

**BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEAR  
ENDED DECEMBER 31, 2010**

***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<br>Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance With Government Auditing Standards | 4 - 5          |
| <u>FINANCIAL STATEMENTS – REGULATORY BASIS</u>   | 6              |
| A    Current Fund - Balance Sheet - Regulatory<br>Basis - December 31, 2010  | 7              |
| A- 1    Current Fund - Statement of Operations<br>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 - Balance Sheet - Regulatory<br>Basis - December 31, 2010  | 17             |
| C    General Capital Fund - Balance Sheet - Regulatory<br>Basis - December 31, 2010  | 18             |
| C- 1    General Capital Fund - Statement of Fund Balance - Regulatory Basis  | 19             |
| Notes to Financial Statements  | 20 - 36        |
| <u>PART II - SUPPLEMENTARY DATA AND SCHEDULES</u>  | 37             |
| <u>Current Fund</u>  | 38             |
| A- 4    Schedule of Current Fund Cash and Investments - Treasurer  | 39             |
| A- 5    Schedule of Current Cash and Reconciliation Per<br>N.J.S.A. 40A:4-5 - Treasurer  | 40             |
| A- 6    Schedule of Change Funds - Collector   | 40             |
| A- 7    Schedule of Due from State of New Jersey for Sr. Citizens<br>and Veterans Deductions per Chapter 73, P.L. 1976   | 41             |
| A- 8    Schedule of Property Taxes Receivable and Levy Analysis  | 42             |
| A- 9    Schedule of Revenue Accounts Receivable  | 43             |
| A-10    Schedule of TY 2009 Appropriation Reserves   | 44 - 48        |
| A-11    Schedule of Reserve for Encumbrances   | 49             |
| A-12    Schedule of Changes in Various Accounts Payable & Reserves   | 50             |
| A-13    Schedule of Taxes Payable  | 51             |
| A-14    Schedule of Interfunds   | 52             |
| A-15    Schedule of Deferred Charges   | 53             |
| A-16    Schedule of State and Federal Grants Receivable  | 54             |
| A-17    Schedule of Due from Current Fund - Grant Fund   | 55             |
| A-18    Schedule of State and Federal Grants - Appropriated – Grant Fund   | 56 - 57        |
| A-19    Schedule of State and Federal Grants - Unappropriated – Grant Fund   | 58             |

|   | <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        |
| <br><u>SUPPLEMENTARY DATA</u>   | <br>74         |
| Combined Balance Sheet - All Funds for the Year Ending December 31, 2010    | 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             |
| <br>General Comments  | <br>80 - 88    |
| Recommendations   | 89             |
| Acknowledgment  | 89             |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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PART I  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS – REGULATORY BASIS  
NOTES TO FINANCIAL STATEMENTS

**HODULIK & MORRISON, P.A.**  
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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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, 2010 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, 2010. 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, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

In our opinion, because the prescribed regulatory basis of accounting as described in the preceding paragraph is utilized by the Borough of 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 generally accepted accounting principles, the financial position of the Borough of Dunellen, County of Middlesex, New Jersey as of December 31, 2010 or the results of its operations, or cash flows of its proprietary fund type for the year then ended.

However, in our opinion, except for the 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 of the various funds of the Borough of Dunellen, County of Middlesex, New Jersey as of December 31, 2010 and the results of its operations and changes in fund balance for the year then ended or the revenues and expenditures of the various funds for the year ended December 31, 2010, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated October 10, 2011 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 performed for the purpose of forming an opinion on the financial statements of the Borough of Dunellen, County of Middlesex, New Jersey taken as a whole. The information included in the supplementary data and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Dunellen, County of Middlesex, New Jersey. Such information contained in the Supplementary Data and Supplementary Schedules has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects to the financial statements taken as a whole.

*Hodulik & Morrison, P.A.*

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

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Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
October 10, 2011

**HODULIK & MORRISON, P.A.**  
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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, 2010, which collectively comprise the Borough of Dunellen’s financial statements and have issued our report thereon dated October 10, 2011. 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

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 above.

#### 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  
October 10, 2011

FINANCIAL STATEMENTS – REGULATORY BASIS

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2010

| ASSETS   | REF.   | BALANCE<br>DEC. 31, 2010 | LIABILITIES, RESERVES<br>AND FUND BALANCE | REF.    | BALANCE<br>DEC. 31, 2010 |
|--|--------|--------------------------|---|---------|--------------------------|
| Current Fund:  |        |                          | Current Fund:                             |         |                          |
| Cash - Treasurer   | A - 4  | \$ 758,317.24            | Liabilities:                              |         |                          |
| Cash - Change Fund - Collector   | A - 6  | 100.00                   | Appropriation Reserves                    | A - 3   | \$ 122,612.94            |
| Due from State of New Jersey - Sr.<br>Cit. and Vets. Ded. per Ch. 73,<br>P.L. 1976 | A - 7  | <u>39,754.28</u>         | Prepaid Taxes                             | A - 8   | 65,196.71                |
|  |        |                          | Reserve for Encumbrances                  | A - 11  | 34,504.49                |
|  |        |                          | Due to State of N.J. - Var. Fees          | A - 12  | 1,174.00                 |
|  |        |                          | Payroll Deductions Payable                | A - 12  | 22,243.79                |
| Other Accounts Receivable  |        | <u>798,171.52</u>        | Accounts Payable                          | A - 12  | 74,298.07                |
|  |        |                          | Reserve for Prep. of Tax Maps             | A - 12  | 200.00                   |
|  |        |                          | Res. for Codification of Ordinances       | A - 12  | 67.00                    |
| Receivables With Full Reserves:  |        |                          | Fire Prevention Fees                      | A - 12  | 2,432.00                 |
| Delinquent Property Taxes Receivable   | A - 8  | 272,134.44               | Res. For Insurance Proceeds               | A - 12  | 10,522.13                |
| Revenue Accounts Receivable  | A - 9  | 18,647.14                | Res. For Sale of Municipal Assets         | A - 12  | 340.07                   |
| Property Acquired for Taxes (at<br>Assessed Valuation)                             | A - 8  | 118,000.00               | Reserve for Tax Appeals                   | A - 12  | 14,294.40                |
| Tax Title Liens Receivable   | A - 8  | 8,715.74                 | Reserve for Master Plan                   | A - 12  | 1,309.18                 |
| Due from General Capital Fund  | A - 14 | 529,091.93               | Reserve for Third Party Lien Redemptions  | A - 12  | 57,857.86                |
| Due from Trust Other Fund  | A - 14 | <u>4,193.93</u>          | Due to Grant Fund                         | A - 14  | 106,916.41               |
|  |        |                          | Due to Animal Control Fund                | A - 14  | <u>4,368.03</u>          |
|  |        | <u>950,783.18</u>        |   |         | <u>518,337.08</u>        |
| Total Current Fund   |        | <u>1,748,954.70</u>      | Reserve for Receivables                   | Reserve | 950,783.18               |
|  |        |                          | Fund Balance                              | A - 1   | <u>279,834.44</u>        |
|  |        |                          | Total Current Fund                        |         | <u>1,748,954.70</u>      |
| Grant Fund:  |        |                          | Grant Fund:                               |         |                          |
| Federal and State Grants Receivable  | A - 16 | \$ 307,119.54            | Reserve for Encumbrances                  | A - 11  | \$ 66,644.19             |
| Due from Current Fund  | A - 17 | <u>106,916.41</u>        | Reserve for State and Federal Grants      | A - 18  | 340,318.84               |
|  |        |                          | Appropriated                              | A - 19  | <u>7,072.92</u>          |
|  |        |                          | Unappropriated                            |         |                          |
| Total Grant Fund   |        | <u>414,035.95</u>        | Total Grant Fund                          |         | <u>414,035.95</u>        |
|  |        |                          |   |         |                          |
|  |        | <u>\$ 2,162,990.65</u>   |   |         | <u>\$ 2,162,990.65</u>   |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|  | <u>REF.</u> | <u>2010</u>          |
|--|-------------|----------------------|
| <u>REVENUE AND OTHER INCOME</u>        |             |                      |
| Fund Balance Utilized                  | A-1,A-2     | \$ 585,000.00        |
| Miscellaneous Revenue Anticipated      | A- 2        | 1,374,801.71         |
| Receipts from Delinquent Taxes         | A- 2        | 146,877.40           |
| Receipts from Current Taxes            | A- 2        | 16,174,896.41        |
| Non-Budget Revenue                     | A- 2        | 26,129.79            |
| Other Credits to Income:               |             |                      |
| Unexpended Balance of Approp. Reserves | A-10        | <u>113,600.34</u>    |
| Total Income                           |             | <u>18,421,305.65</u> |
| <u>EXPENDITURES</u>                    |             |                      |
| Budget Appropriations:                 |             |                      |
| Operating                              | A- 3        | 5,585,497.00         |
| Deferred Charges and                   |             |                      |
| Statutory Expenditures                 | A- 3        | 378,454.00           |
| State and Federal Grants               | A- 3        | 100,741.44           |
| Capital Improvements                   | A- 3        | 10,000.00            |
| Municipal Debt Service                 | A- 3        | 319,294.00           |
| Local District School Taxes            | A-13        | 9,484,197.00         |
| County Taxes                           | A-13        | 2,023,014.53         |
| Prior Year Revenue Returned            | A- 4        | 1,091.44             |
| Senior Citizen Disallowed              | A- 7        | 750.00               |
| Interfunds Advanced (Net)              | A-14        | <u>295,101.20</u>    |
| Total Expenditures                     |             | <u>18,198,140.61</u> |
| Excess in Revenues (Carried Forward)   |             | 223,165.04           |
| <u>FUND BALANCE</u>                    |             |                      |
| Balance - Jan. 1                       |             | 641,669.40           |
| Decreased by:                          |             |                      |
| Utilized as Anticipated Revenue        | A-1         | <u>585,000.00</u>    |
| Balance - Dec. 31                      | A           | <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, 2010

|  | REF.    | ANTICIPATED<br>2010<br>BUDGET | N.J.S.A.<br>40A:4-87 | REALIZED     | EXCESS OR<br>(DEFICIT) |
|--|---------|-------------------------------|----------------------|--------------|------------------------|
|  |         | \$                            | \$                   | \$           | \$                     |
| Surplus Anticipated                            | A-1     | 585,000.00                    |                      | 585,000.00   |                        |
| Total Surplus Anticipated                      |         | 585,000.00                    |                      | 585,000.00   |                        |
| Miscellaneous Revenues:                        |         |                               |                      |              |                        |
| Licenses:                                      |         |                               |                      |              |                        |
| Alcoholic Beverages                            | A-9     | 7,000.00                      |                      | 6,606.00     | (394.00)               |
| Other  | A-9     | 19,000.00                     |                      | 26,865.00    | 7,865.00               |
| Fees and Permits                               | A-9     | 21,000.00                     |                      | 37,253.72    | 16,253.72              |
| Fines and Costs:                               |         |                               |                      |              |                        |
| Municipal Court                                | A-9     | 320,000.00                    |                      | 248,337.83   | (71,662.17)            |
| Interest and Costs on Taxes                    | A-9     | 31,000.00                     |                      | 31,692.34    | 692.34                 |
| Interest on Deposits                           | A-9     | 12,000.00                     |                      | 10,841.44    | (1,158.56)             |
| Cable TV Franchise Fees                        | A-9     | 18,000.00                     |                      | 19,924.00    | 1,924.00               |
| Consolidated Municipal Property Tax Relief Act | A-9     | 121,197.00                    |                      | 139,776.21   | 18,579.21              |
| Energy Receipts Tax                            | A-9     | 481,757.00                    |                      | 481,757.00   |                        |
| Uniform Construction Code Fees                 | A-9     | 94,000.00                     |                      | 96,306.00    | 2,306.00               |
| Uniform Fire Safety Act                        | A-9     | 2,136.00                      |                      | 2,136.00     |                        |
| Public and Private Revenues Off-Set            |         |                               |                      |              |                        |
| With Appropriations:                           |         |                               |                      |              |                        |
| Body Armor Grant                               | A-16    | 939.52                        | 1,840.40             | 2,779.92     |                        |
| Clean Communities Program                      | A-16    | 9,414.83                      |                      | 9,414.83     |                        |
| Community Development Block Grant              | A-16    |                               | 47,700.00            | 47,700.00    |                        |
| Drunk Driving Enforcement Fund                 | A-16    |                               | 13,009.04            | 13,009.04    |                        |
| Municipal Alliance on Alcohol and Drug Abuse   | A-16    | 8,456.85                      |                      | 8,456.85     |                        |
| NJ Forest Service Business Stimulus Fund       | A-16    | 7,000.00                      |                      | 7,000.00     |                        |
| Solid Waste Admin - Recycling Tonnage Grant    | A-16    | 10,265.80                     |                      | 10,265.80    |                        |
| Other Special Items:                           |         |                               |                      |              |                        |
| Uniform Fire Safety Act                        | A-9     | 4,660.00                      |                      | 5,423.81     | 763.81                 |
| Parking Authority Contribution                 | A-9     | 100,000.00                    |                      | 100,000.00   |                        |
| Reserve for Recreation Accounts Payable        |         |                               |                      |              | (10,000.00)            |
| Reserve for CMPTRA                             | A-12    | 12,786.05                     |                      | 12,786.05    |                        |
| Employee Health Care Contribution              | A-9     | 20,000.00                     |                      | 16,469.87    | (3,530.13)             |
| Reserve for Sale of Assets                     | A-12    | 30,000.00                     |                      | 30,000.00    |                        |
| Reserve for Insurance Funds                    | A-12    | 10,000.00                     |                      | 10,000.00    |                        |
| Total Miscellaneous Revenues                   | A-1     | 1,350,613.05                  | 62,549.44            | 1,374,801.71 | (38,360.78)            |
| Receipts from Delinquent Taxes                 | A-1,A-8 | 2,700.00                      |                      | 146,877.40   | 144,177.40             |
| Subtotal General Revenues                      |         | 1,353,313.05                  | 62,549.44            | 1,521,679.11 | 105,816.62             |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|  | REF.    | ANTICIPATED<br>2010<br>BUDGET | N.J.S.A.<br>40A:4-87 | REALIZED        | EXCESS OR<br>(DEFICIT) |
|--|---------|-------------------------------|----------------------|-----------------|------------------------|
| Amount to be Raised by Taxes for Support<br>of Municipal Budget: |         |                               |                      |                 |                        |
| Local Tax for Municipal Purposes                                 | A-2,A-8 | \$ 4,852,314.95               |                      | \$ 5,122,569.88 | \$ 270,254.93          |
| Total General Revenues   |         | 6,790,628.00                  | 62,549.44            | 7,229,248.99    | 376,071.55             |
| Non-Budget Revenues  | A-1,A-9 |                               |                      | 26,129.79       |                        |
|  |         | \$ 6,790,628.00               | \$ 62,549.44         | \$ 7,255,378.78 |                        |
| Analysis of Realized Revenues                                    | Ref.    | A-3                           |                      | A-1             |                        |
| Allocation of Current Tax Collections:                           |         |                               |                      |                 |                        |
| TY 2009 Collections  | A-8     | \$58,073.01                   |                      |                 |                        |
| CY 2010 Collections  | A-8     | 16,052,698.74                 |                      |                 |                        |
| State Share of Sr. Cit. and Vets. Ded.                           | A-8     | 64,124.66                     |                      |                 |                        |
| Allocated to:<br>School and<br>County Taxes                      | A-1     | \$16,174,896.41               |                      |                 |                        |
|  | A-13    | 11,507,211.53                 |                      |                 |                        |
|  |         | 4,667,684.88                  |                      |                 |                        |
| Add: Reserve for Uncollected Taxes                               | A-3     | 454,885.00                    |                      |                 |                        |
| Amount for Support of Municipal<br>Budget Appropriations         | A-2     | \$5,122,569.88                |                      |                 |                        |

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, 2010

|                              | 2010<br>BUDGET   | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED  | EXPENDED   |               | UNEXPENDED<br>BALANCE<br>CANCELLED |
|------------------------------|------------------|------------------------------|---------------------|------------|---------------|------------------------------------|
|                              |                  |                              |                     | ENCUMBERED | RESERVED      |                                    |
| <b>\$</b>                    | <b>44,000.00</b> | <b>\$ 44,000.00</b>          | <b>\$ 43,603.58</b> | <b>\$</b>  | <b>396.42</b> | <b>\$</b>                          |
| Administrative and Executive |                  |                              |                     |            |               |                                    |
| Salaries and Wages           | 3,000.00         | 2,000.00                     | 1,265.19            | 220.90     | 513.91        |                                    |
| Other Expenses               | 44,000.00        | 44,000.00                    | 44,000.00           |            |               |                                    |
| Miscellaneous Other Expenses | 6,300.00         | 6,300.00                     | 6,271.77            | 12.54      | 15.69         |                                    |
| Borough Clerk                | 3,000.00         | 3,500.00                     | 2,508.07            |            | 991.93        |                                    |
| Salaries and Wages           | 3,000.00         | 2,100.00                     | 2,040.18            |            | 59.82         |                                    |
| Other Expenses               | 70,000.00        | 69,200.00                    | 69,107.22           |            | 92.78         |                                    |
| Financial Administration     | 28,000.00        | 28,000.00                    |                     |            | 28,000.00     |                                    |
| Salaries and Wages           | 3,000.00         | 3,000.00                     | 1,692.67            | 125.00     | 1,182.33      |                                    |
| Annual Audit                 | 20,800.00        | 19,800.00                    | 19,168.82           | 50.00      | 631.18        |                                    |
| Other Expenses               | 4,000.00         | 4,000.00                     | 3,668.37            |            | 281.63        |                                    |
| Mayor and Council            | 7,000.00         | 7,000.00                     | 6,905.86            |            | 94.14         |                                    |
| Salaries and Wages           | 8,000.00         | 8,000.00                     | 4,552.68            | 3,400.00   | 47.32         |                                    |
| Other Expenses               | 60,000.00        | 59,300.00                    | 59,214.42           |            | 85.58         |                                    |
| Collection of Taxes          | 18,000.00        | 17,300.00                    | 16,238.91           | 925.00     | 136.09        |                                    |
| Salaries and Wages           | 46,000.00        | 46,000.00                    | 45,504.94           |            | 495.06        |                                    |
| Other Expenses               | 10,000.00        | 19,800.00                    | 11,802.29           | 7,961.15   | 36.56         |                                    |
| Legal Services and Costs     | 18,000.00        | 18,000.00                    | 17,597.97           |            | 402.03        |                                    |
| Salaries and Wages           | 16,000.00        | 9,200.00                     | 3,079.25            | 1,920.75   | 4,200.00      |                                    |
| Municipal Prosecutor         | 9,000.00         | 7,700.00                     | 6,559.98            | 9.00       | 1,131.02      |                                    |
| Salaries and Wages           |                  |                              |                     |            |               |                                    |
| Engineering Services         |                  |                              |                     |            |               |                                    |
| Other Expenses               |                  |                              |                     |            |               |                                    |
| Postage                      |                  |                              |                     |            |               |                                    |
| Other Expenses               |                  |                              |                     |            |               |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|   | 2010<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |           | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|-----------|------------------------------------|
|   |                |                              |                    | ENCUMBERED | RESERVED  |                                    |
| <b>Operations Within "CAPS" (Cont'd.)</b> |                |                              |                    |            |           |                                    |
| Public Buildings and Grounds              |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | \$ 7,000.00    | \$ 5,000.00                  | \$ 4,777.50        | \$         | \$ 222.50 |                                    |
| Other Expenses:                           |                |                              |                    |            |           |                                    |
| Miscellaneous Other Expenses              | 44,000.00      | 40,500.00                    | 33,748.41          | 4,727.37   | 2,024.22  |                                    |
| Municipal Land Use Law (N.J.S.A. 40:55D)  |                |                              |                    |            |           |                                    |
| Planning Board                            |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 8,000.00       | 5,000.00                     | 4,476.30           |            | 523.70    |                                    |
| Other Expenses                            | 6,000.00       | 6,000.00                     | 4,747.92           | 697.50     | 554.58    |                                    |
| Municipal Court                           |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 118,000.00     | 118,000.00                   | 112,528.17         | 62.50      | 5,409.33  |                                    |
| Other Expenses                            | 12,000.00      | 12,000.00                    | 4,958.06           | 2,130.45   | 4,911.49  |                                    |
| Public Defender (P.L. 1997, c.256)        |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 1,000.00       |                              |                    |            |           |                                    |
| <b>PUBLIC SAFETY:</b>                     |                |                              |                    |            |           |                                    |
| Fire                                      |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 4,660.00       | 160.00                       |                    |            | 160.00    |                                    |
| Uniform Fire Safety Act                   |                |                              |                    |            |           |                                    |
| Other Expenses:                           |                |                              |                    |            |           |                                    |
| Fire Hydrant Service                      | 74,000.00      | 73,500.00                    | 73,017.50          |            | 482.50    |                                    |
| Misc. Other Expenses                      | 25,000.00      | 25,000.00                    | 22,678.18          | 1,539.40   | 782.42    |                                    |
| Fire Department Equipment Lease           | 24,000.00      | 23,400.00                    | 23,372.25          |            | 27.75     |                                    |
| Fire Prevention                           |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 9,000.00       | 4,000.00                     | 3,407.69           |            | 592.31    |                                    |
| Other Expenses                            | 500.00         | 500.00                       | 500.00             |            |           |                                    |
| Police                                    |                |                              |                    |            |           |                                    |
| Salaries and Wages                        |                |                              |                    |            |           |                                    |
| Regular                                   | 1,540,000.00   | 1,552,500.00                 | 1,552,211.73       |            | 288.27    |                                    |
| Overtime                                  | 30,000.00      | 26,500.00                    | 20,840.34          |            | 5,659.66  |                                    |
| Other Expenses                            |                |                              |                    |            |           |                                    |
| Misc. Other Expenses                      | 60,000.00      | 60,000.00                    | 57,332.56          | 569.29     | 2,098.15  |                                    |
| School Crossing Guards                    |                |                              |                    |            |           |                                    |
| Salaries and Wages                        | 61,500.00      | 61,200.00                    | 58,495.37          |            | 2,704.63  |                                    |
| Aid to Volunteer Ambulance Companies      | 18,000.00      | 18,000.00                    | 18,000.00          |            |           |                                    |
| Emergency Vehicle Leases                  |                |                              |                    |            |           |                                    |
| Other Expenses                            | 39,000.00      | 38,300.00                    | 38,259.63          |            | 40.37     |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|   | 2010<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED    |          | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|-------------|----------|------------------------------------|
|   |                |                              |                    | ENCUMBERED  | RESERVED |                                    |
| <u>Operations Within "CAPS" (Cont'd.)</u>               |                |                              |                    |             |          |                                    |
| <u>STREETS AND ROADS:</u>                               |                |                              |                    |             |          |                                    |
| Road Repairs and Maintenance                            | \$ 488,000.00  | \$ 500,500.00                | \$ 500,444.56      | \$ 1,739.33 | \$ 55.44 | \$ 693.88                          |
| Salaries and Wages                                      | 39,000.00      | 38,000.00                    | 35,566.79          |             | 240.00   |                                    |
| Misc. Other Expenses                                    | 20,000.00      | 18,000.00                    | 17,760.00          |             |          |                                    |
| Other Expenses-Leaf Bags                                |                |                              |                    |             |          |                                    |
| Tree Maintenance  |                |                              |                    |             |          |                                    |
| Other Expenses  | 20,000.00      | 20,000.00                    | 15,350.00          | 2,000.00    | 2,650.00 |                                    |
| Shade Tree  |                |                              |                    |             |          |                                    |
| Other Expenses  | 2,000.00       | 1,200.00                     | 641.42             | 129.44      | 429.14   |                                    |
| <u>SANITATION:</u>                                      |                |                              |                    |             |          |                                    |
| Sewer System  |                |                              |                    |             |          |                                    |
| Salaries and Wages                                      | 25,000.00      | 18,500.00                    | 16,381.53          |             | 2,118.47 |                                    |
| Other Expenses  | 16,000.00      | 16,000.00                    | 14,725.75          |             | 1,274.25 |                                    |
| Landfill/Solid Waste Disposal Costs                     |                |                              |                    |             |          |                                    |
| Other Expenses  | 22,000.00      | 28,000.00                    | 27,036.57          |             | 963.43   |                                    |
| <u>HEALTH AND WELFARE:</u>                              |                |                              |                    |             |          |                                    |
| Board of Health   |                |                              |                    |             |          |                                    |
| Salaries and Wages                                      | 37,500.00      | 35,700.00                    | 35,663.51          |             | 36.49    |                                    |
| Other Expenses  | 13,000.00      | 11,000.00                    | 9,803.39           | 1,054.25    | 142.36   |                                    |
| Green Brook Flood Control Commission<br>(R.S. 40.14-16) |                |                              |                    |             |          |                                    |
| Share of Cost   | 500.00         | 500.00                       | 457.85             |             | 42.15    |                                    |
| Insurance   |                |                              |                    |             |          |                                    |
| General Liability                                       | 201,000.00     | 201,000.00                   | 200,811.00         |             | 189.00   |                                    |
| Employee Group Health                                   | 676,000.00     | 661,000.00                   | 660,468.13         |             | 531.87   |                                    |
| <u>RECREATION AND EDUCATION:</u>                        |                |                              |                    |             |          |                                    |
| Recreation Commission                                   |                |                              |                    |             |          |                                    |
| Salaries and Wages                                      | 50,000.00      | 61,000.00                    | 60,788.23          |             | 211.77   |                                    |
| Other Expenses  | 15,000.00      | 10,300.00                    | 4,735.74           | 5,183.62    | 380.64   |                                    |
| Sr. Citizens Activities                                 |                |                              |                    |             |          |                                    |
| Misc. Other Expenses                                    | 2,500.00       | 2,500.00                     | 2,149.26           | 17.00       | 333.74   |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|   | 2010<br>BUDGET | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED   |            | RESERVED | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|----------------|------------------------------|--------------------|------------|------------|----------|------------------------------------|
|   |                |                              |                    | ENCUMBERED |            |          |                                    |
| <b>Operations Within "CAPS" (Cont'd.)</b>   |                |                              |                    |            |            |          |                                    |
| UNIFORM CONSTRUCTION CODE-<br>APPROPS. OFFSET BY DEDICATED<br>REVENUES (NJAC 5:23-4.17) | \$ 70,000.00   | \$ 75,500.00                 | \$ 75,484.46       | \$         | \$ 15.54   | \$       | \$                                 |
| Construction Code Official  | 3,000.00       | 3,300.00                     | 3,251.00           |            | 49.00      |          |                                    |
| Salaries and Wages  |                |                              |                    |            |            |          |                                    |
| Other Expenses  |                |                              |                    |            |            |          |                                    |
| UNCLASSIFIED:   |                |                              |                    |            |            |          |                                    |
| Telephone   | 40,000.00      | 55,000.00                    | 37,434.42          | 30.00      | 17,535.58  |          |                                    |
| Water   | 5,000.00       | 4,000.00                     | 3,090.33           |            | 909.67     |          |                                    |
| Gasoline  | 20,000.00      | 16,000.00                    | 9,481.23           |            | 6,518.77   |          |                                    |
| Natural Gas and Electricity   | 160,000.00     | 178,500.00                   | 177,172.20         |            | 1,327.80   |          |                                    |
| Total Operations within "CAPS"  | 4,428,260.00   | 4,443,260.00                 | 4,306,831.15       | 34,504.49  | 101,924.36 |          |                                    |
| Contingent  | 1,500.00       | 1,500.00                     |                    |            | 1,500.00   |          |                                    |
| Total Operations Including Contingent<br>Within "CAPS"                                  | 4,429,760.00   | 4,444,760.00                 | 4,306,831.15       | 34,504.49  | 103,424.36 |          |                                    |
| DETAIL:   |                |                              |                    |            |            |          |                                    |
| Salaries and Wages  | 2,759,460.00   | 2,770,860.00                 | 2,750,602.20       | 62.50      | 20,195.30  |          |                                    |
| Other Expenses (Including Contingent)   | 1,670,300.00   | 1,673,900.00                 | 1,556,228.95       | 34,441.99  | 83,229.06  |          |                                    |
| DEFERRED CHARGES AND<br>STATUTORY EXPENDITURES<br>MUNICIPAL WITHIN "CAPS"               |                |                              |                    |            |            |          |                                    |
| Deferred Charges:   |                |                              |                    |            |            |          |                                    |
| Prior Year Bill   | 6,345.00       | 6,345.00                     | 6,345.00           |            |            |          |                                    |
| Statutory Expenditures<br>Contribution to:  |                |                              |                    |            |            |          |                                    |
| Public Employees' Retirement System   | 54,424.00      | 54,424.00                    | 54,423.34          |            | 0.66       |          |                                    |
| Social Security System (O.A.S.I.)   | 161,000.00     | 146,000.00                   | 142,215.95         |            | 3,784.05   |          |                                    |
| Police and Firemen's Retirement System of N.J.  | 134,685.00     | 134,685.00                   | 134,685.00         |            |            |          |                                    |
| Unemployment Compensation Ins.  | 25,000.00      | 25,000.00                    | 25,000.00          |            |            |          |                                    |
| Total Deferred Charges and Statutory<br>Expend. Municipal Within "CAPS"                 | 381,454.00     | 366,454.00                   | 362,669.29         |            | 3,784.71   |          |                                    |
| Total General Appropriations for<br>Municipal Purposes Within "CAPS"                    | 4,811,214.00   | 4,811,214.00                 | 4,669,500.44       | 34,504.49  | 107,209.07 |          |                                    |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

|  |  | CURRENT FUND |              |              |            | EXPENDED  |           | UNEXPENDED |
|--|--|--------------|--------------|--------------|------------|-----------|-----------|------------|
|  |  | 2010         | BUDGET AFTER | PAID OR      | ENCUMBERED | RESERVED  | BALANCE   |            |
|  |  | BUDGET       | MODIFICATION | CHARGED      |            |           | CANCELLED |            |
|  |  | \$           | \$           | \$           | \$         | \$        | \$        |            |
| <u>Operations Excluded from "CAPS"</u>               |  |              |              |              |            |           |           |            |
| Maintenance of Free Public Library                   |  | 223,334.00   | 223,334.00   | 223,334.00   |            |           |           |            |
| Joint Sewer System-Service Charge-Contractual-PARSA  |  | 359,000.00   | 359,000.00   | 358,162.76   |            | 837.24    |           |            |
| Employee Group Health (P.L. 2007, C.62)              |  | 54,000.00    | 54,000.00    | 54,000.00    |            |           |           |            |
| Contribution to:                                     |  |              |              |              |            |           |           |            |
| Public Employees' Retirement System                  |  | 79,945.00    | 79,945.00    | 79,945.00    |            |           |           |            |
| Police & Firemen' Retirement System                  |  | 232,322.00   | 232,322.00   | 232,322.00   |            |           |           |            |
| Intergovernmental-County of Middlesex                |  | 80,000.00    | 80,000.00    | 67,781.37    |            | 12,218.63 |           |            |
| Recycling-Other Expenses                             |  | 32,000.00    | 32,000.00    | 31,788.00    |            | 212.00    |           |            |
| Health Services-Other Expenses                       |  | 80,000.00    | 80,000.00    | 80,000.00    |            |           |           |            |
| Dispatch Service - Other Expenses                    |  |              |              |              |            |           |           |            |
| Fire   |  |              |              |              |            |           |           |            |
| Other Expenses                                       |  |              |              |              |            |           |           |            |
| Uniform Fire Safety Act                              |  | 2,136.00     | 2,136.00     |              |            | 2,136.00  |           |            |
| <b>PUBLIC AND PRIVATE PROGRAMS</b>                   |  |              |              |              |            |           |           |            |
| <u>OFFSET BY REVENUES:</u>                           |  |              |              |              |            |           |           |            |
| Body Armor Grant                                     |  | 939.52       | 2,779.92     | 2,779.92     |            |           |           |            |
| Clean Communities Program                            |  | 9,414.83     | 9,414.83     | 9,414.83     |            |           |           |            |
| Community Development Block Grant                    |  |              | 47,700.00    | 47,700.00    |            |           |           |            |
| Drunk Driving Enforcement Fund                       |  |              | 13,009.04    | 13,009.04    |            |           |           |            |
| Municipal Alliance on Alcohol and Drug Abuse         |  | 8,456.85     | 8,456.85     | 8,456.85     |            |           |           |            |
| Municipal Alliance - Matching Funds                  |  | 2,115.00     | 2,115.00     | 2,115.00     |            |           |           |            |
| NJ Forest Service Business Stimulus Fund             |  | 7,000.00     | 7,000.00     | 7,000.00     |            |           |           |            |
| Solid Waste Administration - Recycling Tonnage Grant |  | 10,265.80    | 10,265.80    | 10,265.80    |            |           |           |            |
| Total Operations - Excluded from "CAPS"              |  | 1,180,929.00 | 1,243,478.44 | 1,228,074.57 |            | 15,403.87 |           |            |
| <b>DETAIL:</b>                                       |  |              |              |              |            |           |           |            |
| Salaries and Wages                                   |  | 2,136.00     | 15,145.04    | 13,009.04    |            | 2,136.00  |           |            |
| Other Expenses                                       |  | 1,178,793.00 | 1,228,333.40 | 1,215,065.53 |            | 13,267.87 |           |            |

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

|   | 2010<br>BUDGET  | BUDGET AFTER<br>MODIFICATION | PAID OR<br>CHARGED | EXPENDED     |               | RESERVED    | UNEXPENDED<br>BALANCE<br>CANCELLED |
|---|-----------------|------------------------------|--------------------|--------------|---------------|-------------|------------------------------------|
|   |                 |                              |                    | ENCUMBERED   |               |             |                                    |
| <u>Capital Improvements - Excluded from "CAPS"</u>                          |                 |                              |                    |              |               |             |                                    |
| Capital Improvement Fund  | \$ 10,000.00    | \$ 10,000.00                 | \$ 10,000.00       | \$           | \$            | \$          | \$                                 |
| Total Capital Improvements -<br>Excluded from "CAPS"                        | 10,000.00       | 10,000.00                    | 10,000.00          |              |               |             |                                    |
| <u>Municipal Debt Service - Excluded from "CAPS"</u>                        |                 |                              |                    |              |               |             |                                    |
| Payment of Bond Anticipation Notes and Capital Notes<br>Interest on Notes   | 136,600.00      | 136,600.00                   | 136,600.00         |              |               |             | 1,032.10                           |
| Infrastructure Trust & Loan   | 10,000.00       | 10,000.00                    | 8,967.90           |              |               |             | 2,345.34                           |
| M.C.I.A.-Lease Payments - Principal   | 126,000.00      | 126,000.00                   | 123,654.66         |              |               |             |                                    |
| M.C.I.A.-Lease Payments - Interest  | 39,400.00       | 39,400.00                    | 39,400.00          |              |               |             | 928.56                             |
|   | 11,600.00       | 11,600.00                    | 10,671.44          |              |               |             |                                    |
| Total Municipal Debt Service -<br>Excluded from "CAPS"                      | 323,600.00      | 323,600.00                   | 319,294.00         |              |               |             | 4,306.00                           |
| Deferred Charges:<br>Special Emergency Authorizations                       | 10,000.00       | 10,000.00                    | 10,000.00          |              |               |             |                                    |
| Total Deferred Charges-Municipal<br>Excluded from "Caps"                    | 10,000.00       | 10,000.00                    | 10,000.00          |              |               |             |                                    |
| Total General Appropriations for Municipal<br>Purposes Excluded from "CAPS" | 1,524,529.00    | 1,587,078.44                 | 1,567,368.57       |              | 15,403.87     |             | 4,306.00                           |
| Subtotal General Appropriations   | 6,335,743.00    | 6,398,292.44                 | 6,236,869.01       | 34,504.49    | 122,612.94    |             | 4,306.00                           |
| Reserve for Uncollected Taxes   | 454,885.00      | 454,885.00                   | 454,885.00         |              |               |             |                                    |
| Total General Appropriations  | \$ 6,790,628.00 | \$ 6,853,177.44              | \$ 6,691,754.01    | \$ 34,504.49 | \$ 122,612.94 | \$ 4,306.00 |                                    |
|   |                 |                              | A-1                | A-1,A-11     | A,A-1         |             |                                    |
| Adopted Budget  |                 | \$ 6,790,628.00              |                    |              |               |             |                                    |
| Approp. by N.J.S.A. 40A:4-87  |                 | 62,549.44                    |                    |              |               |             |                                    |
|   |                 | \$ 6,853,177.44              |                    |              |               |             |                                    |
| Reserve for Uncollected Taxes<br>Disbursed                                  |                 | \$ 454,885.00                |                    |              |               |             |                                    |
| Reserve for State & Fed. Grants Approp.                                     |                 | 6,116,127.57                 |                    |              |               |             |                                    |
| Capital Improvement Fund  |                 | 100,741.44                   |                    |              |               |             |                                    |
| Deferred Charges  |                 | 10,000.00                    |                    |              |               |             |                                    |
|   |                 | 10,000.00                    |                    |              |               |             |                                    |
|   |                 | \$ 6,691,754.01              |                    |              |               |             |                                    |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

Exhibit - B

TRUST FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2010

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

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

| <u>ASSETS</u>                             | <u>REF.</u> | <u>BALANCE</u><br><u>DEC. 31,</u><br><u>2010</u> |
|---|-------------|--|
| Due from Various Grantor Agencies         | C- 3        | \$ 3,959,762.59                                  |
| Deferred Charges to Future Taxation:      |             |  |
| Funded                                    | C- 4        | 1,439,661.84                                     |
| Unfunded                                  | C- 5        | <u>3,554,839.60</u>                              |
|   |             | <u>\$ 8,954,264.03</u>                           |
| <br>                                      |             |  |
| <u>LIABILITIES, RESERVES</u>              |             |  |
| <u>AND FUND BALANCE</u>                   |             |  |
| Due to Trust Other Fund                   | C- 6        | \$ 100,000.00                                    |
| Due to Current Fund                       | C- 6        | 529,091.93                                       |
| Bond Anticipation Notes                   | C- 9        | 986,500.00                                       |
| NJ Infrastructure Trust Loan Payable      | C-10        | 660,000.00                                       |
| NJ Infrastructure Fund Loan Payable       | C-11        | 582,677.54                                       |
| M.C.I.A. Lease Payable                    | C-12        | 196,984.30                                       |
| Improvement Authorizations:               |             |  |
| Funded                                    | C- 8        | 3,775,413.46                                     |
| Unfunded                                  | C- 8        | 2,045,117.18                                     |
| Capital Improvement Fund                  | C- 7        | 70,278.53  |
| Fund Balance                              | C- 1        | <u>8,201.09</u>                                  |
|   |             | <u>\$ 8,954,264.03</u>                           |
| <br>                                      |             |  |
| Bonds and Notes Authorized but not Issued | C-13        | <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, 2010

|                             | <u>REF.</u> |                    |
|-----------------------------|-------------|--------------------|
| Balance - December 31, 2009 |             | \$ 8,201.09        |
| Balance - December 31, 2010 | C           | \$ <u>8,201.09</u> |

Note: See Notes to Financial Statements

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 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. Change in Reporting Period

The basic financial statements of the Borough of Dunellen have been prepared to reflect the Borough's financial position and the results of operations for the Six Month Transition Year (reversion) ended December 31, 2009. This reporting period was necessitated as part of the Township's conversion from its State Fiscal Year to a Calendar Year.

The Township, pursuant to the provisions of Chapter 75 of the Laws of 1991 of the State of New Jersey (Codified as N.J.S.A. 40A:4-3.1 et seq.) amended by P.L. 2000, c.126, s.16; and P.L. 2008, c.92, s.1, converted its reporting period during 2009. To effect this change, the Township reported operations for the six month period July 1, 2009 to December 31, 2009, the Transition Year (TY 2009). The period January 1, 2010 to December 31, 2010, is the Borough's initial calendar year subsequent to the conversion.

C. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Description of Funds (Cont'd.)

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

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.

#### D. 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:

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

D. Basis of Accounting (Cont'd.)

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.

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 refers 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.)

D. 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.)

D. Basis of Accounting (Cont'd.)Recent Accounting Standards

GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund" in March 2009. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes *accounting* principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates.

GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" in December 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

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

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

D. Basis of Accounting (Cont'd.)

Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" in November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

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.

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>2010</u>            |
|--|------------------------|
| <u>Issued:</u>   |                        |
| General:   |                        |
| Bonds & Notes  | \$ 986,500.00          |
| Loans Payable  | <u>1,439,661.83</u>    |
| Total Debt Issued  | <u>2,426,161.83</u>    |
| <u>Authorized but not Issued:</u>                            |                        |
| General:   |                        |
| Bonds & Notes  | <u>2,568,339.60</u>    |
| Net Bonds & Notes Issued<br>and Authorized but not<br>Issued | <u>\$ 4,994,501.43</u> |

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

| <u>General Improvement Debt:</u>   | <u>2010</u>            |
|--|------------------------|
| \$1,845,475 State of NJ - Environmental Infrastructure Loan<br>Aug. 1, 2003, interest at 3.00%-5.00% | \$ 1,242,677.54        |
| \$315,174.87 M.C.I.A. Loan<br>Aug. 15, 2005, interest at 3.00%-3.70%                                 | 196,984.29             |
| \$986,500.00, Bond Anticipation Note, mature on<br>October 20, 2011, interest at 1.50%               | <u>986,500.00</u>      |
| Total General Improvement Debt   | <u>2,426,161.83</u>    |
| Total Debt Issued and Outstanding  | <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>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               | <u>4,994,501.43</u>    |                        | <u>4,994,501.43</u>   |
|                            | <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, 2010

| <u>Year</u> | <u>State</u><br><u>Principal</u> | <u>Trust</u><br><u>Principal</u> | <u>Trust</u><br><u>Interest</u> | <u>Total</u>           |
|-------------|----------------------------------|----------------------------------|---------------------------------|------------------------|
| 2011        | \$ 47,753.74                     | \$ 40,000.00                     | \$ 33,062.50                    | \$ 120,816.24          |
| 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>\$ 582,677.54</u>             | <u>\$ 660,000.00</u>             | <u>\$ 231,487.50</u>            | <u>\$ 1,474,165.04</u> |

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

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.

Fund balance for the Current Fund at December 31, 2009 was reported in the amount of \$641,669.40, of which \$585,000.00 was appropriated and included as anticipated revenue for the transition year ending December 31, 2010.

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, 2010 and December 31, 2009 the following deferred charges are shown on the balance sheet of the various funds:

|                        | Balance<br>December 31,<br><u>2009</u> | Amount in<br>2010<br><u>Budget</u> | Amount<br>Raised in<br><u>2010</u> | Balance<br>December 31,<br><u>2010</u> |
|------------------------|--|------------------------------------|------------------------------------|--|
| Current Fund:          |  |                                    |                                    |  |
| Special Emergency App. | <u>\$10,000.00</u>                     | <u>\$ 0.00</u>                     | <u>\$10,000.00</u>                 | <u>\$ 0.00</u>                         |
| Total                  | <u>\$10,000.00</u>                     | <u>\$ 0.00</u>                     | <u>\$10,000.00</u>                 | <u>\$ 0.00</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.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

|                              | <u>2010</u>         |
|------------------------------|---------------------|
| Deposits, NOW & Money Market | \$819,228.59        |
| Savings Certificate          | <u>0.00</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, 2010, the book value of the Borough's cash, cash equivalents and investments was \$819,228.59, and bank balances of the Borough's deposits and investments amounted to \$895,581.82. Of the bank balance, \$250,000.00 was covered by Federal depository insurance and \$645,581.82 was covered under the provisions of NJGUDPA.

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, 2010, 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.

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;

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

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, 2010, the Borough had no funds on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

NOTES TO FINANCIAL STATEMENTS

Note 7: INTERFUND RECEIVABLES AND PAYABLES

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

| <u>Fund</u>          | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|----------------------|---------------------------------|------------------------------|
| Current Fund         | \$ 533,285.86                   | \$ 111,284.44                |
| Grant Fund           | 106,916.41                      |                              |
| Animal Control Fund  | 4,368.03                        |                              |
| Trust Fund           | 100,000.00                      | 4,193.93                     |
| General Capital Fund |                                 | <u>629,091.93</u>            |
| Total                | <u>\$ 744,570.30</u>            | <u>\$ 744,570.30</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 2010 was \$134,368.34 for PERS and \$367,007.00 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 \$187,253.26 for December 31, 2010. In addition, based on the above criteria, there is one individual that qualifies for terminal leave and qualifies 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. It is estimated that the cost of terminal leave would approximate \$27,236.00. These amounts represent the current value of all accumulations, and are 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, 2010 are as follows:

| Year Ended<br><u>Dec 31,</u>                | <u>Amount</u>       |
|---|---------------------|
| 2011  | \$46,261.76         |
| 2012  | 44,981.36           |
| 2013  | 43,651.72           |
| 2014  | 42,272.83           |
| 2015  | <u>40,854.54</u>    |
| Total Minimum Lease Payments                | \$218,022.21        |
| Less: Amount Representing Interest          | <u>21,037.91</u>    |
| Present Value of Net Minimum Lease Payments | <u>\$196,984.30</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](http://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.

Note 13: POST RETIREMENT HEALTH BENEFITS

The Borough of Dunellen contributions to SHBP for the year ended December 31, 2010 were \$186,826.20, which equaled the required contributions for the year. There were approximately 19 retired participants eligible at December 31, 2010.

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, 2010, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2010 the Borough of Dunellen was a party to various construction contracts and commitments that totaled \$659,277.12. The majority of these construction contracts relate to the following projects: Sanitary Sewer Improvements with total commitments of \$70,829; Columbia Park Improvements with total commitments of \$77,326; Culvert under Railroad with total commitments of \$60,436; Streetscape Improvements with total commitments of \$149,816; McCoy Park Improvements with total commitments of \$11,687; various improvements with total commitments of \$55,607 and various street improvements with total commitments of \$225,499.

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, 2010, the Borough authorized the issuance of debt for the following capital projects:

The Borough appropriated \$450,000 therefore authorized the issuance of \$95,000 Bond and/or Notes dated September 19, 2011, for Improvements to Dunellen Avenue.

The Borough issued Bond Anticipation Notes dated April 7, 2011 with a maturity date of October 20, 2011. The BAN's were issued for \$519,000.00 with an interest rate of 3.00%.

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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PART II  
SUPPLEMENTAL FINANCIAL STATEMENTS  
SUPPLEMENTARY DATA  
GENERAL COMMENTS AND RECOMMENDATIONS

CURRENT FUND

**SCHEDULE OF CURRENT FUND CASH  
AND INVESTMENTS - TREASURER**

|                                 | <u>REF.</u> |                     |                            |
|---------------------------------|-------------|---------------------|----------------------------|
| Balance - December 31, 2009     |             |                     | \$1,321,519.67             |
| Increased by Receipts:          |             |                     |                            |
| Due from State of N.J. - Ch. 73 |             |                     |                            |
| P.L. 1976                       | A- 7        | 65,342.47           |                            |
| Taxes Receivable                | A- 8        | 16,199,576.14       |                            |
| Prepaid Taxes                   | A- 8        | 65,196.71           |                            |
| Revenue Accounts Receivable     | A- 9        | 1,249,519.01        |                            |
| Various Payables                | A-12        | 4,445.00            |                            |
| Various Reserves                | A-12        | 146,108.62          |                            |
| Interfunds Received             | A-14        | <u>1,780,917.66</u> |                            |
|                                 |             |                     | <u>19,511,105.61</u>       |
|                                 |             |                     | 20,832,625.28              |
| Decreased by Disbursements:     |             |                     |                            |
| Prior Year Revenue Returned     | A- 1        | 1,091.44            |                            |
| Budget Appropriations           | A- 3        | 6,116,127.57        |                            |
| Appropriation Reserves          | A-10        | 167,653.19          |                            |
| Various Payables                | A-12        | 41,776.30           |                            |
| Various Reserves                | A-12        | 168,461.35          |                            |
| Local District School Tax       | A-13        | 9,484,197.00        |                            |
| County Taxes                    | A-13        | 1,885,573.75        |                            |
| County Open Space Taxes         | A-13        | 135,702.44          |                            |
| County Added Taxes              | A-13        | 1,738.34            |                            |
| Interfunds Disbursed            | A-14        | <u>2,071,986.66</u> |                            |
|                                 |             |                     | <u>20,074,308.04</u>       |
| Balance - December 31, 2010     | A           |                     | <u><u>\$758,317.24</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

REF.

|                             |   |                 |
|-----------------------------|---|-----------------|
| Balance - December 31, 2009 |   | \$100.00        |
| Balance - December 31, 2010 | 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, 2009                                   |             |                 | \$41,722.09               |
| Increased by:   |             |                 |                           |
| Sr. Cit. & Veteran's Deds. Allowed per<br>Tax Billings - 2010 | A- 7        | 63,750.00       |                           |
| 2010 Sr. Citizen & Vet. Deduct. Allowed                       | A- 7        | <u>1,000.00</u> |                           |
|   |             |                 | <u>64,750.00</u>          |
|   |             |                 | 106,472.09                |
| Decreased by:   |             |                 |                           |
| Collection  | A- 4        | 65,342.47       |                           |
| 2010 Sr. Citizen & Vet. Deduct. Disallowed                    | A- 7        | 625.34          |                           |
| 2009 Sr. Citizen & Vet. Deduct. Disallowed                    | A- 1        | <u>750.00</u>   |                           |
|   |             |                 | <u>66,717.81</u>          |
| Balance - December 31, 2010                                   | A           |                 | <u><u>\$39,754.28</u></u> |
| <br><u>Analysis of Realized Revenues for 2010:</u>            |             |                 |                           |
| Sr. Cit. & Veterans Deds. Allowed by:                         |             |                 |                           |
| Per Tax Billings - 2010                                       | A- 7        |                 | \$63,750.00               |
| By Collector - 2010 Taxes                                     | A- 7        |                 | 1,000.00                  |
| 2010 Sr. Citizen & Vet. Deduct. Disallowed                    | A- 7        |                 | <u>(625.34)</u>           |
| Amount Realized as Revenue - 2010                             | A-8         |                 | <u><u>\$64,124.66</u></u> |

CURRENT FUND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

|                                     | Ref. | Total                  | 2011<br>Prepaid              | 2010<br>Current | TY 09<br>Delinquent    | Arrears                        | Tax<br>Liens | Property<br>Acquired<br>for Taxes |
|-------------------------------------|------|------------------------|------------------------------|-----------------|------------------------|--------------------------------|--------------|-----------------------------------|
| Balance 12/31/2009.....             |      | \$213,159.06           | (\$58,073.01)                |                 | \$146,877.40           |                                | \$6,354.67   | \$118,000.00                      |
| Billings / Levy:                    |      |                        |                              |                 |                        |                                |              |                                   |
| Original Levy.....                  | A-8  | 16,358,415.09          |                              | 16,358,415.09   |                        |                                |              |                                   |
| Added & Omitted.....                | A-8  | 14,057.21              |                              | 14,057.21       |                        |                                |              |                                   |
| Added by Assessor.....              | A-8  | 112,563.12             |                              | 112,563.12      |                        |                                |              |                                   |
| Canceled Taxes.....                 | A-8  | (35,643.50)            |                              | (35,643.50)     |                        |                                |              |                                   |
| Transfers                           |      |                        |                              |                 |                        |                                |              |                                   |
| Tax Lien.....                       | A-8  |                        |                              | (2,361.07)      |                        |                                | 2,361.07     |                                   |
| Revenue                             |      |                        |                              |                 |                        |                                |              |                                   |
| Sr.Citizens & Vets.....             |      |                        |                              | (63,750.00)     |                        |                                |              |                                   |
| Original Levy.....                  | A-7  | (63,750.00)            |                              | (63,750.00)     |                        |                                |              |                                   |
| Allowed/Disallowed.....             | A-7  | (374.66)               |                              | (374.66)        |                        |                                |              |                                   |
| Cash Receipts.....                  | A-4  | (16,264,772.85)        | (65,196.71)                  | (16,052,698.74) | (146,877.40)           |                                |              |                                   |
| Prepaid Applied.....                | A-8  |                        | 58,073.01                    | (58,073.01)     |                        |                                |              |                                   |
| Balance 12/31/2010.....             | A    | \$333,653.47           | (\$65,196.71)                | \$272,134.44    |                        |                                | \$8,715.74   | \$118,000.00                      |
| Analysis of 2010 Property Tax Levy: |      |                        |                              |                 |                        |                                |              |                                   |
| Tax Levy:                           |      |                        |                              |                 |                        |                                |              |                                   |
| General Purpose Tax.....            | Ref. | \$16,358,415.09        | Local School District Tax    | Ref.            | \$9,484,197.00         | Taxes Realized:                | Ref.         | 64,124.66                         |
| Added Taxes.....                    |      | 14,057.21              | County Tax                   | A-13            | 1,885,573.75           | Sr. Citizens & Vets            | A-7, A-8     | 16,052,698.74                     |
|                                     |      |                        | County Open Space            | A-13            | 135,702.44             | Cash Receipts                  | A-8          | 16,052,698.74                     |
|                                     |      |                        | Due County - Added & Omitted | A-13            | 1,738.34               | Prepayments                    | A-8          | 58,073.01                         |
|                                     |      | <u>\$16,372,472.30</u> |                              |                 | <u>1,738.34</u>        | Subtotal                       | A-1          | <u>16,174,896.41</u>              |
|                                     |      |                        |                              |                 |                        | Res. For Uncoll. Tax           | A-3          | <u>454,885.00</u>                 |
|                                     |      |                        |                              |                 | <u>\$11,507,211.53</u> | Allocated to School and County | A-13         | <u>(11,507,211.53)</u>            |
|                                     |      |                        |                              |                 | 4,852,314.95           |                                |              |                                   |
|                                     |      |                        |                              |                 | <u>12,945.82</u>       |                                |              |                                   |
|                                     |      |                        |                              |                 | <u>\$16,372,472.30</u> |                                |              |                                   |
|                                     |      |                        |                              |                 |                        |                                | A-2          | <u>\$5,122,569.88</u>             |

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Exhibit - A-9

|   | <u>REF.</u> | <u>BALANCE</u><br><u>DEC. 31, 2009</u> | <u>ACCRUED</u><br><u>2010</u> | <u>COLLECTED</u>       | <u>BALANCE</u><br><u>DEC. 31, 2010</u> |
|---|-------------|--|-------------------------------|------------------------|--|
| By Revenue Type:                              |             |  |                               |                        |  |
| Miscellaneous Revenues:                       |             |  |                               |                        |  |
| Alcoholic Beverages                           | A-2         | \$                                     | \$ 6,606.00                   | \$ 6,606.00            | \$                                     |
| Licenses - Other                              | A-2         |  | 26,865.00                     | 26,865.00              |  |
| Fees and Permits                              | A-2         |  | 37,253.72                     | 37,253.72              |  |
| Municipal Court:                              |             |  |                               |                        |  |
| Fines and Costs                               | A-2         | 25,456.46                              | 241,528.51                    | 248,337.83             | 18,647.14                              |
| Interest and Costs on Taxes                   | A-2         |  | 31,692.34                     | 31,692.34              |  |
| Interest on Investments and Deposits          | A-2         |  | 10,841.44                     | 10,841.44              |  |
| Cable TV Franchise Fees                       | A-2         |  | 19,924.00                     | 19,924.00              |  |
| Consol. Mun. Property Tax Relief Act          | A-2         |  | 139,776.21                    | 139,776.21             |  |
| Energy Receipts Tax                           | A-2         |  | 481,757.00                    | 481,757.00             |  |
| Uniform Construction Code Fees                | A-2         |  | 96,306.00                     | 96,306.00              |  |
| Parking Authority Contribution                | A-2         |  | 100,000.00                    | 100,000.00             |  |
| Employee Health Care Contribution             | A-2         |  | 16,469.87                     | 16,469.87              |  |
| Uniform Fire Safety Act                       | A-2         |  | 7,559.81                      | 7,559.81               |  |
| Miscellaneous Revenue Not Anticipated:        |             |  |                               |                        |  |
| Sr. Citizens & Vet. Admin. Fee                | A-2         |  | 1,306.85                      | 1,306.85               |  |
| Recycling Tonnage/Absolute Auto/Colgate paper | A-2         |  | 6,893.65                      | 6,893.65               |  |
| Division of Motor Vehicle Inspection Fines    | A-2         |  | 6,730.00                      | 6,730.00               |  |
| Police Auction                                | A-2         |  | 3,011.00                      | 3,011.00               |  |
| Prior Year Void Checks                        | A-2         |  | 295.43                        | 295.43                 |  |
| Return Insurance Surplus                      | A-2         |  | 4,265.67                      | 4,265.67               |  |
| Miscellaneous                                 | A-2         |  | 3,627.19                      | 3,627.19               |  |
|   |             | <u>\$ 25,456.46</u>                    | <u>\$ 1,242,709.69</u>        | <u>\$ 1,249,519.01</u> | <u>\$ 18,647.14</u>                    |
|   | <u>Ref.</u> |  | Reserve                       | A-4                    | A                                      |

SCHEDULE OF TY 2009 APPROPRIATION RESERVES

|                                 | BALANCE<br><u>DEC. 31, 2009</u> | RESERVE FOR<br>ENCUMBRANCES<br><u>DEC. 31, 2009</u> | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br><u>LAPSED</u> |
|---------------------------------|---------------------------------|---|-------------------------------|--------------------|--------------------------|
| <u>Operations Within "CAPS"</u> |                                 |   |                               |                    |                          |
| Administrative and Executive    | \$ 2.92                         | \$  | 2.92                          | \$                 | 2.92                     |
| Salaries and Wages              | 1,371.10                        |   | 1,371.10                      |                    | 1,371.10                 |
| Miscellaneous Other Expenses    | 1,594.28                        | 147.22  | 1,741.50                      | 147.22             | 1,594.28                 |
| Borough Clerk                   | 1,148.48                        |   | 1,148.48                      |                    | 1,148.48                 |
| Other Expenses                  | 3,000.00                        |   | 3,000.00                      |                    | 3,000.00                 |
| Legal Advertising               |                                 |   |                               |                    |                          |
| Elections                       |                                 |   |                               |                    |                          |
| Other Expenses                  |                                 |   |                               |                    |                          |
| Financial Administration        |                                 |   |                               |                    |                          |
| Salaries and Wages              | 321.59                          |   | 321.59                        |                    | 321.59                   |
| Annual Audit                    | 18,000.00                       |   | 21,000.00                     | 21,000.00          |                          |
| Other Expenses                  | 3,660.54                        |   | 660.54                        |                    | 660.54                   |
| Mayor and Council               |                                 |   |                               |                    |                          |
| Salaries and Wages              | 418.10                          |   | 418.10                        |                    | 418.10                   |
| Other Expenses                  | 287.16                          | 649.42  | 936.58                        | 649.42             | 287.16                   |
| Assessment of Taxes             |                                 |   |                               |                    |                          |
| Salaries and Wages              | 22.07                           |   | 1,522.07                      | 1,475.00           | 47.07                    |
| Other Expenses                  | 19.34                           | 353.26  | 372.60                        |                    | 372.60                   |
| Collection of Taxes             |                                 |   |                               |                    |                          |
| Salaries and Wages              | 988.54                          |   | 988.54                        |                    | 988.54                   |
| Other Expenses                  | 2,517.34                        | 910.00  | 1,927.34                      | 1,073.00           | 854.34                   |
| Legal Services and Costs        |                                 |   |                               |                    |                          |
| Salaries and Wages              | 247.53                          |   | 247.53                        |                    | 247.53                   |
| Other Expenses                  |                                 | 4,479.25  | 4,479.25                      | 4,076.25           | 403.00                   |
| Municipal Prosecutor            |                                 |   |                               |                    |                          |
| Salaries and Wages              | 650.06                          |   | 650.06                        |                    | 650.06                   |
| Engineering Services and Costs  |                                 |   |                               |                    |                          |
| Other Expenses                  |                                 | 12,427.25   | 12,427.25                     | 10,901.75          | 1,525.50                 |
| Postage                         | 1.03                            | 1,038.39  | 1,039.42                      | 1,017.89           | 21.53                    |
| Public Buildings and Grounds    |                                 |   |                               |                    |                          |
| Salaries and Wages              | 4,000.00                        |   | 1,600.00                      |                    | 1,600.00                 |
| Miscellaneous Other Expenses    | 1,998.60                        | 5,966.04  | 7,964.64                      | 6,426.89           | 1,537.75                 |

SCHEDULE OF TY 2009 APPROPRIATION RESERVES

|                                     | <u>BALANCE</u>       | <u>RESERVE FOR</u>  | <u>BALANCE AFTER</u> | <u>PAID OR</u> | <u>BALANCE</u> |
|-------------------------------------|----------------------|---------------------|----------------------|----------------|----------------|
|                                     | <u>DEC. 31, 2009</u> | <u>ENCUMBRANCES</u> | <u>MODIFICATION</u>  | <u>CHARGED</u> | <u>LAPSED</u>  |
|                                     | \$                   | \$                  | \$                   |                | \$             |
| Municipal Land Use Law (NJS 40:55D) |                      |                     |                      |                |                |
| Planning Board                      |                      |                     |                      |                |                |
| Salaries and Wages                  | 3,523.85             | \$                  | 3,523.85             |                | 3,523.85       |
| Other Expenses                      | 2,928.00             |                     | 2,928.00             | 393.75         | 2,534.25       |
| Municipal Court                     |                      |                     |                      |                |                |
| Salaries and Wages                  | 5,176.60             |                     | 5,176.60             | 525.00         | 4,651.60       |
| Other Expenses                      | 2,594.33             | 575.61              | 3,169.94             | 988.11         | 2,181.83       |
| Public Defender                     |                      |                     |                      |                |                |
| Salaries and Wages                  | 530.02               |                     | 530.02               |                | 530.02         |
| <u>PUBLIC SAFETY:</u>               |                      |                     |                      |                |                |
| Fire                                |                      |                     |                      |                |                |
| Salaries and Wages                  |                      |                     |                      |                |                |
| Uniform Fire Safety Act             | 1,500.00             |                     | 1,500.00             |                | 1,500.00       |
| Other Expenses:                     |                      |                     |                      |                |                |
| Fire Hydrant Service                | 912.50               |                     | 912.50               |                | 912.50         |
| Miscellaneous Other Expenses        | 2,690.12             | 3,119.27            | 5,809.39             | 4,268.74       | 1,540.65       |
| Fire Department Equipment Lease     | 627.75               |                     | 627.75               |                | 627.75         |
| Fire Prevention                     |                      |                     |                      |                |                |
| Salaries and Wages                  | 3,350.00             |                     | 3,350.00             |                | 3,350.00       |
| Other Expenses                      | 430.00               |                     | 430.00               |                | 430.00         |
| Police                              |                      |                     |                      |                |                |
| Salaries and Wages:                 |                      |                     |                      |                |                |
| Regular                             | 41,417.27            | 27.20               | 41,444.47            | 41,444.47      | 1,481.88       |
| Overtime                            | 1,481.88             |                     | 1,481.88             |                |                |
| Other Expenses:                     |                      |                     |                      |                |                |
| Misc. Other Expenses                | 10,836.13            | 3,679.80            | 14,515.93            | 14,515.93      |                |
| Dispatchers                         |                      |                     |                      |                |                |
| Salaries and Wages                  | 4.49                 |                     | 4.49                 |                | 4.49           |
| School Crossing Guards              |                      |                     |                      |                |                |
| Salaries and Wages                  | 2,715.57             |                     | 2,715.57             |                | 2,715.57       |
| Emergency Management Services       |                      |                     |                      |                |                |
| Other Expenses                      | 1,000.00             |                     | 1,000.00             |                | 1,000.00       |

SCHEDULE OF TY 2009 APPROPRIATION RESERVES

|                                     | BALANCE<br>DEC. 31, 2009 | RESERVE FOR<br>ENCUMBRANCES<br>DEC. 31, 2009 | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br>LAPSED |
|-------------------------------------|--------------------------|--|-------------------------------|--------------------|-------------------|
| <u>STREETS AND ROADS:</u>           |                          |  |                               |                    |                   |
| Road Repairs and Maintenance        | \$ 560.74                | \$   | \$ 6,310.74                   | \$ 6,310.74        | \$                |
| Salaries and Wages                  |                          |  |                               |                    |                   |
| Other Expenses                      | 7,680.91                 | 3,608.43                                     | 5,539.34                      | 5,539.34           | 60.00             |
| Misc. Other Expenses                | 2,960.00                 |  | 60.00                         |                    |                   |
| Leaf Bags                           |                          |  |                               |                    |                   |
| Tree Maintenance                    | 7,550.00                 | 12,800.00                                    | 20,350.00                     | 20,350.00          |                   |
| Other Expenses                      |                          |  |                               |                    |                   |
| Shade Trees                         | 1,420.20                 |  | 1,000.20                      | 1,000.20           |                   |
| Other Expenses                      |                          |  |                               |                    |                   |
| <u>SANITATION:</u>                  |                          |  |                               |                    |                   |
| Sewer System                        |                          |  |                               |                    |                   |
| Salaries and Wages                  | 21.04                    |  | 21.04                         |                    | 21.04             |
| Other Expenses                      | 41.87                    | 514.55                                       | 556.42                        | 514.55             | 41.87             |
| Landfill/Solid Waste Disposal Costs |                          |  |                               |                    |                   |
| Other Expenses                      | 2,857.25                 |  | 8,177.25                      | 8,168.00           | 9.25              |
| Recycling                           |                          |  |                               |                    |                   |
| Salaries and Wages                  | 2,000.00                 |  |                               |                    |                   |
| <u>HEALTH AND WELFARE:</u>          |                          |  |                               |                    |                   |
| Board of Health                     |                          |  |                               |                    |                   |
| Salaries and Wages                  | 829.51                   |  | 829.51                        |                    | 829.51            |
| Other Expenses                      | 9,147.37                 |  | 9,147.37                      | 9,100.00           | 47.37             |
| Insurance                           |                          |  |                               |                    |                   |
| General Liability                   | 1,301.00                 |  | 1,301.00                      |                    | 1,301.00          |
| Employee Group Health               | 36,803.30                |  | 36,803.30                     | (1,225.20)         | 38,028.50         |

SCHEDULE OF TY 2009 APPROPRIATION RESERVES

Exhibit - A-10  
Page 4 of 5

|  | BALANCE<br><u>DEC. 31, 2009</u> | RESERVE FOR<br>ENCUMBRANCES<br><u>DEC. 31, 2009</u> | BALANCE AFTER<br>MODIFICATION | PAID OR<br>CHARGED | BALANCE<br><u>LAPSED</u> |
|--|---------------------------------|---|-------------------------------|--------------------|--------------------------|
| <u>RECREATION AND EDUCATION:</u>                       |                                 |   |                               |                    |                          |
| Recreation Commission                                  | \$ 4,039.82                     | \$  | \$ 4,039.82                   | \$ 400.00          | \$ 3,639.82              |
| Salaries and Wages                                     | 1,652.36                        | 1,495.00  | 3,147.36                      | 1,485.00           | 1,662.36                 |
| Other Expenses   |                                 |   |                               |                    |                          |
| Senior Citizens Activities                             |                                 |   |                               |                    |                          |
| Other Expenses:  |                                 |   |                               |                    |                          |
| Misc. Other Expenses                                   |                                 | 150.00  | 150.00                        | 150.00             |                          |
| Construction Code Official                             |                                 |   |                               |                    |                          |
| Salaries and Wages                                     | 6,235.40                        |   | 6,235.40                      |                    | 6,235.40                 |
| Other Expenses   | 91.38                           | 7.90  | 99.28                         | 33.00              | 66.28                    |
| <u>UNCLASSIFIED</u>                                    |                                 |   |                               |                    |                          |
| Telephone  | 5,133.56                        |   | 5,163.56                      | 5,163.56           |                          |
| Water  | 2,501.78                        | 30.00   | 2,501.78                      | 283.85             | 2,217.93                 |
| Gasoline   | 11,073.72                       |   | 8,373.72                      | 3,977.15           | 4,396.57                 |
| Natural Gas and Electricity                            | 12,858.74                       |   | 15,558.74                     | 15,481.15          | 77.59                    |
| Total Operations Within "CAPS"                         | <u>238,727.14</u>               | <u>51,978.59</u>                                    | <u>288,305.73</u>             | <u>185,634.76</u>  | <u>102,670.97</u>        |
| Contingent   | <u>1,500.00</u>                 |   | <u>1,500.00</u>               |                    | <u>1,500.00</u>          |
| Total Operations Including Contingent<br>Within "CAPS" | <u>240,227.14</u>               | <u>51,978.59</u>                                    | <u>289,805.73</u>             | <u>185,634.76</u>  | <u>104,170.97</u>        |

|   | <u>BALANCE</u><br><u>DEC. 31, 2009</u> | <u>RESERVE FOR</u><br><u>ENCUMBRANCES</u><br><u>DEC. 31, 2009</u> | <u>BALANCE AFTER</u><br><u>MODIFICATION</u> | <u>PAID OR</u><br><u>CHARGED</u> | <u>BALANCE</u><br><u>LAPSED</u> |
|---|--|---|---|----------------------------------|---------------------------------|
| Statutory Expenditures:   |  |   |   |                                  |                                 |
| Contribution to:  |  |   |   |                                  |                                 |
| Social Security System (O.A.S.I.)   | \$ 1,761.27                            | \$  | \$ 1,761.27                                 | \$ 1,761.27                      | \$                              |
| <br>  |  |   |   |                                  |                                 |
| Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS" | <u>1,761.27</u>                        |   | <u>1,761.27</u>                             | <u>1,761.27</u>                  |                                 |
| <br>  |  |   |   |                                  |                                 |
| Total General Appropriations for Municipal Purposes Within "CAPS"         | <u>241,988.41</u>                      | <u>51,978.59</u>  | <u>291,567.00</u>                           | <u>187,396.03</u>                | <u>104,170.97</u>               |
| <br>  |  |   |   |                                  |                                 |
| Operations Excluded from "CAPS"   |  |   |   |                                  |                                 |
| Maintenance of Free Public Library  | 20,349.13                              |   | 20,349.13                                   | 20,349.13                        |                                 |
| Joint Sewer System - Service Charge - Contractual-PARSA                   | 5,548.94                               |   | 5,548.94                                    |                                  | 5,548.94                        |
| Intergovernmental - County of Middlesex Recycling - Other Expenses        | 4,311.17                               | 12,622.79   | 19,333.96                                   | 19,307.03                        | 26.93                           |
| Health Services - Other Expenses  | 1,717.50                               |   | 1,717.50                                    |                                  | 1,717.50                        |
| Fire  |  |   |   |                                  |                                 |
| Other Expenses  |  |   |   |                                  |                                 |
| Uniform Fire Safety Act   | 2,136.00                               |   | 2,136.00                                    |                                  | 2,136.00                        |
| <br>  |  |   |   |                                  |                                 |
| Capital Improvements - Excluded from "CAPS" Improvements to Dispatch Area |  | <u>18,000.00</u>  | <u>18,000.00</u>                            | <u>18,000.00</u>                 |                                 |
| <br>  |  |   |   |                                  |                                 |
| Total Operations - Excluded from "CAPS"                                   | <u>34,062.74</u>                       | <u>30,622.79</u>  | <u>67,085.53</u>                            | <u>57,656.16</u>                 | <u>9,429.37</u>                 |
| <br>  |  |   |   |                                  |                                 |
| Total General Appropriations  | <u>\$ 276,051.15</u>                   | <u>\$ 82,601.38</u>   | <u>\$ 358,652.53</u>                        | <u>\$ 245,052.19</u>             | <u>\$ 113,600.34</u>            |
| <br>  |  |   |   |                                  |                                 |
| Accounts Payable  |  |   | \$ 69,016.88                                |                                  |                                 |
| Reserve for Snow Removal  |  |   | 8,382.12                                    |                                  |                                 |
| Disbursed   |  |   | <u>167,653.19</u>                           |                                  |                                 |
|   |  |   | <u>\$ 245,052.19</u>                        |                                  |                                 |

A-1

A-11

Ref.

A-12

A-12

A-4

SCHEDULE OF RESERVE FOR ENCUMBRANCES  
CURRENT FUND AND GRANT FUND

|  | <u>REF.</u> | <u>CURRENT<br/>FUND</u>   | <u>GRANT<br/>FUND</u>     |
|--|-------------|---------------------------|---------------------------|
| Balance - December 31, 2009            |             | \$82,601.38               | \$67,259.78               |
| Increased by:                          |             |                           |                           |
| Transferred from Budget Appropriations | A-3,A-18    | <u>34,504.49</u>          | <u>66,644.19</u>          |
|  |             | 117,105.87                | 133,903.97                |
| Decreased by:                          |             |                           |                           |
| Transferred to Approp. Reserves        | A-10,A-18   | <u>82,601.38</u>          | <u>67,259.78</u>          |
| Balance - December 31, 2010            | A           | <u><u>\$34,504.49</u></u> | <u><u>\$66,644.19</u></u> |

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

|  | BALANCE<br>DEC. 31, 2009 | Transfer from/(to)<br>Budget | Cash<br>Receipts    | Cash<br>Disbursements | Transfer from<br>Approp. Reserves | Due to<br>Trust Fund | BALANCE<br>DEC. 31, 2010 |
|--|--------------------------|------------------------------|---------------------|-----------------------|-----------------------------------|----------------------|--------------------------|
| <b>Accounts Payable:</b>                   |                          |                              |                     |                       |                                   |                      |                          |
| Due to State of NJ - Building Code Fees    | \$1,479.00               |                              | \$3,320.00          | (\$3,625.00)          |                                   |                      | \$1,174.00               |
| Due to State of NJ - Marriage License Fees | 175.00                   |                              | 1,025.00            | (1,200.00)            |                                   |                      | -                        |
| Due to State of NJ - Burial Permit Fees    | 270.00                   |                              | 100.00              | (370.00)              |                                   |                      | -                        |
| Payroll Deductions Payable                 | 30,674.09                |                              |                     | (8,430.30)            |                                   |                      | 22,243.79                |
| Vendor Accounts Payable                    | 33,432.19                |                              |                     | (28,151.00)           | 69,016.88                         |                      | 74,298.07                |
| <b>Subtotal</b>                            | <b>66,030.28</b>         | <b>0.00</b>                  | <b>4,445.00</b>     | <b>(41,776.30)</b>    | <b>69,016.88</b>                  |                      | <b>97,715.86</b>         |
| <b>Reserve for:</b>                        |                          |                              |                     |                       |                                   |                      |                          |
| Preparation of Tax Map                     | 200.00                   |                              |                     |                       |                                   |                      | 200.00                   |
| Codification of Ordinances                 | 67.00                    |                              |                     |                       |                                   |                      | 67.00                    |
| Fire Prevention Fees                       | 2,432.00                 |                              |                     |                       |                                   |                      | 2,432.00                 |
| Insurance Proceeds                         | 31,567.44                | (10,000.00)                  | 15,438.33           | (26,483.64)           |                                   |                      | 10,522.13                |
| Sale of Municipal Assets                   | 23,703.00                | (30,000.00)                  | 6,637.07            |                       |                                   |                      | 340.07                   |
| Snow Emergency                             | 9,728.55                 |                              |                     |                       | 8,382.12                          | (18,110.67)          | -                        |
| Tax Appeals                                | 14,294.40                |                              |                     |                       |                                   |                      | 14,294.40                |
| Third Party Lien Redemptions               | 74,980.35                |                              | 124,033.22          | (141,155.71)          |                                   |                      | 57,857.86                |
| CMPTRA                                     | 12,786.05                | (12,786.05)                  |                     |                       |                                   |                      | -                        |
| Master Plan                                | 2,131.18                 |                              |                     | (822.00)              |                                   |                      | 1,309.18                 |
| <b>Subtotal</b>                            | <b>171,889.97</b>        | <b>(52,786.05)</b>           | <b>146,108.62</b>   | <b>(168,461.35)</b>   | <b>8,382.12</b>                   | <b>(18,110.67)</b>   | <b>87,022.64</b>         |
| <b>Total</b>                               | <b>\$237,920.25</b>      | <b>(\$52,786.05)</b>         | <b>\$150,553.62</b> | <b>(\$210,237.65)</b> | <b>\$77,399.00</b>                | <b>(\$18,110.67)</b> | <b>\$184,738.50</b>      |

Ref.

A

A-12

A-10

A-4

A-4

A-2

SCHEDULE OF TAXES PAYABLE  
CURRENT FUND

|                           |             | <u>2010<br/>Levy</u>   | <u>Cash<br/>Disbursements</u> |
|---------------------------|-------------|------------------------|-------------------------------|
| County - General          |             | \$1,885,573.75         | \$1,885,573.75                |
| County - Open Space       |             | 135,702.44             | 135,702.44                    |
| County - Added & Omitted  |             | 1,738.34               | 1,738.34                      |
| Local District School Tax |             | <u>9,484,197.00</u>    | <u>9,484,197.00</u>           |
|                           |             | <u>\$11,507,211.53</u> | <u>\$11,507,211.53</u>        |
|                           | <u>REF.</u> |                        | A-4                           |
| County                    | A-1,A-2,A-8 | \$2,023,014.53         |                               |
| Local District School Tax | A-1,A-2,A-8 | <u>9,484,197.00</u>    |                               |
|                           |             | <u>\$11,507,211.53</u> |                               |

SCHEDULE OF INTERFUNDS  
CURRENT FUND

| REF.  | TOTAL          | GENERAL<br>CAPITAL<br>FUND | OTHER<br>TRUST<br>FUND | ANIMAL<br>CONTROL<br>FUND | GRANT<br>FUND |
|---|----------------|----------------------------|------------------------|---------------------------|---------------|
| Balance - December 31, 2009                         | (\$161,158.09) | (\$226,535.34)             | (\$11,649.32)          | \$2,257.23                | \$74,769.34   |
| Increased by:                                       |                |                            |                        |                           |               |
| Interfund Loans Received                            | 1,780,917.66   | 1,367,064.96               | 325,862.99             | 2,852.00                  | 85,137.71     |
| 2010 State & Fed. Grants Budget Appropriations      | 100,741.44     |                            |                        |                           | 100,741.44    |
| 2010 Budget Appropriations -<br>Cap. Improv. Fund   | 10,000.00      | 10,000.00                  |                        |                           |               |
| Transfer Reserve for Snow Emergency                 | 18,110.67      |                            | 18,110.67              |                           |               |
| Decreased by:                                       |                |                            |                        |                           |               |
| Interfund Loans Disbursed                           | 2,071,986.66   | 1,679,621.55               | 336,518.27             | 741.20                    | 55,105.64     |
| State & Fed. Grants Realized as 2010 Budget Revenue | 98,626.44      |                            |                        |                           | 98,626.44     |
| Balance - December 31, 2010                         | (\$422,001.42) | (\$529,091.93)             | (\$4,193.93)           | \$4,368.03                | \$106,916.41  |

( ) Denotes Interfund Receivable

SCHEDULE OF DEFERRED CHARGES

|                                   | <u>BALANCE</u><br><u>DEC. 31, 2009</u> | <u>RAISED IN</u><br><u>2010 BUDGET</u> | <u>BALANCE</u><br><u>DEC. 31, 2010</u> |
|-----------------------------------|--|--|--|
| Special Emergency:<br>Master Plan | <u>\$10,000.00</u>                     | <u>\$10,000.00</u>                     | <u>                    </u>            |
|                                   | <u>\$10,000.00</u>                     | <u>\$10,000.00</u>                     | <u>                    </u>            |
| <u>Ref.</u>                       |  | A-3                                    | A                                      |

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

| <u>GRANTS</u>   | BALANCE<br>DEC. 31, 2009 | 2010<br>BUDGET<br>REVENUE<br>REALIZED | COLLECTED<br>2010   | TRANS. FROM<br>STATE & FED.<br>GRANTS<br>UNAPPROP. | BALANCE<br>DEC. 31, 2010 |
|---|--------------------------|---------------------------------------|---------------------|--|--------------------------|
|   |                          |                                       |                     |  |                          |
| County of Middlesex- CDBG (07-08)                             | \$ 416.50                |                                       |                     |  | \$ 416.50                |
| County of Middlesex- CDBG (08-09)                             | 43,695.27                |                                       |                     |  | 43,695.27                |
| County of Middlesex- CDBG (09-10)                             | 26,201.61                |                                       |                     |  | 26,201.61                |
| County of Middlesex- CDBG (10-11)                             |                          | 47,700.00                             |                     |  | 47,700.00                |
| County of Middlesex- CDBG - Economic Stimulus Grant           | 14,060.00                |                                       |                     |  | 14,060.00                |
| Body Armor Grant  |                          | 2,779.92                              | 2,779.92            |  | 6,262.91                 |
| Clean Communities Program                                     | 6,262.91                 | 9,414.83                              | 9,414.83            |  | 38,310.00                |
| Drunk Driving Enforcement Fund                                |                          | 13,009.04                             | 13,009.04           |  | 6,018.00                 |
| Hazardous Discharge Grant - Walieczkiewicz Garage             | 38,310.00                |                                       |                     |  | 28,425.00                |
| Hazardous Discharge Grant - The Strip Joint                   | 50,635.00                |                                       | 44,617.00           |  | 52,500.00                |
| Middlesex County Building Restoration                         | 28,425.00                |                                       |                     |  | 1,784.00                 |
| Middlesex County Sustainable Economic Growth Improvement Fund | 52,500.00                |                                       |                     |  | 7,000.00                 |
| Middlesex County Bicycle/Pedestrian Safety Grant              | 1,784.00                 |                                       |                     | 212.85   | 31,000.00                |
| Municipal Alliance on Alcohol and Drug Abuse                  |                          | 8,456.85                              | 8,244.00            |  | 3,746.25                 |
| NJ Forest Service Business Stimulus Fund                      |                          | 7,000.00                              |                     |  |                          |
| State of NJ - DCA - Smart Future Planning Grant               | 31,000.00                |                                       |                     |  |                          |
| State of NJ - Solid Waste - Recycling Tonnage Grant           |                          | 10,265.80                             |                     | 10,265.80  |                          |
| Cool Cities Comm Stewardship Incentive Prog                   |                          |                                       |                     |  |                          |
|   | <u>\$ 297,036.54</u>     | <u>\$ 98,626.44</u>                   | <u>\$ 78,064.79</u> | <u>\$ 10,478.65</u>                                | <u>\$ 307,119.54</u>     |

Ref.

A-17

A-17

A-19

A

SCHEDULE OF DUE FROM CURRENT FUND  
GRANT FUND

|  | <u>REF.</u> |                  |                            |
|--|-------------|------------------|----------------------------|
| Balance - December 31, 2009                |             |                  | \$74,769.34                |
| Increased by:                              |             |                  |                            |
| State & Federal Grants Approp. -           |             |                  |                            |
| Transferred from 2010 Budget               | A-18        | 100,741.44       |                            |
| Current Fund Collections:                  |             |                  |                            |
| State & Federal Grants Received            | A-16        | 78,064.79        |                            |
| State & Federal Grants Unapprop.           | A-19        | <u>7,072.92</u>  |                            |
|  |             |                  | <u>185,879.15</u>          |
|  |             |                  | 260,648.49                 |
| Decreased by:                              |             |                  |                            |
| State & Federal Grants Realized            |             |                  |                            |
| as 2010 Budget Revenue                     | A-16        | 98,626.44        |                            |
| State & Federal Grants Approp. & Unapprop. |             |                  |                            |
| Expend. Paid by Current Fund               | A-18        | <u>55,105.64</u> |                            |
|  |             |                  | <u>153,732.08</u>          |
| Balance - December 31, 2010                | A           |                  | <u><u>\$106,916.41</u></u> |

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED  
GRANT FUND

| Grant   | Balance              | Transferred                           | Reserve for             | Paid or   | Reserve for          | Balance              |
|---|----------------------|---------------------------------------|-------------------------|-----------|----------------------|----------------------|
|   | December 31,<br>2009 | from 2010<br>Budget<br>Appropriations | Encumbrances<br>TY 2009 | Charged   | Encumbrances<br>2010 | December 31,<br>2010 |
| SFY 2002  | \$                   | \$                                    | \$                      | \$        | \$                   | \$                   |
| Solid Waste Funds   | 3,276.81             |                                       |                         | 2,252.00  |                      | 3,276.81             |
| HCD Bonnegut Brook  | 6,224.42             |                                       |                         |           |                      | 3,972.42             |
| SFY 2003  |                      |                                       |                         |           |                      |                      |
| Hazardous Discharge Grant                                 | 37,764.41            |                                       |                         |           |                      | 37,764.41            |
| SFY 2004  |                      |                                       |                         |           |                      |                      |
| HCD Bonnegut Brook  | 21,480.00            |                                       | 1,338.40                | 359.60    |                      | 21,480.00            |
| Urban Forestry  | 978.80               |                                       |                         |           |                      | 978.80               |
| SLA-HEOP  | 842.32               |                                       |                         |           |                      | 842.32               |
| SFY 2005  |                      |                                       |                         |           |                      |                      |
| Hazardous Discharge Grant                                 | 3,500.00             |                                       | 47,139.63               |           | 47,139.63            | 3,500.00             |
| 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                   | 4,249.81             |                                       |                         | 2,370.00  | 24.00                | 1,855.81             |
| State of NJ - Solid Waste                                 | 7,253.57             |                                       |                         |           |                      | 7,253.57             |
| SFY 2008  |                      |                                       |                         |           |                      |                      |
| Aggressive Driving  |                      |                                       |                         |           |                      |                      |
| 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                              |                      |                                       | 9,066.25                | 3,681.75  | 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 | 62,198.07            |                                       |                         | 10,843.89 | 1,158.11             | 50,196.07            |
| Middlesex County Bicycle/Pedestrian Safety Grant          | 1,784.00             |                                       |                         |           |                      | 1,784.00             |
| Municipal Stormwater Regulation Program                   | 2,117.00             |                                       |                         |           |                      | 2,117.00             |
| Solid Waste Admin - Recycling Tonnage                     | 7,232.92             |                                       |                         |           |                      | 7,232.92             |

SCHEDULE OF STATE AND FEDERAL GRANT APPROPRIATED  
GRANT FUNDS

| TY 2009 | Grant  | Balance<br>December 31,<br>2009 | Transferred<br>from 2010<br>Budget<br>Appropriations | Reserve for<br>Encumbrances<br>TY 2009 | Paid or<br>Charged | Reserve for<br>Encumbrances<br>2010 | Balance<br>December 31,<br>2010 |
|---------|--|---------------------------------|--|--|--------------------|-------------------------------------|---------------------------------|
|         | 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                       | 12,016.79                       |  |  | 7,316.98           |                                     | 4,699.81                        |
|         | 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 2009 |  |                                 |  |  |                    |                                     |                                 |
|         | Body Armor Grant                                     |                                 | 2,779.92   |  |                    |                                     | 2,779.92                        |
|         | Clean Communities Program                            |                                 | 9,414.83   |  | 2,678.19           |                                     | 6,736.64                        |
|         | Drunk Driving Enforcement Fund                       |                                 | 13,009.04  |  |                    |                                     | 13,009.04                       |
|         | Municipal Alliance on Alcohol and Drug Abuse         |                                 | 8,456.85   |  | 6,352.35           |                                     | 2,104.50                        |
|         | Municipal Alliance - Matching Funds                  |                                 | 2,115.00   |  |                    |                                     | 2,115.00                        |
|         | NJ Forest Service Business Stimulus Fund             |                                 | 7,000.00   |  | 5,020.32           | 1,979.50                            | 0.18                            |
|         | Solid Waste Administration - Recycling Tonnage Grant |                                 | 10,265.80  |  |                    |                                     | 10,265.80                       |
| CDBG    |  |                                 |  |  |                    |                                     |                                 |
| 2006/07 | Tree Planting  | 700.00                          |  |  | 700.00             |                                     |                                 |
| 2007/08 | Tree Planting Program                                | 2,000.00                        |  |  | 1,573.05           | 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                              | 30,867.38                       |  |  | 8,882.93           |                                     | 21,984.45                       |
|         | Mountainview Terrace Curbs                           | 1,200.00                        |  |  |                    |                                     | 1,200.00                        |
|         | Manhole Retrofit                                     | 2,855.00                        |  |  | 2,855.00           |                                     |                                 |
| 2009/10 | Senior Citizen Van Driver                            | 4,060.30                        |  |  |                    |                                     | 4,060.30                        |
|         | Tree Planting Program                                | 800.00                          |  |  |                    | 799.50                              | 0.50                            |
|         | Bonnegut Brook Dredging                              | 2,000.00                        |  |  |                    |                                     | 2,000.00                        |
|         | Sewer Line Repair                                    | 8,700.00                        |  |  |                    |                                     | 8,700.00                        |
|         | Manhole Retrofit                                     | 4,000.00                        |  |  | 219.58             |                                     | 3,780.42                        |
|         | Economic Stimulus Grant                              | 14,060.00                       |  |  |                    |                                     | 14,060.00                       |
| 2010/11 |  |                                 |  |  |                    |                                     |                                 |
|         | 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                       |
|         | 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                        |
|         |  | \$ 294,067.45                   | \$ 100,741.44  | \$ 67,259.78                           | \$ 55,105.64       | \$ 66,644.19                        | \$ 340,318.84                   |
|         | Ref.   |                                 | A-17   | A-11                                   | A-17               | A-11                                | A                               |

SCHEDULE OF STATE AND FEDERAL GRANTS  
UNAPPROPRIATED  
GRANT FUND

| <u>GRANT</u>  | BALANCE<br>DEC. 31, 2009 | RECEIVED IN<br>CASH | TRANSFERRED<br>TO 2010<br>BUDGET AS<br>REVENUE | BALANCE<br>DEC. 31, 2010 |
|---|--------------------------|---------------------|--|--------------------------|
| Municipal Alliance Grant                            | \$ 212.85                | \$ 3,503.53         | \$ 212.85                                      | \$ 3,503.53              |
| Alcohol Education                                   |                          | 3,569.39            |  | 3,569.39                 |
| State of NJ - Solid Waste - Recycling Tonnage Grant | <u>10,265.80</u>         |                     | <u>10,265.80</u>                               |                          |
|   | <u>\$ 10,478.65</u>      | <u>\$ 7,072.92</u>  | <u>\$ 10,478.65</u>                            | <u>\$ 7,072.92</u>       |

Ref.

A-17

A-16

A

TRUST FUND

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

|   | Balance<br>12/31/09 | .....Cash.....<br>Receipts | Disbursements         | Balance<br>12/31/10 |
|---|---------------------|----------------------------|-----------------------|---------------------|
| <b>Animal Control:</b>                        |                     |                            |                       |                     |
| Due from Current Fund.....                    | (\$2,257.23)        | \$741.20                   | (\$2,852.00)          | (\$4,368.03)        |
| Due to NJ - State License Fees.....           | -                   | 421.20                     | (421.20)              | -                   |
| Animal Control Reserves.....                  | 2,257.23            | 2,430.80                   | (320.00)              | 4,368.03            |
| <b>Total</b>                                  | <b>-</b>            | <b>3,593.20</b>            | <b>(3,593.20)</b>     | <b>-</b>            |
| <b>Other Trust Fund:</b>                      |                     |                            |                       |                     |
| Due from General Capital Fund.....            | (100,000.00)        |                            |                       | (100,000.00)        |
| Due to Current Fund.....                      | 11,649.32           | 336,518.27                 | (343,973.66)          | 4,193.93            |
| <b>Various Reserves:</b>                      |                     |                            |                       |                     |
| Affordable Housing.....                       | 50.01               |                            |                       | 50.01               |
| D.A.R.E. ....                                 | 2,951.31            |                            | (841.89)              | 2,109.42            |
| Donation - Benches.....                       |                     | 1,001.00                   | (1,001.00)            | -                   |
| F.E.M.A.....                                  | 26,054.83           |                            |                       | 26,054.83           |
| Fire Prevention Fees.....                     | 8,412.75            |                            | (1,731.03)            | 6,681.72            |
| Law Enforcement Trust Fund.....               | 6,412.21            | 724.18                     | (2,822.32)            | 4,314.07            |
| Off Duty Police.....                          | 188.41              | 257,466.00                 | (251,818.00)          | 5,836.41            |
| Performance Bonds.....                        | 1,000.00            |                            |                       | 1,000.00            |
| Planning Board Escrow.....                    | 35,048.11           | 38,316.37                  | (32,832.38)           | 40,532.10           |
| POAA.....                                     | 3,866.85            | 274.00                     |                       | 4,140.85            |
| Premium on Third Party Tax Sale.....          | 24,800.00           |                            | (15,500.00)           | 9,300.00            |
| Public Defender.....                          | 4,838.62            | 6,926.00                   | (4,930.20)            | 6,834.42            |
| Recreation Trust.....                         | 3,122.21            | 60,195.99                  | (57,873.83)           | 5,444.37            |
| Recycling funds.....                          | 1,238.70            |                            |                       | 1,238.70            |
| Road Opening Deposits.....                    | 200.00              |                            |                       | 200.00              |
| Shade Tree Escrow.....                        | 1,250.00            |                            |                       | 1,250.00            |
| Snow Emergency                                |                     | 18,110.67                  |                       | 18,110.67           |
| State Firearms Registration Fees.....         | 427.00              |                            |                       | 427.00              |
| Street Lighting.....                          | 10,000.00           |                            |                       | 10,000.00           |
| Unemployment compensation insurance fund..... | 15,852.44           | 10,234.22                  | (16,274.39)           | 9,812.27            |
| <b>Total</b>                                  | <b>57,362.77</b>    | <b>729,766.70</b>          | <b>(729,598.70)</b>   | <b>57,530.77</b>    |
| <b>Public Assistance:</b>                     |                     |                            |                       |                     |
| Reserves for Expenditures.....                | 3,280.58            |                            |                       | 3,280.58            |
| <b>Total</b>                                  | <b>3,280.58</b>     | <b>-</b>                   | <b>-</b>              | <b>3,280.58</b>     |
| <b>Total</b>                                  | <b>\$60,643.35</b>  | <b>\$733,359.90</b>        | <b>(\$733,191.90)</b> | <b>\$60,811.35</b>  |

Ref.

B

GENERAL CAPITAL FUND

ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

Exhibit - C-2

|                               | BALANCE<br>DEC. 31,<br><u>2009</u> | BALANCE<br>DEC. 31,<br><u>2010</u> |
|-------------------------------|------------------------------------|------------------------------------|
| Fund Balance                  | \$8,201.09                         | \$8,201.09                         |
| Capital Improvement Fund      | 73,778.53                          | 70,278.53                          |
| Various Accounts Receivable   | (2,025,000.10)                     | (2,025,000.10)                     |
| N.J. D.O.T. Grants Receivable | (1,818,727.45)                     | (1,934,762.49)                     |
| Due to Trust Fund             | 100,000.00                         | 100,000.00                         |
| Due to/(from) Current Fund    | 226,535.34                         | 529,091.93                         |

Improvement Authorizations:

| <u>ORD. NO.</u> | <u>IMPROVEMENT DESCRIPTION</u>                       |              |              |
|-----------------|--|--------------|--------------|
| 98-02           | Reconstr. Of Dunellen & So. Ave.                     | 2,913.62     | 2,913.62     |
| 98-03           | Remediate San. Sewer System                          | 2,578.50     | 2,578.50     |
| 01-01           | Road Improvements South Madison                      | 2,458.08     | 2,458.08     |
| 01-02           | Improv. to San. Sewer System                         | 30,070.74    | 30,070.74    |
| 01-09/          | Sanitary Sewer/ Pump Station                         |              |              |
| 02-05           | Improvements (Amended)                               | (13,782.32)  | (5,570.82)   |
| 02-08           | Improv to San. Sewer System                          | (237.59)     | (237.59)     |
| 02-10           | Computer Purchases                                   | 673.00       | 673.00       |
| 02-15           | Various Purchases                                    | (19,781.31)  | 218.69       |
| 03-19           | Construction of Field House/Senior Center            | 3,883.55     | 3,038.25     |
| 03-22           | Improvement of High Street                           | (29.46)      | (29.46)      |
| 03-24           | Improvement of Public Work Facility                  | 178.25       | 178.25       |
| 04-01           | Columbia Park Improvements                           | (9,315.89)   | (30,279.64)  |
| 04-06           | Improvement of Sanford Avenue                        | 44,515.62    | 44,515.62    |
| 04-07           | Improvement to Streetscape                           | 27,722.98    | (16,014.80)  |
| 04-15           | Breathalyzer   | (384.13)     | (384.13)     |
| 04-15           | Laptops for Police Vehicles                          | (331.29)     | (331.29)     |
| 04-15           | Purchase Trailer                                     | 578.20       | 578.20       |
| 04-15           | Replace Dump Body                                    | 326.24       | 326.24       |
| 04-15           | Clerk's Office Computers                             | (2,260.68)   | (2,260.68)   |
| 05-07           | Purchase Trip Pumper Combination Fire Truck          | 10,173.98    | 10,173.98    |
| 05-08           | Fire Department Communications Devices               | (1,548.05)   | (1,548.05)   |
| 05-09           | Purchase Various Equipment (Sewer Jet, Diesel Mower) | (1,720.16)   | (1,720.16)   |
| 05-10           | Dunellen Redevelopment Project                       | (3,786.83)   | (3,786.83)   |
| 05-12           | Resurfacing of Whittier Avenue                       | (4,857.35)   | (4,857.35)   |
| 05-18           | Sidewalk and Culvert Improvement                     | 202,081.20   | 202,081.20   |
| 05-20           | Emergency equipment                                  | (248.40)     | (248.40)     |
| 05-21           | Supplemental Appropriation - Columbia Park           | 425,158.20   | 187,460.35   |
| 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                     | 780,031.74   | 780,003.58   |
| 06-18           | Supplemental Appropriation - Sanitary Sewer          | (59,986.71)  | (52,452.95)  |
| 06-24           | Improvements to First Street                         | (71,177.50)  | (71,177.50)  |
| 06-25           | Acquisition of Equipment                             | (15,476.07)  | (476.07)     |
| 07-02           | Various Capital Improvements                         | (12,409.87)  | (409.87)     |
| 07-05           | Acquisition of Reverse 9-1-1 Equipment               | (3,941.38)   | (3,941.38)   |
| 07-15           | McCoy Park Improvements                              | (15,643.77)  | (23,313.29)  |
| 07-18           | West 4th Street Improvements                         | (5,995.51)   | (5,995.51)   |
| 07-21           | Boiler Replacement in Municipal Building             | (7,765.89)   | (7,765.89)   |
| 08-07           | First Street Phase II Improvements                   | (46,664.44)  | (46,664.44)  |
| 08-08A          | Various Street Improvements                          | (1,556.89)   | (1,556.89)   |
| 08-08B          | Manhole Covers                                       | (8,548.07)   | (8,548.07)   |
| 08-08C          | Various Improvement - Computers, Radar Equip         | (18,777.56)  | (18,777.56)  |
| 08-17           | McCoy Park Improvements - Amended                    | (36,789.25)  | (37,427.25)  |
| 08-22A          | Overhead Garage Door                                 | (5,074.22)   | (5,074.22)   |
| 08-22B          | Telephone System                                     | (25,899.72)  | (27,794.72)  |
| 08-22C          | Diesel Mason Dump Truck                              | (8,540.03)   | (8,540.03)   |
| 08-22D          | Bucket Truck   | (1,090.76)   | (1,090.76)   |
| 09-04           | Front Street Improvements (\$275,000 NJ DOT)         | 259,943.58   | 146,718.60   |
| 09-10           | Acquisition of Property                              | 2,008,750.00 | 2,008,750.00 |
| 09-12           | Various Capital Improvements                         | 15,000.00    | (162,823.99) |
| 09-14           | Streetscape Improvements                             | 4,750.00     | 4,331.26     |
| 10-05           | Sewer System Improvements                            |              | 8,580.73     |
| 10-10           | Improvements to Fairview Avenue                      |              | 350,595.53   |
|                 |  | \$0.00       | \$0.00       |

Ref.

C

SCHEDULE OF DUE FROM VARIOUS GRANTOR AGENCIES  
GRANTS RECEIVABLE  
GENERAL CAPITAL FUND

|  | Ordinance<br>Number | Balance<br>December 31,<br>2009 | Increases           | Decreases           | Balance<br>December 31,<br>2010 |
|--|---------------------|---------------------------------|---------------------|---------------------|---------------------------------|
| Receivables:   |                     |                                 |                     |                     |                                 |
| Dunellen & So. Ave. - NJ DOT                                 | 98-02               | \$5,788.79                      |                     |                     | \$5,788.79                      |
| Various Improvements - Lincoln and<br>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               | 116,043.98                      |                     | 84,240.38           | 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                      |                     |                     | 125,875.68                      |
| Front Street - NJ DOT  | 09-04               | 275,000.00                      |                     | 159,724.58          | 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          |                     | 360,000.00                      |
|  |                     | <u>\$3,843,727.55</u>           | <u>\$360,000.00</u> | <u>\$243,964.96</u> | <u>\$3,959,762.59</u>           |
|  | <u>Ref.</u>         |                                 | C-8                 | C-6                 | C                               |

Exhibit - C-4

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

|                              | REF. |                       |
|------------------------------|------|-----------------------|
| Balance - December 31, 2009  |      | \$1,568,119.63        |
| Decreased by:                |      |                       |
| NJ Infrastructure Trust Loan | C-10 | 40,000.00             |
| NJ Infrastructure Fund Loan  | C-11 | 49,060.94             |
| MCIA Lease Payable           | C-12 | <u>39,396.85</u>      |
|                              |      | <u>128,457.79</u>     |
| Balance - December 31, 2010  | C    | <u>\$1,439,661.84</u> |

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

Exhibit C-5  
Page 1 of 2

| ORD. NO. | IMPROVEMENT DESCRIPTION                                   | BALANCE DEC. 31, 2009 | 2010 AUTHORIZATIONS | PAID BY BUDGET APPROP. | BALANCE DEC. 31, 2010 | ANALYSIS OF BALANCE - DECEMBER 31, 2010 |              |                                     |
|----------|---|-----------------------|---------------------|------------------------|-----------------------|---|--------------|-------------------------------------|
|          |   |                       |                     |                        |                       | BOND ANTICIPATION NOTES                 | EXPENDITURES | UNEXPENDED BALANCE OF IMPROV. AUTH. |
|          | <u>General Improvements</u>                               |                       |                     |                        |                       |   |              |                                     |
| 96-16    | Repair, Reconst. & Resurface of 4th Street & Grove Street | \$5,200.00            |                     | 5,200.00               |                       |   |              |                                     |
| 97-07    | Lighting Ordinance  | 2,000.00              |                     | 2,000.00               |                       |   |              |                                     |
| 98-02    | Reconst. Dunellen & So. Ave.                              | 42,795.00             |                     |                        | 42,795.00             |   |              | \$42,795.00                         |
| 98-03    | Remediate San. Sewer System                               | 27,145.01             |                     |                        | 27,145.01             |   |              | 27,145.01                           |
| 01-02    | Improv. to San. Sewer System                              | 71,109.61             |                     | 17,500.00              | 53,609.61             | 53,500.00                               |              | 109.61                              |
| 01-09/   | Sanitary Sewer/ Pump Station Improvements                 |                       |                     |                        |                       |   |              |                                     |
| 02-05    | (Amended)   | 190,025.00            |                     | 16,000.00              | 174,025.00            | 90,000.00                               | 5,570.82     | 78,454.18                           |
| 02-08    | Improv. to San. Sewer System                              | 50,325.60             |                     | 8,500.00               | 41,825.60             | 41,500.00                               | 237.59       | 88.01                               |
| 02-15    | Various Purchases   | 128,143.94            |                     | 43,000.00              | 85,143.94             | 58,000.00                               |              | 27,143.94                           |
| 03-22    | Improvement of High Street                                | 12,852.44             |                     | 2,000.00               | 10,852.44             | 3,000.00                                | 29.46        | 7,822.98                            |
| 04-01    | Columbia Park Improvements                                | 156,300.00            |                     | 2,000.00               | 154,300.00            | 61,300.00                               | 30,279.64    | 62,720.36                           |
| 04-06    | Improvement of Sanford Avenue                             | 47,500.00             |                     |                        | 47,500.00             |   |              | 47,500.00                           |
| 04-07    | Improvement to Streetscape                                | 71,250.00             |                     |                        | 71,250.00             |   | 16,014.80    | 55,235.20                           |
| 04-15    | Breathalyzer  | 8,400.00              |                     | 1,000.00               | 7,400.00              | 7,000.00                                | 384.13       | 15.87                               |
| 04-15    | Laptops for Police Vehicles                               | 12,600.00             |                     | 2,000.00               | 10,600.00             | 9,500.00                                | 331.29       | 768.71                              |
| 04-15    | Replace Dump Body   | 9,500.00              |                     |                        | 9,500.00              |   |              | 9,500.00                            |
| 04-15    | Clerk Office Computers                                    | 6,500.00              |                     | 1,000.00               | 5,500.00              | 3,000.00                                | 2,260.68     | 239.32                              |
| 05-08    | Fire Department Communications Devices                    | 17,703.00             |                     | 1,000.00               | 16,703.00             | 7,000.00                                | 1,548.05     | 8,154.95                            |
| 05-09    | Purchase Various Equipment                                | 48,100.00             |                     | 3,500.00               | 44,600.00             | 24,500.00                               | 1,720.16     | 18,379.84                           |
| 05-10    | Dunellen Redevelopment Project                            | 88,200.00             |                     | 3,400.00               | 84,800.00             | 23,800.00                               | 3,786.83     | 57,213.17                           |
| 05-12    | Resurfacing of Whitier Avenue                             | 45,100.00             |                     | 1,200.00               | 43,900.00             | 8,400.00                                | 4,857.35     | 30,642.65                           |
| 05-18    | Sidewalk and Culvert Improvement                          | 47,500.00             |                     |                        | 47,500.00             |   |              | 47,500.00                           |
| 05-20    | Emergency equipment                                       | 21,700.00             |                     | 2,400.00               | 19,300.00             | 16,800.00                               | 248.40       | 2,251.60                            |
| 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               | 280,000.00            |                     | 5,000.00               | 275,000.00            | 100,000.00                              | 52,452.95    | 122,547.05                          |
| 06-24    | Improvements to First Street                              | 71,250.00             |                     |                        | 71,250.00             |   | 71,177.50    | 72.50                               |
| 06-25    | Acquisition of Equipment                                  | 81,000.00             |                     | 7,000.00               | 74,000.00             | 64,000.00                               | 476.07       | 9,523.93                            |
| 07-02    | Various Capital Improvements                              | 23,000.00             |                     |                        | 23,000.00             | 12,000.00                               | 409.87       | 10,590.13                           |
| 07-05    | Acquisition of Reverse 9-1-1 Equipment                    | 26,600.00             |                     |                        | 26,600.00             | 20,000.00                               | 3,941.38     | 2,658.62                            |
| 07-15    | McCoy Park Improvements                                   | 89,000.00             |                     | 6,000.00               | 83,000.00             | 48,000.00                               | 23,313.29    | 11,686.71                           |
| 07-18    | West 4th Street Improvements                              | 115,040.00            |                     |                        | 115,040.00            | 100,000.00                              | 5,995.51     | 9,044.49                            |
| 07-21    | Boiler Replacement in Municipal Building                  | 26,600.00             |                     | 1,900.00               | 24,700.00             | 15,200.00                               | 7,765.89     | 1,734.11                            |
| 08-07    | First Street Phase II Improvements                        | 175,750.00            |                     |                        | 175,750.00            |   | 46,664.44    | 129,085.56                          |
| 08-08A   | Various Street Improvements                               | 137,500.00            |                     | 5,000.00               | 132,500.00            | 130,000.00                              | 1,556.89     | 943.11                              |
| 08-08B   | Manhole Covers  | 9,500.00              |                     |                        | 9,500.00              |   | 8,548.07     | 951.93                              |
| 08-08C   | Various Improvement - Computers, Radar Equip              | 23,750.00             |                     |                        | 23,750.00             |   | 18,777.56    | 4,972.44                            |
| 08-17    | McCoy Park Improvements - Amended                         | 38,000.00             |                     |                        | 38,000.00             |   | 37,427.25    | 572.75                              |
| 08-22A   | Overhead Garage Door                                      | 11,400.00             |                     |                        | 11,400.00             |   | 5,074.22     | 6,325.78                            |

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

Exhibit C-5  
Page 2 of 2

| ORD. NO. | IMPROVEMENT DESCRIPTION                         | BALANCE DEC. 31, 2009 | 2010 AUTHORIZATIONS | PAID BY BUDGET APPROP. | BALANCE DEC. 31, 2010 | ANALYSIS OF BALANCE - DECEMBER 31, 2010 |                     |                                     |
|----------|---|-----------------------|---------------------|------------------------|-----------------------|---|---------------------|-------------------------------------|
|          |   |                       |                     |                        |                       | BOND ANTICIPATION NOTES                 | EXPENDITURES        | UNEXPENDED BALANCE OF IMPROV. AUTH. |
|          | <u>General Improvements</u>                     |                       |                     |                        |                       |   |                     |                                     |
| 08-22B   | Telephone System                                | 38,000.00             |                     |                        | 38,000.00             |   | 27,794.72           | 10,205.28                           |
| 08-22C   | Diesel Mason Dump Truck                         | 52,100.00             |                     |                        | 52,100.00             | 35,000.00                               | 8,540.03            | 8,559.97                            |
| 08-22D   | Bucket Truck                                    | 80,500.00             |                     |                        | 80,500.00             | 55,000.00                               | 1,090.76            | 24,409.24                           |
| 09-04    | Front Street Improvements (\$275,000 NJ DOT)    | 71,000.00             |                     |                        | 71,000.00             |   |                     | 71,000.00                           |
| 09-10    | Acquisition of Property                         | 166,250.00            |                     |                        | 166,250.00            |   |                     | 166,250.00                          |
| 09-12A   | McCoy Park Improvements                         | 4,760.00              |                     |                        | 4,760.00              |   | 3,733.50            | 1,026.50                            |
| 09-12B   | Repaving Portion of Madison Avenue              | 38,050.00             |                     |                        | 38,050.00             |   | 18,800.00           | 19,250.00                           |
| 09-12C   | Fire House Air Conditioner Replacement          | 47,600.00             |                     |                        | 47,600.00             |   | 42,600.00           | 5,000.00                            |
| 09-12D   | Purchase Diesel Pick-up Truck                   | 42,850.00             |                     |                        | 42,850.00             |   | 40,253.00           | 2,597.00                            |
| 09-12E   | Replace Fire House Roof                         | 25,670.00             |                     |                        | 25,670.00             |   | 13,240.00           | 12,430.00                           |
| 09-12F   | Replace Fire House Furnace                      | 4,760.00              |                     |                        | 4,760.00              |   | 5,504.80            | 4,760.00                            |
| 09-12G   | Acquisition of Turn Out Gear                    | 19,000.00             |                     |                        | 19,000.00             |   |                     | 13,495.20                           |
| 09-12H   | Improvements to Air House                       | 23,760.00             |                     |                        | 23,760.00             |   |                     | 23,760.00                           |
| 09-12I   | Replacement of Cell Block Plumbing              | 14,250.00             |                     |                        | 14,250.00             |   | 12,039.95           | 2,210.05                            |
| 09-12J   | Acquisition of Dictigraph for Police Department | 15,200.00             |                     |                        | 15,200.00             |   | 12,865.00           | 2,335.00                            |
| 09-12K   | Improvements to Dispatch Area                   | 17,100.00             |                     |                        | 17,100.00             |   | 16,200.00           | 900.00                              |
| 09-12L   | Acquisition of Fire House Generator             | 38,000.00             |                     |                        | 38,000.00             |   |                     | 38,000.00                           |
| 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            |   |                     | 171,000.00                          |
| 10-10    | Improvements to Fairview Avenue                 | 85,500.00             | 85,500.00           |                        | 85,500.00             |   |                     | 85,500.00                           |
|          |   | <u>\$3,434,939.60</u> | <u>\$256,500.00</u> | <u>\$136,600.00</u>    | <u>\$3,554,839.60</u> | <u>\$986,500.00</u>                     | <u>\$553,511.85</u> | <u>\$2,014,827.75</u>               |

Ref.

C-9

C

C-6

C-8

Unexpended Balances of Unfunded Improv. Authors.  
Less: Unexpended Proceeds of Bond Anticipation Notes

\$2,045,117.18  
30,289.43

\$2,014,827.75

SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

|  | <u>REF.</u> | <u>TOTAL</u>          | <u>CURRENT<br/>FUND</u> | <u>TRUST<br/>FUND</u> |
|--|-------------|-----------------------|-------------------------|-----------------------|
| Balance - December 31, 2009            |             | (\$326,535.34)        | (\$226,535.34)          | (100,000.00)          |
| Due from/(to)                          |             |                       |                         |                       |
| Increased by:                          |             |                       |                         |                       |
| Bond Anticipation Notes Sold           | C- 9        | 986,500.00            | 986,500.00              |                       |
| Funded by Grants                       | C- 3        | 243,964.96            | 243,964.96              |                       |
| Deferred Charges - Unfunded            | C- 5        | 136,600.00            | 136,600.00              |                       |
| 2010 Budget Appropriations:            |             |                       |                         |                       |
| Capital Improvement Fund               | C- 7        | 10,000.00             | 10,000.00               |                       |
|  |             | <u>1,050,529.62</u>   | <u>1,150,529.62</u>     | <u>(100,000.00)</u>   |
| Decreased by:                          |             |                       |                         |                       |
| Improvement Authorization Expenditures |             |                       |                         |                       |
| Paid by Current Fund                   | C- 8        | 677,521.55            | 677,521.55              |                       |
| Bond Anticipation Notes Redeemed       | C- 9        | 1,002,100.00          | 1,002,100.00            |                       |
|  |             | <u>1,679,621.55</u>   | <u>1,679,621.55</u>     |                       |
| Balance - December 31, 2010            | C           | <u>(\$629,091.93)</u> | <u>(\$529,091.93)</u>   | <u>(\$100,000.00)</u> |
| Due from/(to)                          |             |                       |                         |                       |

SCHEDULE OF CAPITAL IMPROVEMENT FUND

|                                   | <u>REF.</u> |                    |
|-----------------------------------|-------------|--------------------|
| Balance - December 31, 2009       |             | \$73,778.53        |
| Increased by:                     |             |                    |
| 2010 Budget Appropriation         | C- 6        | <u>10,000.00</u>   |
|                                   |             | 83,778.53          |
| Decreased by:                     |             |                    |
| Improvement Authorizations Funded | C- 8        | <u>13,500.00</u>   |
| Balance - December 31, 2010       | C           | <u>\$70,278.53</u> |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

| ORD. NO.              | IMPROVEMENT DESCRIPTION  | ORDINANCE DATE | AMOUNT       | BALANCE - DEC 31, 2009 |             | CAP IMPROV. FUND |          | DEFERRED - UNFUNDED | OTHER | PAID OR CHARGED | BALANCE - DEC 31, 2010 |             |
|-----------------------|--|----------------|--------------|------------------------|-------------|------------------|----------|---------------------|-------|-----------------|------------------------|-------------|
|                       |  |                |              | FUNDED                 | UNFUNDED    | FUND             | UNFUNDED |                     |       |                 | FUNDED                 | UNFUNDED    |
| General Improvements: |  |                |              |                        |             |                  |          |                     |       |                 |                        |             |
| 98-02                 | Reconstr. Of Dunellen & So. Ave.   | 11/16/98       | \$270,000.00 | \$2,913.62             | \$42,795.00 |                  |          |                     |       | 5,788.50        | \$2,913.62             | \$42,795.00 |
| 98-03                 | Remediate San Sewer System   | 02/01/99       | 75,000.00    | 2,578.50               | 27,145.01   |                  |          |                     |       |                 | 2,578.50               | 27,145.01   |
| 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   |                  |          |                     |       |                 |                        | 30,180.35   |
| 01-09/                | Sanitary Sewer/ Pump Station   |                |              |                        |             |                  |          |                     |       |                 |                        |             |
| 02-05                 | Improvements (Amended)   | 11/05/01       | 2,205,000.00 |                        | 84,242.68   |                  |          |                     |       |                 |                        | 84,242.68   |
| 02-08                 | Road Improvements Madison Ave.   | 07/01/02       | 236,250.00   |                        | 88.01       |                  |          |                     |       |                 |                        | 88.01       |
| 02-10                 | Computer Purchases   | 10/07/02       | 16,500.00    | 673.00                 |             |                  |          |                     |       | 5,788.50        | 673.00                 |             |
| 02-15                 | Various Purchases  | 2/3/03         | 286,000.00   |                        | 27,362.63   |                  |          |                     |       |                 |                        | 27,362.63   |
| 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   | 3,883.55               |             |                  |          |                     |       | 845.30          | 3,038.25               |             |
| 03-22                 | Improvement of High Street (NJ DOT \$115,000)  | 07/07/03       | 140,000.00   |                        | 7,822.98    |                  |          |                     |       |                 |                        | 7,822.98    |
| 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 |                        | 83,684.11   |                  |          |                     |       | 20,963.75       |                        | 62,720.36   |
| 04-06                 | Improvement of Sanford Avenue (NJ DOT \$250,000)   | 04/19/04       | 300,000.00   | 44,515.62              | 47,500.00   |                  |          |                     |       |                 | 44,515.62              | 47,500.00   |
| 04-07                 | Improvement to Streetscape (NJ DOT \$200,000)  | 04/19/04       | 275,000.00   | 27,722.98              | 71,250.00   |                  |          |                     |       | 43,737.78       |                        | 55,235.20   |
| 04-15                 | Breathalyzer   | 09/13/04       | 12,000.00    |                        | 15.87       |                  |          |                     |       |                 |                        | 15.87       |
| 04-15                 | Laptops for Police Vehicles  | 09/13/04       | 18,000.00    |                        | 768.71      |                  |          |                     |       |                 |                        | 768.71      |
| 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                 |             |                  |          |                     |       |                 | 326.24                 |             |
| 04-15                 | Clerk's Office Computers   | 09/13/04       | 10,000.00    |                        | 239.32      |                  |          |                     |       |                 |                        | 239.32      |
| 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    |                  |          |                     |       |                 |                        | 8,154.95    |
| 05-09                 | Purchase Various Equipment - (Sewer Jet, Diesel Mower) NJDCA \$95,000  | 06/20/05       | 153,000.00   |                        | 18,379.84   |                  |          |                     |       |                 |                        | 18,379.84   |
| 05-10                 | Dunellen Redevelopment Project   | 08/08/05       | 100,000.00   |                        | 57,213.17   |                  |          |                     |       |                 |                        | 57,213.17   |
| 05-12                 | Resurfacing of Whittier Avenue (\$200,000 NJ DOT)  | 09/26/05       | 250,000.00   |                        | 30,642.65   |                  |          |                     |       |                 |                        | 30,642.65   |
| 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   |                  |          |                     |       |                 | 202,081.20             | 47,500.00   |
| 05-20                 | Emergency equipment  | 11/21/05       | 28,000.00    |                        | 2,251.60    |                  |          |                     |       |                 |                        | 2,251.60    |
| 05-21                 | Supplemental Appropriation - Columbia Park   | 11/21/05       | 500,000.00   | 425,158.20             |             |                  |          |                     |       | 237,697.85      | 187,460.35             |             |
| 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 | 780,031.74             |             |                  |          |                     |       |                 | 780,031.74             |             |
| 06-18                 | Supplemental Appropriation - Sanitary Sewer  | 09/25/06       | 300,000.00   |                        | 175,013.29  |                  |          |                     |       |                 |                        | 175,013.29  |
| 06-24                 | Improvements to First Street   | 12/18/06       | 320,000.00   |                        | 72.50       |                  |          |                     |       |                 |                        | 72.50       |
| 06-25                 | Acquisition of Equipment   | 12/18/06       | 100,000.00   |                        | 9,523.93    |                  |          |                     |       |                 |                        | 9,523.93    |
| 07-02                 | Various Capital Improvements   | 02/19/07       | 48,000.00    |                        | 10,590.13   |                  |          |                     |       |                 |                        | 10,590.13   |
| 07-05                 | Acquisition of Reverse 9-1-1 Equipment   | 04/09/07       | 28,000.00    |                        | 2,658.62    |                  |          |                     |       |                 |                        | 2,658.62    |
| 07-15                 | McCoy Park Improvements (\$500,000 Open Space)   | 09/10/07       | 600,000.00   |                        | 19,356.23   |                  |          |                     |       |                 |                        | 19,356.23   |
| 07-18                 | West 4th Street Improvements   | 09/24/07       | 160,000.00   |                        | 9,044.49    |                  |          |                     |       |                 |                        | 9,044.49    |
| 07-21                 | Boiler Replacement in Municipal Building   | 11/05/07       | 30,000.00    |                        | 1,734.11    |                  |          |                     |       |                 |                        | 1,734.11    |
| 08-07                 | First Street Phase II Improvements (\$235,000 NJ DOT)  | 04/07/08       | 420,000.00   |                        | 129,085.56  |                  |          |                     |       | 7,669.52        |                        | 129,085.56  |
| 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    |                  |          |                     |       |                 |                        | 4,972.44    |
| 08-17                 | McCoy Park Improvements - Amended  | 09/05/08       | 40,000.00    |                        | 1,210.75    |                  |          |                     |       | 638.00          |                        | 572.75      |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

| ORD. NO. | IMPROVEMENT DESCRIPTION                            | ORDINANCE DATE | AMOUNT       | BALANCE - DEC. 31, 2009 |                | CAP. IMPROV. FUND |              | 2010 AUTHORIZATIONS DEFERRED - UNFUNDED |              | OTHER          | PAID OR CHARGED | BALANCE - DEC. 31, 2010 |            |
|----------|--|----------------|--------------|-------------------------|----------------|-------------------|--------------|---|--------------|----------------|-----------------|-------------------------|------------|
|          |  |                |              | FUNDED                  | UNFUNDED       | FUND              | UNFUNDED     | FUNDED                                  | UNFUNDED     |                |                 | FUNDED                  | UNFUNDED   |
| 08-22A   | Overhead Garage Door                               | 12/01/08       | 12,000.00    | 6,325.78                |                |                   |              |   |              |                |                 |                         | 6,325.78   |
| 08-22B   | Telephone System                                   | 12/01/08       | 40,000.00    | 12,100.28               |                |                   |              |   |              |                | 1,895.00        |                         | 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               |                |                   |              |   |              |                |                 |                         | 24,409.24  |
| 09-04    | Front Street Improvements (\$275,000 NJ DOT)       | 02/26/09       | 350,000.00   | 259,943.58              |                |                   |              |   |              |                | 113,224.98      |                         | 71,000.00  |
| 09-10    | Acquisition of Property                            | 08/03/09       | 2,175,000.00 | 2,008,750.00            |                |                   |              |   |              |                |                 | 2,008,750.00            | 166,250.00 |
| 09-12A   | McCoy Park Improvements                            | 09/21/09       | 5,000.00     | 240.00                  |                |                   |              |   |              |                | 3,973.50        |                         | 1,026.50   |
| 09-12B   | Repairing Portion of Madison Avenue                | 09/21/09       | 40,000.00    | 1,950.00                |                |                   |              |   |              |                | 20,750.00       |                         | 19,250.00  |
| 09-12C   | Fire House Air Conditioner Replacement             | 09/21/09       | 50,000.00    | 2,400.00                |                |                   |              |   |              |                | 45,000.00       |                         | 5,000.00   |
| 09-12D   | Purchase Diesel Pick-up Truck                      | 09/21/09       | 45,000.00    | 2,150.00                |                |                   |              |   |              |                | 42,403.00       |                         | 2,597.00   |
| 09-12E   | Replace Fire House Roof                            | 09/21/09       | 27,000.00    | 1,330.00                |                |                   |              |   |              |                | 14,570.00       |                         | 12,430.00  |
| 09-12F   | Replace Fire House Furnace                         | 09/21/09       | 5,000.00     | 240.00                  |                |                   |              |   |              |                |                 | 240.00                  | 4,760.00   |
| 09-12G   | Acquisition of Turn Out Gear                       | 09/21/09       | 20,000.00    | 1,000.00                |                |                   |              |   |              |                | 6,504.80        |                         | 13,495.20  |
| 09-12H   | Improvements to Air House                          | 09/21/09       | 25,000.00    | 1,240.00                |                |                   |              |   |              |                |                 | 1,240.00                | 23,760.00  |
| 09-12I   | Replacement of Cell Block Plumbing                 | 09/21/09       | 15,000.00    | 750.00                  |                |                   |              |   |              |                | 12,789.95       |                         | 2,210.05   |
| 09-12J   | Acquisition of Dectigraph for Police Department    | 09/21/09       | 16,000.00    | 800.00                  |                |                   |              |   |              |                | 13,665.00       |                         | 2,335.00   |
| 09-12K   | Improvements to Dispatch Area                      | 09/21/09       | 18,000.00    | 900.00                  |                |                   |              |   |              |                | 17,100.00       |                         | 900.00     |
| 09-12L   | Acquisition of Fire House Generator                | 09/21/09       | 40,000.00    | 2,000.00                |                |                   |              |   |              |                | 1,067.74        |                         | 38,000.00  |
| 09-14    | Streetscape Improvements                           | 12/07/09       | 95,000.00    | 4,750.00                |                |                   |              |   |              |                | 418.74          |                         | 90,250.00  |
| 10-05    | Sewer System Improvements                          | 06/07/10       | 180,000.00   |                         |                | 9,000.00          | 171,000.00   |   |              |                | 419.27          |                         | 171,000.00 |
| 10-10    | Improvements to Fairview Avenue (\$360,000 NJ DOT) | 08/02/10       | 450,000.00   |                         |                | 4,500.00          | 85,500.00    |   | 360,000.00   |                | 13,904.47       |                         | 85,500.00  |
|          |  |                |              | \$3,808,762.95          | \$2,059,289.24 | \$13,500.00       | \$256,500.00 | \$360,000.00                            | \$677,521.55 | \$3,775,413.46 | \$2,045,117.18  |                         |            |

Ref.

SCHEDULE OF BOND ANTICIPATION NOTES

| ORD. NO. | IMPROVEMENT DESCRIPTION                     | ORIGINAL DATE OF ISSUE | DATE OF ISSUE | DATE OF MATURITY | INTEREST RATE | BALANCE DEC. 31, 2009 | BALANCE DEC. 31, 2010 |                       |
|----------|---|------------------------|---------------|------------------|---------------|-----------------------|-----------------------|-----------------------|
|          |   |                        |               |                  |               |                       | INCREASED             | DECREASED             |
| 96-16    | Repair, Reonstr. & Resurfacing of 4th str.  | 10/28/05               |               |                  |               | \$5,200.00            |                       | \$5,200.00            |
| 97-7     | Lighting Ordinance                          | 10/28/05               |               |                  |               | 2,000.00              |                       | 2,000.00              |
| 01-02    | Sanitary Sewer System Improvements          | 10/28/03               | 10/21/10      | 10/20/11         | 1.50%         | 71,000.00             | 53,500.00             | 71,000.00             |
| 02-01    | Sanitary Sewer Pump System Improvements     | 10/25/07               | 10/21/10      | 10/20/11         | 1.50%         | 92,000.00             | 90,000.00             | 90,000.00             |
| 02-08    | Improv. to San. Sewer System                | 10/27/04               | 10/21/10      | 10/20/11         | 1.50%         | 50,000.00             | 41,500.00             | 41,500.00             |
| 02-15A   | Replace Police Console                      | 10/28/03               | 10/21/10      | 10/20/11         | 1.50%         | 28,000.00             | 30,000.00             | 28,000.00             |
| 02-15B   | Turnout Gear, Cylinders, SCBA               | 10/28/03               | 10/21/10      | 10/20/11         | 1.50%         | 28,000.00             | 8,000.00              | 28,000.00             |
| 02-15C   | Replace Phone System                        | 10/28/03               | 10/21/10      | 10/20/11         | 1.50%         | 6,000.00              | 4,000.00              | 6,000.00              |
| 02-15D   | Replace Office Furniture                    | 10/27/04               | 10/21/10      | 10/20/11         | 1.50%         | 12,000.00             | 10,000.00             | 12,000.00             |
| 02-15E   | Replace Library Furnace                     | 10/28/03               | 10/21/10      | 10/20/11         | 1.50%         | 7,000.00              | 6,000.00              | 7,000.00              |
| 03-22    | Improvement of High Street                  | 10/27/04               | 10/21/10      | 10/20/11         | 1.50%         | 5,000.00              | 3,000.00              | 5,000.00              |
| 04-01    | Columbia Park Improvements                  | 10/25/07               | 10/21/10      | 10/20/11         | 1.50%         | 63,300.00             | 61,300.00             | 63,300.00             |
| 04-15A   | Breathalyzer                                | 10/28/05               | 10/21/10      | 10/20/11         | 1.50%         | 8,000.00              | 7,000.00              | 8,000.00              |
| 04-15B   | Laptops for Police Vehicles                 | 10/28/05               | 10/21/10      | 10/20/11         | 1.50%         | 11,500.00             | 9,500.00              | 11,500.00             |
| 04-15E   | Clerk's Office Computers                    | 10/28/05               | 10/21/10      | 10/20/11         | 1.50%         | 4,000.00              | 3,000.00              | 4,000.00              |
| 05-08    | Fire Department Communications Devices      | 10/26/06               | 10/21/10      | 10/20/11         | 1.50%         | 8,000.00              | 7,000.00              | 8,000.00              |
| 05-09A   | Sewer Jet                                   | 10/26/06               | 10/21/10      | 10/20/11         | 1.50%         | 28,000.00             | 24,500.00             | 28,000.00             |
| 05-10    | Dunellen Redevelopment Project              | 10/26/06               | 10/21/10      | 10/20/11         | 1.50%         | 27,200.00             | 23,800.00             | 27,200.00             |
| 05-12    | Resurfacing of Whittier Avenue              | 10/25/07               | 10/21/10      | 10/20/11         | 1.50%         | 9,600.00              | 8,400.00              | 9,600.00              |
| 05-20    | 9-1-1 Emergency Equipment                   | 10/25/07               | 10/21/10      | 10/20/11         | 1.50%         | 19,200.00             | 16,800.00             | 19,200.00             |
| 06-18    | Supplemental Appropriation - Sanitary Sewer | 10/24/08               | 10/21/10      | 10/20/11         | 1.50%         | 45,000.00             | 100,000.00            | 45,000.00             |
| 06-25    | Various Improvements                        | 10/25/07               | 10/21/10      | 10/20/11         | 1.50%         | 56,000.00             | 64,000.00             | 56,000.00             |
| 07-02    | Various Capital Improvements                | 12/23/10               | 10/21/10      | 10/20/11         | 1.50%         | 12,000.00             | 12,000.00             | 12,000.00             |
| 07-05    | Acquisition of Reverse 9-1-1 Equipment      | 10/23/09               | 10/21/10      | 10/20/11         | 1.50%         | 20,000.00             | 20,000.00             | 20,000.00             |
| 07-15    | McCoy Park Improvements                     | 10/24/08               | 10/21/10      | 10/20/11         | 1.50%         | 54,000.00             | 48,000.00             | 54,000.00             |
| 07-18    | West 4th Street Improvements                | 10/23/09               | 10/21/10      | 10/20/11         | 1.50%         | 100,000.00            | 100,000.00            | 100,000.00            |
| 07-21    | Boiler Replacement - Municipal Building     | 10/24/08               | 10/21/10      | 10/20/11         | 1.50%         | 17,100.00             | 15,200.00             | 17,100.00             |
| 08-08    | Various Improvements                        | 10/24/08               | 10/21/10      | 10/20/11         | 1.50%         | 135,000.00            | 130,000.00            | 135,000.00            |
| 08-22    | Various Improvements                        | 10/23/09               | 10/21/10      | 10/20/11         | 1.50%         | 90,000.00             | 90,000.00             | 90,000.00             |
|          |   |                        |               |                  |               | <u>\$1,002,100.00</u> | <u>\$986,500.00</u>   | <u>\$1,002,100.00</u> |

Ref.

C-6

C-6

C

SCHEDULE OF INFRASTRUCTURE  
TRUST LOAN PAYABLE

| DESCRIPTION   | DATE OF ISSUE | AMOUNT OF ISSUE | INTEREST RATE | MATURITIES OF LOANS |               | BALANCE DEC. 31, 2009 | BALANCE DEC. 31, 2010 |
|---|---------------|-----------------|---------------|---------------------|---------------|-----------------------|-----------------------|
|   |               |                 |               | DATE                | AMOUNT        |                       |                       |
| New Jersey Environmental Infrastructure Trust 2002 A Loan | 11/7/02       | \$900,000.00    | 5.00%         | 8/1/11              | \$40,000.00   | \$ 700,000.00         | \$ 40,000.00          |
|   |               |                 | 5.00%-5.25%   | 8/1/12-13           | 45,000.00     |                       |                       |
|   |               |                 | 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     |                       |                       |
|   |               |                 |               |                     | \$ 700,000.00 | \$ 40,000.00          | \$ 660,000.00         |

Ref.

C-4

C

SCHEDULE OF INFRASTRUCTURE  
FUND LOAN PAYABLE

| DESCRIPTION  | DATE OF ISSUE | AMOUNT OF ISSUE | YEAR | SEMI-ANNUAL PRINCIPAL |               | BALANCE DEC. 31, 2009 | BALANCE DEC. 31, 2010 |
|--|---------------|-----------------|------|-----------------------|---------------|-----------------------|-----------------------|
|  |               |                 |      | 1-Feb                 | 1-Aug         |                       |                       |
| New Jersey Environmental Infrastructure Fund 2002 A Loan | 11/7/02       | \$945,475.00    | 2011 | \$10,804.84           | \$36,948.90   | \$ 631,738.48         | \$ 49,060.94          |
|  |               |                 | 2012 | 10,151.24             | 39,563.30     |                       |                       |
|  |               |                 | 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     |                       |                       |
|  |               |                 |      |                       | \$ 631,738.48 | \$ 49,060.94          | \$ 582,677.54         |

Ref.

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 DATE</u> | <u>AMOUNT</u> | <u>BALANCE DEC. 31, 2009</u> | <u>DECREASED</u>    | <u>BALANCE DEC. 31, 2010</u> |
|--------------------|----------------------|------------------------|----------------------|---------------------------------|---------------|------------------------------|---------------------|------------------------------|
| MCIA Lease Payable |                      | \$394,583.03           | 3.250%               | 08/15/11                        | \$39,396.86   | \$ 236,381.15                | \$ 39,396.85        | \$ 196,984.30                |
|                    |                      |                        | 3.375%               | 08/15/12                        | 39,396.86     |                              |                     |                              |
|                    |                      |                        | 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>\$ 236,381.15</u>         | <u>\$ 39,396.85</u> | <u>\$ 196,984.30</u>         |

Ref.

C-4

C

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

| ORD. NO.                    | IMPROVEMENT DESCRIPTION                         | BALANCE DEC. 31, 2009 | 2010 AUTHORIZATIONS | BANS REDEEMED | PAID BY BUDGET APPROPRIATIONS | BOND ANTICIPATION NOTES ISSUED | BALANCE DEC. 31, 2010 |
|-----------------------------|---|-----------------------|---------------------|---------------|-------------------------------|--------------------------------|-----------------------|
|                             |   | \$                    | \$                  | \$            | \$                            | \$                             | \$                    |
| <u>General Improvements</u> |   |                       |                     |               |                               |                                |                       |
| 96-16                       | Repair, Reconst & Resurf of 4th Street          |                       |                     | 5,200.00      | 5,200.00                      |                                |                       |
| 97-07                       | Lighting Ordinance                              |                       |                     | 2,000.00      | 2,000.00                      |                                |                       |
| 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                |                     | 71,000.00     | 17,500.00                     | 53,500.00                      | 109.61                |
| 01-09/                      | Sanitary Sewer /Pump Station Improvs. (Amended) |                       |                     |               |                               |                                |                       |
| 02-01                       | Road Improvements Madison Ave.                  | 98,025.00             |                     | 92,000.00     | 16,000.00                     | 90,000.00                      | 84,025.00             |
| 02-08                       | Various Purchases                               | 325.60                |                     | 50,000.00     | 8,500.00                      | 41,500.00                      | 325.60                |
| 02-15                       | High Street Improvements                        | 47,143.94             |                     | 81,000.00     | 43,000.00                     | 58,000.00                      | 27,143.94             |
| 03-22                       | Columbia Park Improvements                      | 7,852.44              |                     | 5,000.00      | 2,000.00                      | 3,000.00                       | 7,852.44              |
| 04-01                       | Sanford Avenue Improvements                     | 93,000.00             |                     | 63,300.00     | 2,000.00                      | 61,300.00                      | 93,000.00             |
| 04-06                       | Streetscape Improvements                        | 47,500.00             |                     |               |                               |                                | 47,500.00             |
| 04-07                       | Breathalyzer                                    | 71,250.00             |                     | 8,000.00      | 1,000.00                      | 7,000.00                       | 71,250.00             |
| 04-15A                      | Laptops for Police Vehicles                     | 400.00                |                     | 11,500.00     | 2,000.00                      | 9,500.00                       | 400.00                |
| 04-15B                      | Replace Dump Body                               | 1,100.00              |                     |               |                               |                                | 1,100.00              |
| 04-15                       | Clerk Office Computers                          | 9,500.00              |                     | 4,000.00      | 1,000.00                      | 3,000.00                       | 9,500.00              |
| 04-15E                      | Fire Department Communications Devices          | 2,500.00              |                     | 8,000.00      | 1,000.00                      | 7,000.00                       | 2,500.00              |
| 05-08                       | Purchase Various Equipment                      | 9,703.00              |                     | 28,000.00     | 3,500.00                      | 24,500.00                      | 9,703.00              |
| 05-09                       | Dunellen Redevelopment Project                  | 20,100.00             |                     | 27,200.00     | 3,400.00                      | 23,800.00                      | 20,100.00             |
| 05-10                       | Resurfacing of Whitflier Avenue                 | 61,000.00             |                     | 9,600.00      | 1,200.00                      | 8,400.00                       | 61,000.00             |
| 05-12                       | Sidewalk and Culvert Improvement                | 35,500.00             |                     |               |                               |                                | 35,500.00             |
| 05-18                       | Emergency equipment                             | 47,500.00             |                     | 19,200.00     | 2,400.00                      | 16,800.00                      | 47,500.00             |
| 05-20                       | Improvements to Walnut Street                   | 2,500.00              |                     |               |                               |                                | 2,500.00              |
| 06-02                       | Construct Culvert under Railroad                | 47,500.00             |                     |               |                               |                                | 47,500.00             |
| 06-12                       | Supplemental Appropriation - Sanitary Sewer     | 380,000.00            |                     |               |                               |                                | 380,000.00            |
| 06-18                       | Improvements to First Street                    | 235,000.00            |                     | 45,000.00     | 5,000.00                      | 100,000.00                     | 175,000.00            |
| 06-24                       | Acquisition of Equipment                        | 71,250.00             |                     | 56,000.00     | 7,000.00                      | 64,000.00                      | 71,250.00             |
| 06-25                       | Various Capital Improvements                    | 25,000.00             |                     | 20,000.00     |                               |                                | 10,000.00             |
| 07-02                       | Acquisition of Reverse 9-1-1 Equipment          | 23,000.00             |                     | 54,000.00     | 6,000.00                      | 48,000.00                      | 11,000.00             |
| 07-05                       | McCoy Park Improvements                         | 6,600.00              |                     | 100,000.00    |                               |                                | 6,600.00              |
| 07-15                       | West 4th Street Improvements                    | 35,000.00             |                     | 17,100.00     | 1,900.00                      | 15,200.00                      | 35,000.00             |
| 07-18                       | Boiler Replacement in Municipal Building        | 15,040.00             |                     |               |                               |                                | 15,040.00             |
| 07-21                       | First Street Phase II Improvements              | 9,500.00              |                     |               |                               |                                | 9,500.00              |
| 08-07                       | Various Street Improvements                     | 175,750.00            |                     | 135,000.00    | 5,000.00                      | 130,000.00                     | 175,750.00            |
| 08-08A                      | Manhole Covers                                  | 2,500.00              |                     |               |                               |                                | 2,500.00              |
| 08-08B                      | Various Improvement - Computers, Radar Equip    | 9,500.00              |                     |               |                               |                                | 9,500.00              |
| 08-08C                      | McCoy Park Improvements - Amended               | 23,750.00             |                     |               |                               |                                | 23,750.00             |
| 08-17                       | Overhead Garage Door                            | 38,000.00             |                     |               |                               |                                | 38,000.00             |
| 08-22A                      | Telephone System                                | 11,400.00             |                     |               |                               |                                | 11,400.00             |
| 08-22B                      | Diesel Mason Dump Truck                         | 38,000.00             |                     |               |                               |                                | 38,000.00             |
| 08-22C                      |   | 17,100.00             |                     | 35,000.00     |                               | 35,000.00                      | 17,100.00             |

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

| ORD. NO. | IMPROVEMENT DESCRIPTION                         | BALANCE DEC. 31, 2009  | 2010 AUTHORIZATIONS  | BANS REDEEMED          | PAID BY BUDGET APPROPRIATIONS | BOND ANTICIPATION NOTES ISSUED | BALANCE DEC. 31, 2010  |
|----------|---|------------------------|----------------------|------------------------|-------------------------------|--------------------------------|------------------------|
|          | <u>General Improvements</u>                     |                        |                      |                        |                               |                                |                        |
| 08-22D   | Bucket Truck                                    | 25,500.00              |                      |                        |                               | 55,000.00                      | 25,500.00              |
| 09-04    | Front Street Improvements                       | 71,000.00              |                      |                        |                               |                                | 71,000.00              |
| 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              |                      |                        |                               |                                | 38,050.00              |
| 09-12C   | Fire House Air Conditioner Replacement          | 47,600.00              |                      |                        |                               |                                | 47,600.00              |
| 09-12D   | Purchase Diesel Pick-up Truck                   | 42,850.00              |                      |                        |                               |                                | 42,850.00              |
| 09-12E   | Replace Fire House Roof                         | 25,670.00              |                      |                        |                               |                                | 25,670.00              |
| 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              |                      |                        |                               |                                | 23,760.00              |
| 09-12I   | Replacement of Cell Block Plumbing              | 14,250.00              |                      |                        |                               |                                | 14,250.00              |
| 09-12J   | Acquisition of Dictigraph for Police Department | 15,200.00              |                      |                        |                               |                                | 15,200.00              |
| 09-12K   | Improvements to Dispatch Area                   | 17,100.00              |                      |                        |                               |                                | 17,100.00              |
| 09-12L   | Acquisition of Fire House Generator             | 38,000.00              |                      |                        |                               |                                | 38,000.00              |
| 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              |
|          |   | <u>\$ 2,432,839.60</u> | <u>\$ 256,500.00</u> | <u>\$ 1,002,100.00</u> | <u>\$ 136,600.00</u>          | <u>\$ 986,500.00</u>           | <u>\$ 2,568,339.60</u> |

Ref.

C

SUPPLEMENTARY DATA

BOROUGH OF DUNELLEN  
MIDDLESEX COUNTY, NEW JERSEY

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

| <u>ASSETS</u>                                       | <u>CURRENT FUND</u>    | <u>TRUST FUND</u>    | <u>GENERAL CAPITAL FUND</u> | <u>GRANT FUND</u>    | <u>MEMORANDUM ONLY TOTALS</u> |
|---|------------------------|----------------------|-----------------------------|----------------------|-------------------------------|
|   | <u>DEC. 31, 2010</u>   | <u>DEC. 31, 2010</u> | <u>DEC. 31, 2010</u>        | <u>DEC. 31, 2009</u> | <u>DEC. 31, 2009</u>          |
| Cash and Investments                                | \$ 758,417.24          | \$ 60,811.35         | \$                          | \$                   | \$ 819,228.59                 |
| Accounts Receivable:                                |                        |                      |                             |                      | \$ 1,382,263.02               |
| State and Federal Grants                            | 39,754.28              |                      | 3,959,762.59                | 307,119.54           | 4,140,764.09                  |
| Due from State of N.J.                              | 280,850.18             |                      |                             | 39,754.28            | 41,722.09                     |
| Taxes, Assmts. and Liens                            | 118,000.00             |                      |                             | 280,850.18           | 153,232.07                    |
| Property Acquired for Taxes                         | 533,285.86             | 104,368.03           |                             | 118,000.00           | 118,000.00                    |
| Interfund Loans                                     | 18,647.14              |                      |                             | 744,570.30           | 415,211.23                    |
| Other Accounts Receivable                           |                        |                      |                             | 18,647.14            | 25,456.46                     |
| Deferred Charges to Revenue of Succeeding Years     |                        |                      |                             |                      | 10,000.00                     |
| Deferred Charges to Future Taxation:                |                        |                      |                             |                      |                               |
| General Capital                                     |                        |                      | 4,994,501.44                |                      | 4,994,501.44                  |
| <b>Total Assets</b>                                 | <b>\$ 1,748,954.70</b> | <b>\$ 165,179.38</b> | <b>\$ 8,954,264.03</b>      | <b>\$ 414,035.95</b> | <b>\$ 11,282,434.06</b>       |
|   |                        |                      |                             |                      | <b>\$ 11,289,708.19</b>       |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>       |                        |                      |                             |                      |                               |
| Bonds and Notes Payable                             | \$                     | \$                   | \$ 986,500.00               | \$                   | \$ 1,002,100.00               |
| Loans Payable                                       |                        |                      | 1,242,677.54                |                      | 1,331,738.48                  |
| Lease Payable                                       |                        |                      | 196,984.30                  |                      | 236,381.15                    |
| Prepaid Taxes                                       | 65,196.71              |                      |                             |                      | 58,073.01                     |
| Appropriation Reserves                              | 122,612.94             |                      |                             |                      | 122,612.94                    |
| Reserve for Encumbrances                            | 34,504.49              |                      |                             | 66,644.19            | 149,861.16                    |
| Amounts Pledged to Specific Purposes                | 87,022.64              | 160,985.45           |                             | 347,391.76           | 396,919.76                    |
| Improvement Authorizations                          |                        |                      | 5,820,530.64                |                      | 5,868,052.19                  |
| Interfund Loans                                     | 111,284.44             | 4,193.93             |                             |                      | 415,211.23                    |
| Other Liabilities                                   | 97,715.86              |                      | 629,091.93                  |                      | 167,994.39                    |
| Reserve for Certain Assets Receivable               | 950,783.18             |                      | 70,278.53                   |                      | 950,783.18                    |
| Fund Balance  | 279,834.44             |                      | 8,201.09                    |                      | 288,035.53                    |
| <b>Total Liabilities, Reserves and Fund Balance</b> | <b>\$ 1,748,954.70</b> | <b>\$ 165,179.38</b> | <b>\$ 8,954,264.03</b>      | <b>\$ 414,035.95</b> | <b>\$ 11,282,434.06</b>       |
|   |                        |                      |                             |                      | <b>\$ 11,289,708.19</b>       |

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

| Revenue and Other<br>Income Realized                         | 2010                 |               | TY 2009             |               |
|--|----------------------|---------------|---------------------|---------------|
|  | Amount               | %             | Amount              | %             |
| Fund Balance Utilized  | \$585,000.00         | 3.18          | \$441,223.05        | 4.58          |
| Miscellaneous - From Other Than<br>Local Property Tax Levies | 1,374,801.71         | 7.46          | 1,059,166.81        | 11.03         |
| Collection of Delinquent Taxes<br>and Tax Title Liens        | 146,877.40           | 0.80          | 2,877.29            | 0.03          |
| Collection of Current Tax Levy                               | 16,174,896.41        | 87.80         | 7,809,340.29        | 81.32         |
| Non-Budget Revenue   | 26,129.79            | 0.14          | 11,107.06           | 0.12          |
| Other Credits  | 113,600.34           | 0.62          | 279,701.90          | 2.91          |
| <b>Total Income</b>  | <b>18,421,305.65</b> | <b>100.00</b> | <b>9,603,416.40</b> | <b>100.00</b> |
| <u>Expenditures</u>  |                      |               |                     |               |
| Budget Expenditures:   |                      |               |                     |               |
| Municipal Purposes   | 6,393,986.44         | 35.13         | 3,389,844.59        | 36.77         |
| County Taxes   | 2,023,014.53         | 11.12         | 1,102,700.15        | 11.97         |
| Local School Taxes   | 9,484,197.00         | 52.12         | 4,690,452.00        | 50.88         |
| Other Expenditures   | 296,942.64           | 1.63          | 36,034.76           | 0.39          |
| <b>Total Expenditures</b>                                    | <b>18,198,140.61</b> | <b>100.00</b> | <b>9,219,031.50</b> | <b>100.00</b> |
| Excess (Deficit) in Revenue                                  | 223,165.04           |               | 384,384.90          |               |
| Fund Balance - Beginning                                     | 641,669.40           |               | 698,507.55          |               |
| Less:  |                      |               |                     |               |
| Utilized as Anticipated Revenue                              | 585,000.00           |               | 441,223.05          |               |
| <b>Fund Balance - Ending</b>                                 | <b>\$279,834.44</b>  |               | <b>\$641,669.40</b> |               |

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION\*

|                                   | <u>2010</u>     | <u>2009</u>     | <u>2008</u>     |
|-----------------------------------|-----------------|-----------------|-----------------|
| <u>Tax Rate:</u>                  | <u>\$11.297</u> | <u>\$10.883</u> | <u>\$10.728</u> |
| <u>Apportionment of Tax Rate:</u> |                 |                 |                 |
| Municipal                         | <u>3.350</u>    | <u>3.011</u>    | <u>2.992</u>    |
| County                            | <u>1.303</u>    | <u>1.326</u>    | <u>1.289</u>    |
| County Open Space                 | <u>0.094</u>    | <u>0.151</u>    | <u>0.152</u>    |
| Local School                      | <u>6.550</u>    | <u>6.395</u>    | <u>6.295</u>    |

Assessed Valuation:

|      |                         |                         |
|------|-------------------------|-------------------------|
| 2010 | <u>\$144,803,169.00</u> |                         |
| 2009 |                         | <u>\$144,603,827.00</u> |
| 2008 |                         | <u>\$144,066,125.00</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 2010 to be \$63,750.00.

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 2010     | \$16,372,472.30 | \$16,174,896.41         | 98.79%                          |
| TY 2009     | 7,985,520.84    | 7,809,340.29            | 97.79%                          |
| SFY 2009    | 15,930,214.78   | 15,856,801.05           | 99.54%                          |

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<br/>Tax Title<br/>Liens</u> | <u>Amount of<br/>Delinquent<br/>Taxes</u> | <u>Total<br/>Delinquent</u> | <u>Percentage<br/>of<br/>Tax Levy</u> |
|-------------|--|---|-----------------------------|---------------------------------------|
| CY 2010     | \$ 8,715.74                              | \$ 272,134.44                             | \$ 280,850.18               | 1.98%                                 |
| TY 2009     | 6,354.67                                 | 146,877.40                                | 153,232.07                  | 1.92%                                 |
| SFY 2009    | 5,206.15                                 | 103.54                                    | 5,309.69                    | 0.03%                                 |

COMPARATIVE SCHEDULE OF FUND BALANCES

|              | <u>Year<br/>Ended</u> | <u>Balance</u> | <u>Utilized in<br/>Budget of<br/>Succeeding<br/>Year</u> |
|--------------|-----------------------|----------------|--|
| Current Fund | 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   |
|              | SFY 2007              | 700,047.04     | 600,000.00   |

OFFICIALS IN OFFICE AND SURETY BONDS

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

| <u>NAME</u>          | <u>TITLE</u>                                 | <u>AMOUNT OF BOND</u> | <u>NAME OF CORPORATE SURETY</u> |
|----------------------|--|-----------------------|---------------------------------|
| Robert J. Seader     | - Mayor                                      |                       |                                 |
| Frank T. Bieniek     | - Council President (to 11/07/10 - deceased) |                       |                                 |
| Anthony J. Aversa    | - Councilperson                              |                       |                                 |
| Kevin Bachorik       | - Councilperson                              |                       |                                 |
| Kenneth Baudendistel | - Councilperson                              |                       |                                 |
| Kenneth Bayer        | - Councilperson                              |                       |                                 |
| Mark Bieniek         | - Councilperson (from 12/06/10)              |                       |                                 |
| 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  
COUNTY OF MIDDLESEX, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2010**

**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, 2010, has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of 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, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 October 10, 2011 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:

##### 2010-1 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 on or before June 30 and \$21,000.00 thereafter except by contract or agreement."

On June 22, 2005, the Local Public Contracts Law was amended, effective on July 1, 2005. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$17,500.00 to \$21,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's Purchasing Agent is "Qualified" the Board may increase the bid threshold from \$25,000 to \$29,000.

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:

Installation of Lighting in Columbia Park  
Improvements to Front Street  
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 \$21,000.00 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, 2010, 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.

GENERAL COMMENTS

Other Matters (Cont'd.)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 23, 2010.

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 2010     | 2                      |
| TY 2009     | 2                      |
| SFY 2009    | 2                      |

Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2010.

These interfunds, in most cases, resulted from CY 2010 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, 2010.

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, 2010.

Payment of Claims

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

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### 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.

#### Dedicated Funds

The Borough has provided the mechanism for the collection of developers' escrows for professional fees pursuant to an adopted ordinance. The Borough should continue to review its procedures relating to developers' escrows to allow for the accurate accounting of fees collected and professional fees charged to each account.

As noted in the previous years report, changes have been made in Chapter 55, Laws of 1995 relating to the management of developer escrow funds effective September 17, 1995. The billing and reporting requirements imposed on the Borough by this law change are significant.

The Borough has established procedures to comply with these requirements within the auspices of its outside office. The Borough should provide controls and reporting over this escrow activity as part of the treasurer/finance office function.

The Borough has established a Reserve for Off Duty Police escrow account. We suggest the Borough continue to review its procedures relating to these funds, including the pre-billing of services, for compliance with the directive issued by the Division of Local Government.

#### 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.

#### 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.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Condition of Records - Other Officials Collecting Fees (cont'd.)

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, 2010, 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 readoption 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 2010 current fund financial statements.

#### 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.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Payroll Account

It was noted as follows:

The detail of payroll deductions payable was not maintained. The use of an excel spreadsheet was used to account for the payroll deductions. However, the spreadsheet did not show the payroll deductions increases and decreases on an item by item basis.

It is recommended that the Borough review 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 2010, 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 2010, 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, the Borough should continue to develop sound administrative functions over grant programs.

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.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

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

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 TY 2009 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 review its procedures regarding the maintenance of the detail of payroll deductions payable.

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