,400.00	7,200.00
05-20	9-1-1 Emergency Equipment	10/25/07	10/20/11	10/19/12	1.45%	16,800.00	14,400.00	16,800.00	14,400.00
06-18	Supplemental Appropriation - Sanitary Sewer	10/24/08	10/20/11	10/19/12	1.45%	100,000.00	193,000.00	152,000.00	141,000.00
06-24	Improvements to First Street	04/07/11	10/20/11	10/19/12	1.45%		142,000.00	71,000.00	71,000.00
06-25	Various Improvements	10/25/07	10/20/11	10/19/12	1.45%	64,000.00	55,500.00	64,000.00	55,500.00
07-02	Various Capital Improvements	12/23/10	10/20/11	10/19/12	1.45%	12,000.00	10,800.00	12,000.00	10,800.00
07-05	Acquisition of Reverse 9-1-1 Equipment	10/23/09	10/20/11	10/19/12	1.45%	20,000.00	26,000.00	24,000.00	22,000.00
07-15	McCoy Park Improvements	10/24/08	10/20/11	10/19/12	1.45%	48,000.00	88,000.00	71,000.00	65,000.00
07-18	West 4th Street Improvements	10/23/09	10/20/11	10/19/12	1.45%	100,000.00	100,000.00	105,000.00	95,000.00
07-21	Boiler Replacement - Municipal Building	10/24/08	10/20/11	10/19/12	1.45%	15,200.00	27,300.00	22,200.00	20,300.00
08-07	First Street Phase II Improvements	04/07/11	10/20/11	10/19/12	1.45%		92,000.00	46,000.00	46,000.00
08-08	Various Improvements	10/24/08	10/20/11	10/19/12	1.45%	130,000.00	173,000.00	156,000.00	147,000.00
08-17	McCoy Park Improvements - Amended	04/07/11	10/20/11	10/19/12	1.45%		74,000.00	37,000.00	37,000.00
08-22	Various Improvements	10/23/09	10/20/11	10/19/12	1.45%	90,000.00	156,000.00	130,000.00	116,000.00
09-12	Various Capital Improvements	04/07/11	10/20/11	10/19/12	1.45%		324,000.00	162,000.00	162,000.00
						<u>\$986,500.00</u>	<u>\$1,879,600.00</u>	<u>\$1,505,500.00</u>	<u>\$1,360,600.00</u>

Ref. C C-6 C-6 C

SCHEDULE OF INFRASTRUCTURE
TRUST LOAN PAYABLE

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF LOANS		BALANCE	DECREASED	BALANCE
				DATE	AMOUNT	DEC. 31, 2010		DEC. 31, 2011
New Jersey Environmental Infrastructure Trust 2002 A Loan	11/7/02	\$900,000.00	5.00%-5.25%	8/1/12-13	\$45,000.00	\$ 660,000.00	\$ 40,000.00	\$ 620,000.00
			5.25%-5.00%	8/1/14-15	50,000.00			
			5.00%	8/1/16-17	55,000.00			
			5.00%	8/1/18-19	60,000.00			
			5.00%	8/1/20-21	65,000.00			
			4.75%	8/1/22	70,000.00			
						\$ 660,000.00	\$ 40,000.00	\$ 620,000.00
						C	C-4	C

Ref.

C

C-4

C

SCHEDULE OF INFRASTRUCTURE
FUND LOAN PAYABLE

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	YEAR	SEMI-ANNUAL PRINCIPAL		BALANCE	DECREASED	BALANCE
				1-Feb	1-Aug	DEC. 31, 2010		DEC. 31, 2011
New Jersey Environmental Infrastructure Fund 2002 A Loan	11/7/02	\$945,475.00	2012	\$10,151.24	\$39,563.30	\$ 582,677.54	\$ 47,753.74	\$ 534,923.80
			2013	9,415.94	38,828.00			
			2014	8,643.87	41,323.94			
			2015	7,786.02	40,466.09			
			2016	6,969.02	42,917.10			
			2017	6,070.32	42,018.55			
			2018	5,171.62	44,387.70			
			2019	4,191.21	43,407.30			
			2020	3,210.81	45,694.90			
			2021	2,148.71	44,632.80			
			2022	1,086.61	46,838.75			
						\$ 582,677.54	\$ 47,753.74	\$ 534,923.80
						C	C-4	C

Ref.

C

C-4

C

SCHEDULE OF MCIA LEASE PAYABLE

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF LOANS</u>		<u>BALANCE DEC. 31, 2010</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2011</u>
				<u>DATE</u>	<u>AMOUNT</u>			
MCIA Lease Payable		\$394,583.03	3.375%	08/15/12	\$39,396.86	\$ 196,984.30	\$ 39,396.85	\$ 157,587.45
			3.500%	08/15/13	39,396.86			
			3.600%	08/15/14	39,396.86			
			3.700%	08/15/15	39,396.86			
						<u>\$ 196,984.30</u>	<u>\$ 39,396.85</u>	<u>\$ 157,587.45</u>
				<u>Ref.</u>		C	C-4	C

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	2011 AUTHORI- ZATIONS	BANS REDEEMED	PAID BY BUDGET APPROPRIATIONS	BOND ANTICIPATION NOTES ISSUED	CANCELLED	BALANCE DEC. 31, 2011
<u>General Improvements</u>								
98-2	Reconstr. Dunellen Ave. & South Ave.	\$ 42,795.00	\$	\$	\$	\$	\$ 42,795.00	\$
98-3	Remediate San. Sewer System	27,145.01					27,145.01	
01-02	Improv. to San. Sewer System	109.61		53,500.00	15,700.00	37,800.00		109.61
01-09/ 02-01	Sanitary Sewer /Pump Station Improvs. (Amended)	84,025.00		90,000.00	17,400.00	72,600.00		84,025.00
02-08	Road Improvements Madison Ave.	325.60		41,500.00	8,500.00	33,000.00	47.49	278.11
02-15	Various Purchases	27,143.94		58,000.00	16,000.00	41,837.94	27,306.00	
03-22	High Street Improvements	7,852.44		3,000.00	2,000.00	1,000.00	7,820.05	32.39
04-01	Columbia Park Improvements	93,000.00		61,300.00	6,700.00	84,600.00		63,000.00
04-06	Sanford Avenue Improvements	47,500.00					47,500.00	
04-07	Streetscape Improvements	71,250.00				16,000.00		55,250.00
04-15A	Breathalyzer	400.00		7,000.00	1,000.00	6,000.00	9.03	390.97
04-15B	Laptops for Police Vehicles	1,100.00		9,500.00	1,500.00	7,500.00	759.43	840.57
04-15D	Replace Dump Body	9,500.00					9,500.00	
04-15E	Clerk Office Computers	2,500.00		3,000.00	1,000.00	2,500.00	236.39	1,763.61
05-08	Fire Department Communications Devices	9,703.00		7,000.00	1,000.00	6,000.00		9,703.00
05-09	Purchase Various Equipment	20,100.00		24,500.00	3,500.00	21,000.00		20,100.00
05-10	Dunellen Redevelopment Project	61,000.00		23,800.00	3,400.00	20,400.00		61,000.00
05-12	Resurfacing of Whittier Avenue	35,500.00		8,400.00	1,200.00	7,200.00		35,500.00
05-18	Sidewalk and Culvert Improvement	47,500.00						47,500.00
05-20	Emergency equipment	2,500.00		16,800.00	2,400.00	14,400.00		2,500.00
06-02	Improvements to Walnut Street	47,500.00						47,500.00
06-12	Construct Culvert under Railroad	380,000.00						380,000.00
06-18	Supplemental Appropriation - Sanitary Sewer	175,000.00		100,000.00	11,000.00	141,000.00		123,000.00
06-24	Improvements to First Street	71,250.00				71,000.00		250.00
06-25	Acquisition of Equipment	10,000.00		64,000.00	8,500.00	55,500.00		10,000.00
07-02	Various Capital Improvements	11,000.00		12,000.00	1,200.00	10,800.00		11,000.00
07-05	Acquisition of Reverse 9-1-1 Equipment	6,600.00		20,000.00	2,000.00	22,000.00		2,600.00
07-15	McCoy Park Improvements	35,000.00		48,000.00	6,000.00	65,000.00		12,000.00
07-18	West 4th Street Improvements	15,040.00		100,000.00	10,000.00	95,000.00		10,040.00
07-21	Boiler Replacement in Municipal Building	9,500.00		15,200.00	1,900.00	20,300.00		2,500.00
08-07	First Street Phase II Improvements	175,750.00				46,000.00		129,750.00
08-08A	Various Street Improvements	2,500.00		130,000.00	10,000.00	121,500.00		1,000.00
08-08B	Manhole Covers	9,500.00			1,000.00	7,500.00		1,000.00
08-08C	Various Improvement - Computers, Radar Equip	23,750.00			3,000.00	18,000.00		2,750.00
08-17	McCoy Park Improvements - Amended	38,000.00				37,000.00		1,000.00
08-22A	Overhead Garage Door	11,400.00				5,000.00		6,400.00
08-22B	Telephone System	38,000.00				25,000.00		13,000.00
08-22C	Diesel Mason Dump Truck	17,100.00		35,000.00	4,000.00	36,000.00		12,100.00
08-22D	Bucket Truck	25,500.00		55,000.00	5,000.00	50,000.00		25,500.00
09-04	Front Street Improvements	71,000.00						71,000.00

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2010	2011 AUTHORI- ZATIONS	BANS REDEEMED	PAID BY BUDGET APPROPRIATIONS	BOND ANTICIPATION NOTES ISSUED	CANCELLED	BALANCE DEC. 31, 2011
<u>General Improvements</u>								
09-10	Acquisition of Property	166,250.00						166,250.00
09-12A	McCoy Park Improvements	4,760.00						4,760.00
09-12B	Repaving Portion of Madison Avenue	38,050.00				15,000.00		23,050.00
09-12C	Fire House Air Conditioner Replacement	47,600.00				42,500.00		5,100.00
09-12D	Purchase Diesel Pick-up Truck	42,850.00				35,000.00		7,850.00
09-12E	Replace Fire House Roof	25,670.00				9,500.00		16,170.00
09-12F	Replace Fire House Furnace	4,760.00						4,760.00
09-12G	Acquisition of Turn Out Gear	19,000.00						19,000.00
09-12H	Improvements to Air House	23,760.00				12,500.00		11,260.00
09-12I	Replacement of Cell Block Plumbing	14,250.00				5,000.00		9,250.00
09-12J	Acquisition of Dictigraph for Police Dpartment	15,200.00				5,000.00		10,200.00
09-12K	Improvements to Dispatch Area	17,100.00				7,500.00		9,600.00
09-12L	Acquisition of Fire House Generaor	38,000.00				30,000.00		8,000.00
09-14	Streetscape Improvements	90,250.00						90,250.00
10-05	Sewer System Improvements	171,000.00						171,000.00
10-10	Improvements to Fairview Avenue	85,500.00						85,500.00
11-11	Improvements to Dunellen Avenue		95,000.00					95,000.00
		<u>\$ 2,568,339.60</u>	<u>\$ 95,000.00</u>	<u>\$ 986,500.00</u>	<u>\$ 144,900.00</u>	<u>\$ 1,360,437.94</u>	<u>\$ 163,118.40</u>	<u>\$ 1,981,383.26</u>

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BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY



PART III
SUPPLEMENTARY DATA

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY

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

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	GRANT FUND	MEMORANDUM ONLY TOTALS	
					BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
Cash and Investments	\$ 414,280.85	\$ 145,492.07	\$	\$	\$ 559,772.92	\$ 819,228.59
Accounts Receivable:						
State and Federal Grants			4,009,411.12	308,195.26	4,317,606.38	4,266,882.13
Due from State of N.J.	48,650.97				48,650.97	39,754.28
Taxes, Assmts. and Liens	293,575.68				293,575.68	280,850.18
Property Acquired for Taxes	118,000.00				118,000.00	118,000.00
Interfund Loans	585,527.69	174,590.29		66,557.40	826,675.38	744,570.30
Other Accounts Receivable	12,243.35				12,243.35	18,647.14
Deferred Charges to Revenue of Succeeding Years	100,000.00				100,000.00	
Deferred Charges to Future Taxation: General Capital			4,654,332.45		4,654,332.45	4,994,501.44
Total Assets	\$ 1,572,278.54	\$ 320,082.36	\$ 8,663,743.57	\$ 374,752.66	\$10,930,857.13	\$11,282,434.06
LIABILITIES, RESERVES AND FUND BALANCE						
Bonds and Notes Payable	\$	\$	\$ 1,360,600.00	\$	\$ 1,360,600.00	\$ 986,500.00
Loans Payable			1,154,923.80		1,154,923.80	1,242,677.54
Lease Payable			157,587.45		157,587.45	196,984.30
Prepaid Taxes	77,439.93				77,439.93	65,196.71
Tax and Other Overpayments	2,113.85				2,113.85	
Appropriation Reserves	165,399.46				165,399.46	122,612.94
Reserve for Encumbrances	57,182.05			26,449.61	83,631.66	101,148.68
Amounts Pledged to Specific Purposes	38,807.62	320,082.36		348,303.05	707,193.03	595,399.85
Improvement Authorizations			5,152,403.50		5,152,403.50	5,820,530.64
Interfund Loans	141,147.69		685,527.69		826,675.38	744,570.30
Other Liabilities	54,713.79		99,133.17		153,846.96	167,994.39
Reserve for Certain Assets Receivable	1,009,346.72				1,009,346.72	950,783.18
Fund Balance	26,127.43		53,567.96		79,695.39	288,035.53
Total Liabilities, Reserves and Fund Balance	\$ 1,572,278.54	\$ 320,082.36	\$ 8,663,743.57	\$ 374,752.66	\$10,930,857.13	\$11,282,434.06

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

Revenue and Other Income Realized	2011		2010	
	Amount	%	Amount	%
Fund Balance Utilized	\$260,000.00	1.39	\$585,000.00	3.18
Miscellaneous - From Other Than Local Property Tax Levies	1,450,660.19	7.75	1,374,801.71	7.46
Collection of Delinquent Taxes and Tax Title Liens	272,134.44	1.45	146,877.40	0.80
Collection of Current Tax Levy	16,553,247.67	88.44	16,174,896.41	87.80
Non-Budget Revenue	114,678.87	0.61	26,129.79	0.14
Other Credits	66,351.12	0.36	113,600.34	0.62
Total Income	18,717,072.29	100.00	18,421,305.65	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	6,626,894.63	35.23	6,393,986.44	35.13
County Taxes	2,173,023.84	11.55	2,023,014.53	11.12
Local School Taxes	9,708,619.00	51.61	9,484,197.00	52.12
Other Expenditures	302,241.83	1.61	296,942.64	1.63
Total Expenditures	18,810,779.30	100.00	18,198,140.61	100.00
Excess (Deficit) in Revenue	(93,707.01)		223,165.04	
Adj. to Income Before Fund Balance: Expend. Included Above Which are by Statute Deferred Charges to Budget of Succeeding Years	100,000.00			
Statutory Excess to Fund Balance	6,292.99		223,165.04	
Fund Balance - Beginning	279,834.44		641,669.40	
Less: Utilized as Anticipated Revenue	260,000.00		585,000.00	
Fund Balance - Ending	\$26,127.43		\$279,834.44	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION*

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate:</u>	<u>\$11.607</u>	<u>\$11.297</u>	<u>\$10.883</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>3.257</u>	<u>3.350</u>	<u>3.011</u>
Municipal Library	<u>0.146</u>		
County	<u>1.364</u>	<u>1.303</u>	<u>1.326</u>
County Open Space	<u>0.134</u>	<u>0.094</u>	<u>0.151</u>
Local School	<u>6.706</u>	<u>6.550</u>	<u>6.395</u>

Assessed Valuation:

2011	<u>\$144,771,812.00</u>		
2010		<u>\$144,803,169.00</u>	
2009			<u>\$144,603,827.00</u>

*Per Abstract of Ratables, Middlesex County, N.J.

Note: Under the provisions of Chapter 73, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for the year 2011 to be \$61,250.00.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
CY 2011	\$16,854,315.67	\$16,553,247.67	98.21%
CY 2010	16,372,472.30	16,174,896.41	98.79%
TY 2009	7,985,520.84	7,809,340.29	97.79%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
CY 2011	\$ 10,518.84	\$ 283,056.84	\$ 293,575.68	2.07%
CY 2010	8,715.74	272,134.44	280,850.18	1.72%
TY 2009	6,354.67	146,877.40	153,232.07	1.92%

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year Ended</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	CY 2011	\$26,127.43	\$26,000.00
	CY 2010	279,834.44	260,000.00
	TY 2009	640,469.40	585,000.00
	SFY 2009	698,507.55	441,223.05
	SFY 2008	760,874.62	679,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE SURETY</u>
Robert J. Seader	- Mayor		
Anthony J. Aversa	- Councilperson		
Kenneth Baudendistel	- Councilperson		
Kenneth Bayer	Councilperson		
Mark Bieniek	Councilperson		
Jason Cilento	Councilperson		
Joseph Petracca	- Councilperson		
William Robins	- Borough Clerk/Administrator		
Scott Olsen	- Chief Financial Officer		
Eileen F. Leonard	- Collector-Treasurer, Tax Search Officer	\$125,000.00	Hartford Insurance Company
John Bruder	- Attorney		
Richard Gianchiglia	- Assessor		
Dennis Fackelman	- Magistrate		
Theresa Crisafulli	- Court Administrator	\$45,000.00	Selective Insurance Company
Gerard Cappella	- Chief of Police		

All other employees were covered under a blanket bond in the amount \$500,000.00 issued by Middlesex County Joint Insurance Fund

BOROUGH OF DUNELLEN
MIDDLESEX COUNTY, NEW JERSEY



PART IV
GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF DUNELLEN
COUNTY OF MIDDLESEX, NEW JERSEY
YEAR ENDED DECEMBER 31, 2011**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Dunellen, County of Middlesex, 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 Dunellen, County of Middlesex, 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 set up, 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 Borough of Dunellen, County of Middlesex, New Jersey as of and for the transition 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 of 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.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd.)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a 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.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated July 20, 2012 on the financial statements of the Borough of Dunellen. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Control Deficiencies:

2011-1 Segregation of Duties

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following offices - Clerk, Code Enforcement, Police, Recreation, Municipal Court, Finance and Tax Office.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

GENERAL COMMENTS

Other Matters

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 therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.00 except by contract or agreement."

On June 9, 2010, the Local Public Contracts Law was amended, effective on January 1, 2011. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$21,000.00 to \$26,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's Purchasing Agent is "Qualified" the Council may increase the bid threshold from \$29,000.00 to \$36,000.00. On May 5, 2011, a revised Local Finance Notice was issued which reduced the threshold for Non-QPA municipalities from \$26,000.00 to \$17,500.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the limits described above 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:

Compressor for Fire Department
Improvements to Fairview Avenue
Fire Station Generator

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.

Our examination of expenditures revealed that no individual payments, contracts or agreements in excess \$17,500.00 thereafter "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.

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.

Any interpretations 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.

GENERAL COMMENTS

Other Matters (Cont'd.)

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

Compliance with P.L. 2005, c.271

An anomaly exists in the "Pay-to-Play" statutes when they are matched with the LPCL requirements to determine compliance requirements. The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. At the time c.271 was enacted, the bid threshold per the LPCL was also set at \$17,500. However, effective July 1, 2005, the bid threshold was increased to \$21,000. This created a gap for compliance, as under c. 271, a contract not awarded using a fair & open process and exceeding \$17,500 triggers the filing of additional documentation relating to ownership of the contracting entity and disclosure of political contributions. Since "Pay-to-Play" laws cover all contracts (not just professional services as some believe) any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Borough to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006. The incongruity of the existing "Pay-to-Play" laws and the Local Public Contracts Law have effectively created a new set of compliance requirements which require a new set of internal controls to assure compliance. A non-compliance would require the issuance of purchase orders exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures. It is important to note that the laws and regulations implementing "Pay-to-Play" focus on vendors rather than categories of goods and services. While this change may appear subtle, it greatly expands the monitoring required to assure continuing compliance.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 1, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Dunellen, that in accordance with the provisions of N.J.S.A. 54:4-67, the Tax Collector of the Borough of Dunellen be, and she is hereby authorized and directed to charge interest on delinquent taxes or assessments at the rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 provided, however, that no interest be charged if payment of any installment is made within ten days after the time within the same became payable.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 14, 2011.

The following comparison is made of the number of tax title liens receivable for the last three years:

<u>Year</u>	<u>Number of Liens</u>
CY 2011	2
CY 2010	2
TY 2009	2

GENERAL COMMENTS

Other Matters (Cont'd.)

Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2011.

These interfunds, in most cases, resulted from CY 2011 operations and should be cleared by cash transfer where feasible.

As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, no recommendation is made as part of this report.

Investments

The Treasurer has the idle funds of the Borough invested in interest-bearing investments or 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.

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan".

All investments held by the Borough were directly confirmed as of December 31, 2011.

Payment of Claims

Claims were examined on a test basis for the year under review. No exceptions noted for items tested.

Purchase Order System

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting encumbrance system during the year under review. Transactions are approved based on availability on funds. The processing of confirming orders was noted.

Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category and cash was reconciled monthly. The examination of the bail account's financial and supporting records maintained by the Municipal Court indicated that the analysis of outstanding bail was reconciled to the book balance.

The processing of traffic and criminal cases entered on the State's on-line computer system indicated no exceptions with respect to items tested.

GENERAL COMMENTS

Other Matters (Cont'd.)

Condition of Records - 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 control and accountability were met, and that cash receipts were deposited or turned over to the Borough's Treasurer's accounts within a 48 hour period as required by N.J.S.A. 40A:5-15, revealed the following exception:

The examination of the records maintained by the Police Department indicated that no cashbook is maintained and monthly reports are not prepared by Police Department.

Municipal Clerk's Office, the Recreation Department, and the Construction Code Department prepare monthly reports. The examination of the records for these offices were found to be in good condition.

It is recommended that monthly financial reports be prepared and the officials record in the cashbook all monies collected.

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, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

During July 1998 the Local Finance Board completed a re adoption of the Board's general rules in the New Jersey Administrative Code. Based upon the new provision 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.

Condition of the Records – Tax Collector

The condition of the records maintained by the Tax Collector was reviewed. Computerized cash receipts records were proved to manual controls daily and in total monthly.

Condition of the Records – Finance Office

The financial records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for current fund, and was found to be suitable to serve as the basis for the year 2011 current fund financial statements.

GENERAL COMMENTS

Other Matters (Cont'd.)

Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough initiate this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance along with providing for this documentation in conjunction with information relating to job descriptions and procedures manual.

Payroll Account

It was noted as follows:

During the prior year audit we noted that a detail of payroll deductions payable was not maintained. The use of an excel spreadsheet was used to account for the payroll deductions. The spreadsheet did not show the payroll deductions increases and decreases on an item by item basis. During 2011, the spreadsheet was expanded to include increases and decreases on an item by item basis, however minor differences were still noted at year end.

It is suggested that the Borough continue with its on going efforts to improve its procedures regarding the maintenance of the detail of payroll deductions payable.

Budgetary Records

The Borough maintains a detailed, computerized subsidiary ledger for each of its budgets. During CY 2011, an examination of the approved budget appropriations indicated that no budget accounts were overexpended/overcommitted during the period under review.

Animal Control Fund

The financial records maintained for the Animal Control Fund during the period under review was found to be in good condition. The examination of the account indicated that deposits were properly recorded, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis.

Administration and Accounting of State & Federal Grants

During CY 2011, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards

GENERAL COMMENTS

Other Matters (Cont'd.)

Administration and Accounting of State & Federal Grants (cont'd.)

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal control. Based upon the matrix of requirements applicable to the specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure with the compliance requirements. In addition, we suggest the Borough review all of the applicable grant agreements and the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

We suggest the Borough review its system of internal controls and various policies and procedures as they apply to the compliance requirements for State and Federal grants. In addition, the grant receivable and appropriation schedules indicate a number of prior years' balances still outstanding. We suggest that the Borough review and monitor grant receivable and appropriation balances in order to ensure timely collection and payment of balances.

Compliance with N.J.A.C 5:30:

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives", as codified in the New Jersey Administration 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 Dunellen 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 has not established a Fixed Assets Accounting and Reporting System.

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.

It is recommended that the Borough comply with N.J.S.A. 5:30 - 5.6 "Accounting for Governmental Fixed Assets" issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in all respects.

It is recommended that the Borough establish a Fixed Asset Accounting System.

Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for CY2010 was prepared as required.

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:3.17(c)2, and no exceptions were noted.

RECOMMENDATIONS

We recommend the following:

That officials record in their books of original entry all monies collected.

That the Borough establish a Fixed Asset Accounting System.

* * * * *

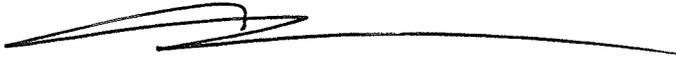
ACKNOWLEDGMENT

During the course of our audit 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.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA
No. 406