

BOROUGH OF HIGHTSTOWN

COUNTY OF MERCER

REPORT OF AUDIT

DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

2807 Hurley Pond Road
P.O. Box 1137
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BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER

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BOROUGH OF HIGHTSTOWN

COUNTY OF MERCER

PART I

AUDITOR'S REPORT OF THE TOWNSHIP'S FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Borough of Hightstown (the "Borough"), as of December 31, 2011 and 2010, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 opinions.

The financial statements of the Length of Service Awards Program Fund ("LOSAP") of the Borough have not been audited, and we were not required by the Division to audit nor were we engaged to audit LOSAP financial statements as part of our audit of the Borough's financial statements. However, the LOSAP financial activities are included in the Borough's Trust Funds, and represent 24% and 29% of the assets and liabilities as of December 31, 2011 and 2010, respectively, of the Borough's Trust Funds.

As described more fully in Note 1, the Borough prepares its financial statements on a regulatory basis of accounting prescribed by the Division, as required by state statute, that demonstrates compliance with a modified accrual basis of accounting, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2011 and 2010, the changes in financial position, or, where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough, as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Borough as a whole. The accompanying supplementary schedules, the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular Letter A-133, *Audits of States, Local Government and Non-Profit Organizations*, and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

William E. Antonides and Company
Independent Auditors



William E. Antonides, Jr.
Registered Municipal Accountant
Certified Public Accountant

December 31, 2012

CURRENT FUND
 COMPARATIVE BALANCE SHEET
 REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Cash	A-4	\$ 2,342,572.74	\$ 1,004,599.19
Change Fund		155.00	155.00
Due from State of New Jersey (Ch. 20, P.L. 1971)	A-5	<u>1,877.40</u>	<u>377.40</u>
		<u>\$ 2,344,605.14</u>	<u>\$ 1,005,131.59</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	\$ 236,145.17	\$ 378,968.22
Tax Title Liens Receivable	A-7	94,179.91	82,299.77
Revenue Accounts Receivable	A-10	20,951.43	20,677.26
Interfunds:			
Grant Fund	A-22	17,759.30	-
Animal Control Fund		1,641.54	131.29
General Capital Fund	A-4	<u>300,000.00</u>	<u>140,000.00</u>
	A	<u>\$ 670,677.35</u>	<u>\$ 622,076.54</u>
Deferred Charges:			
Emergency Authorizations	A-8	<u>\$ 1,600,000.00</u>	<u>\$ 32,000.00</u>
		<u>\$ 4,615,282.49</u>	<u>\$ 1,659,208.13</u>
Grant Fund:			
Cash	A-18	\$ 85,327.90	\$ 66,242.48
Grants Receivable	A-19	<u>10,879.84</u>	<u>8,209.84</u>
		<u>\$ 96,207.74</u>	<u>\$ 74,452.32</u>
		<u>\$ 4,711,490.23</u>	<u>\$ 1,733,660.45</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
Liabilities:			
Appropriations Reserves	A-3, A-11	\$ 883,541.42	\$ 218,278.26
Reserve for Encumbrances	A-3, A-11	499,343.43	92,063.42
Prepaid Taxes	A-12	134,420.48	138,818.84
Accounts Payable	A-9	29,210.35	32,137.64
Tax Overpayments	A-13	16,472.56	9,271.14
Regional School Taxes Payable	A-14	0.10	-
Due County for Added Taxes	A-15	9,233.37	17,655.60
Reserve for Revaluation	A-17	15,000.00	15,000.00
Reserve for Tax Appeals	A-4	52,183.56	53,001.50
Emergency Notes Payable	A-4	1,600,000.00	-
Interfunds:			
Due to Water-Sewer Operating Fund	A-4	3,997.65	6,060.03
Due to Other Trust	A-4	152,715.68	-
Due to State of New Jersey	A-16	966.00	1,937.00
		<u>\$ 3,397,084.60</u>	<u>\$ 584,223.43</u>
Reserve for Receivables and Other Assets	A	670,677.35	622,076.54
Fund Balance	A-1	547,520.54	452,908.16
		<u>\$ 4,615,282.49</u>	<u>\$ 1,659,208.13</u>
Grant Fund:			
Reserve for Grants Appropriated	A-20	\$ 76,236.04	\$ 67,733.48
Reserve for Encumbrances	A-21	142.00	1,200.00
Reserve for Grants Unappropriated	A-23	2,070.40	5,518.84
Interfund - Current Fund	A-22	17,759.30	-
		<u>\$ 96,207.74</u>	<u>\$ 74,452.32</u>
		<u><u>\$ 4,711,490.23</u></u>	<u><u>\$ 1,733,660.45</u></u>

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS

Revenue and Other Income Realized	Ref.	Year 2011	Year 2010
Fund Balance Anticipated	A-2	\$ 287,950.00	\$ 118,000.00
Miscellaneous Revenue Realized	A-2	1,451,915.47	1,510,300.51
Receipts from Delinquent Taxes	A-2	380,910.59	539,948.93
Receipts from Current Taxes	A-2	15,009,392.65	15,052,011.40
Non-Budget Revenue	A-2	87,171.94	43,644.76
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	<u>142,730.12</u>	<u>200,097.03</u>
 Total Income		<u>\$ 17,360,070.77</u>	<u>\$ 17,464,002.63</u>
 Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	\$ 2,513,274.00	\$ 2,661,752.00
Other Expenses	A-3	3,746,298.68	2,231,834.36
Capital Improvements	A-3	5,000.00	1,000.00
Municipal Debt Service	A-3	428,565.70	424,906.45
Deferred Charges and Statutory Expenditures - Municipal	A-3	<u>696,315.00</u>	<u>404,569.30</u>
Total Budget		<u>\$ 7,389,453.38</u>	<u>\$ 5,724,062.11</u>
 Regional School Taxes	A-14	8,264,830.61	8,337,431.57
County Taxes	A-15	2,741,591.49	2,813,547.84
Interfunds Advanced		177,759.30	140,000.00
Prior Year Refund	A-4	2,123.61	1,240.76
Prior Year Senior Citizen Deduction Disallowed	A-5	<u>1,750.00</u>	<u>750.00</u>
 Total Expenditures		<u>\$ 18,577,508.39</u>	<u>\$ 17,017,032.28</u>
 Excess in Expenditures/Revenues		\$ (1,217,437.62)	\$ 446,970.35
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-8	<u>1,600,000.00</u>	<u> </u>
Statutory Excess to Fund Balance		\$ 382,562.38	\$ 446,970.35
Fund Balance, January 1	A	<u>452,908.16</u>	<u>123,937.81</u>
		\$ 835,470.54	\$ 570,908.16
 Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>287,950.00</u>	<u>118,000.00</u>
Balance, December 31	A	<u>\$ 547,520.54</u>	<u>\$ 452,908.16</u>

The accompanying notes to financial statements are an integral part of the financial statements.

CURRENT FUND
 STATEMENT OF REVENUES
 REGULATORY BASIS

Ref.	Anticipated		Realized	Excess or (Deficit)	
	Budget Revenues	Special N.J.S. 40A:4-87			
Surplus Anticipated	A-1	\$ 287,950.00	\$ -	\$ 287,950.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	\$ 7,500.00	\$ -	\$ 7,520.00	\$ 20.00
Other	A-10	13,000.00	-	13,480.00	480.00
Fees and Permits	A-10	20,000.00	-	35,540.50	15,540.50
Fines and Costs:					
Municipal Court	A-10	225,000.00	-	247,413.13	22,413.13
Interest and Costs on Taxes	A-10	90,000.00	-	106,529.81	16,529.81
Interest on Investments and Deposits	A-10	15,000.00	-	19,090.19	4,090.19
Lease of Borough-Owned Property - AT&T	A-10	67,000.00	-	81,073.92	14,073.92
Consolidated Municipal Property Tax Relief Aid	A-10	101,196.00	-	101,196.00	-
Energy Receipts Tax	A-10	402,354.00	-	402,354.00	-
Uniform Construction Code Fees	A-10	70,000.00	-	44,220.00	(25,780.00)
Interlocal Services Agreement - 911 Cranbury Township	A-10	149,850.00	-	149,850.00	-
Interlocal Services Agreement - Roosevelt Borough Trash Collection	A-10	52,530.00	-	52,530.00	-
Interlocal Services Agreement - Roosevelt Borough Trash Collection -Tipping Fees	A-10	40,000.00	-	28,512.85	(11,487.15)
Recycling Tonnage Grant	A-10	5,518.84	4,376.61	9,895.45	-
Clean Communities Program	A-10	7,520.26	-	7,520.26	-
Alcohol Education Rehabilitation Fund	A-10	-	6,040.69	6,040.69	-
Body Armor Grant	A-10	-	1,437.28	1,437.28	-
Over the Limit under Arrest	A-10	-	4,400.00	4,400.00	-
ANJEC Land Use Planning Grant	A-10	-	5,250.00	5,250.00	-
Uniform Fire Safety Act	A-10	8,100.00	-	10,807.48	2,707.48
CATV - Franchise Fee	A-10	34,700.00	-	34,793.70	93.70
The Peddie School - Gift	A-10	23,000.00	-	23,000.00	-
Verizon Franchise Fee	A-10	27,400.00	-	27,413.55	13.55
Reserve for Debt Service	A-10	10,000.00	-	10,000.00	-
Hightstown Housing Authority - Payment in Lieu of Taxes	A-10	23,000.00	-	22,046.66	(953.34)
Total Miscellaneous Revenues	A-1	\$ 1,392,669.10	\$ 21,504.58	\$ 1,451,915.47	\$ 37,741.79
Receipts from Delinquent Taxes	A-1, A-2	\$ 350,000.00	\$ -	\$ 380,910.59	\$ 30,910.59
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	\$ 4,277,904.00	\$ -	\$ 4,532,970.55	\$ 255,066.55
Budget Totals		\$ 6,308,523.10	\$ 21,504.58	\$ 6,653,746.61	\$ 323,718.93
Non-Budget Revenues	A-1, A-2	-	-	87,171.94	
		\$ 6,308,523.10	\$ 21,504.58	\$ 6,740,918.55	
Ref.	A-3		A-3		

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
 STATEMENT OF REVENUES
 REGULATORY BASIS
 (CONTINUED FROM PRIOR PAGE)

Analysis of Realized Revenues:	<u>Ref.</u>	<u>Dec. 31, 2011</u>
Allocation of Current Taxes:		
Prepaid Prior Year	A-6	\$ 138,818.84
Collected Current Year	A-6	14,837,323.81
Senior Citizens' and Veterans' Deductions	A-6	<u>33,250.00</u>
	A-1	\$ 15,009,392.65
Allocated to:		
School and County Taxes	A-14, A-15	<u>11,006,422.10</u>
Balance for Support of Municipal Budget Appropriations		\$ 4,002,970.55
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>530,000.00</u>
Amount for Support of Municipal Budget	A-2	<u>\$ 4,532,970.55</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-6	\$ 380,910.59
	A-2	<u>\$ 380,910.59</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
 STATEMENT OF REVENUES
 REGULATORY BASIS
 (CONTINUED FROM PRIOR PAGE)

Analysis of Non-Budget Revenues:

Tax Map/Ordinance Copies		\$	377.34
Donation			450.00
Refunds			24,836.16
FEMA Reimbursements			36,643.50
Court Motor Vehicle Inspections			10,300.00
Owners List			190.00
Tax Collector Fees			1,513.60
Senior Citizens and Veterans Administration Fee			600.00
Premium on Emergency Note			1,571.00
Police Accident Reports			873.50
Other Police Fees			483.25
Fire Code Other			1,655.00
Americana Lease			5,000.00
Construction Code Miscellaneous Fees			1,120.22
Miscellaneous			<u>1,558.37</u>
	A-2	\$	<u>87,171.94</u>
Due from Grant Fund	A-22	\$	11,328.76
Due to State of New Jersey	A-16		175.00
Receipts	A-4		<u>75,668.18</u>
	A-2	\$	<u>87,171.94</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS

OPERATIONS - WITHIN "CAPS"	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
GENERAL GOVERNMENT					
General Administration:					
Salaries and Wages	\$ 25,000.00	\$ 17,000.00	\$ 14,673.60	\$ 2,326.40	\$ -
Other Expenses	1,000.00	1,000.00	961.38	38.62	-
Mayor and Council:					
Salaries and Wages	26,250.00	26,250.00	26,250.00	-	-
Other Expenses	1,887.00	2,687.00	2,602.26	84.74	-
Municipal Clerk:					
Salaries and Wages	62,460.00	62,460.00	59,290.03	3,169.97	-
Other Expenses	9,600.00	10,700.00	10,257.69	442.31	-
Elections:					
Other Expenses	3,500.00	3,500.00	2,164.33	1,335.67	-
Office Supplies and Paper Products					
Other Expenses	14,000.00	14,000.00	13,896.08	103.92	-
Financial Administration:					
Salaries and Wages	73,600.00	73,600.00	71,888.82	1,711.18	-
Other Expenses	8,715.00	8,715.00	8,410.65	304.35	-
Audit Services:					
Other Expenses	14,000.00	14,000.00	14,000.00	-	-
Grant Writing and Administration:					
Other Expenses	3,000.00	3,000.00	2,083.75	916.25	-
Central Computer (Data Processing/ Info Tech)					
Other Expenses	20,600.00	18,100.00	14,901.23	3,198.77	-
Collection of Taxes:					
Salaries and Wages	29,770.00	29,770.00	29,476.03	293.97	-
Other Expenses	5,710.00	5,710.00	5,292.76	417.24	-
Assessment of Taxes:					
Salaries and Wages	12,750.00	12,750.00	12,749.99	0.01	-
Other Expenses	15,000.00	12,000.00	5,419.94	6,580.06	-
Interest on Tax Appeals:					
Other Expenses	100.00	100.00	-	100.00	-
Legal Services and Costs:					
Other Expenses	125,000.00	133,000.00	86,952.35	46,047.65	-
Engineering Services and Costs:					
Other Expenses	54,700.00	54,700.00	52,787.50	1,912.50	-
Historical Commission:					
Other Expenses	1,200.00	1,200.00	150.00	1,050.00	-
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Planning Board:					
Salaries and Wages	20,400.00	20,400.00	17,600.34	2,799.66	-
Other Expenses	23,000.00	23,000.00	17,440.99	5,559.01	-
Insurance:					
Insurance Deductibles	3,000.00	3,000.00	8.55	2,991.45	-
Unemployment Compensation Insurance	10,000.00	10,000.00	-	10,000.00	-
General Liability	36,728.00	36,728.00	36,728.00	-	-
Workers Compensation Insurance	115,519.00	115,519.00	114,622.80	896.20	-
Employee Group Health Insurance	415,000.00	407,000.00	377,940.47	29,059.53	-
Health Benefit Waiver	35,000.00	35,000.00	25,000.00	10,000.00	-
PUBLIC SAFETY FUNCTIONS					
Police Department:					
Salaries and Wages	1,288,492.00	1,288,492.00	1,280,628.81	7,863.19	-
Other Expenses	53,421.00	53,421.00	39,814.10	13,606.90	-
Police Vehicle Purchase	35,000.00	35,000.00	-	35,000.00	-
Police Fire and Radio Communications:					
Salaries and Wages	99,619.00	99,619.00	95,478.91	4,140.09	-
Other Expenses	8,464.00	8,464.00	5,667.09	2,796.91	-
Office of Emergency Management:					
Other Expenses	1,000.00	1,000.00	-	1,000.00	-

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
 STATEMENT OF EXPENDITURES
 REGULATORY BASIS
 (CONTINUED FROM PRIOR PAGE)

OPERATIONS - WITHIN "CAPS" (Continued)	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
PUBLIC SAFETY FUNCTIONS (Continued)					
Fire Department:					
Other Expenses	\$ 33,800.00	\$ 33,800.00	\$ 28,510.94	\$ 5,289.06	\$ -
Aid to Fire Department					
Other Expenses	5,000.00	5,000.00	-	5,000.00	-
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Salaries and Wages	14,000.00	14,000.00	10,579.00	3,421.00	-
Other Expenses	7,860.00	7,860.00	4,455.61	3,404.39	-
First Aid Organization:					
Other Expenses	15,100.00	15,100.00	11,736.35	3,363.65	-
First Aid Contribution:					
Other Expenses	1,500.00	1,500.00	1,500.00	-	-
Municipal Prosecutor:					
Other Expenses	14,600.00	14,600.00	14,400.00	200.00	-
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	131,000.00	131,000.00	112,233.44	18,766.56	-
Other Expenses	28,751.00	28,751.00	24,916.21	3,834.79	-
Snow Removal:					
Other Expenses	8,000.00	8,000.00	5,012.10	2,987.90	-
Sanitation/Solid Waste Collection:					
Salaries and Wages	89,000.00	89,000.00	40,175.60	48,824.40	-
Other Expenses	40,150.00	40,150.00	39,526.34	623.66	-
Public Buildings and Grounds:					
Salaries and Wages	41,000.00	41,000.00	37,688.19	3,311.81	-
Other Expenses	22,500.00	17,500.00	13,635.43	3,864.57	-
Recycling:					
Salaries and Wages	103,000.00	103,000.00	69,884.61	33,115.39	-
Other Expenses	46,300.00	46,300.00	41,956.25	4,343.75	-
Vehicle Maintenance:					
Other Expenses	26,000.00	31,000.00	27,283.26	3,716.74	-
Community Condominium Services Act:					
Other Expenses	35,000.00	35,000.00	26,870.64	8,129.36	-
HEALTH AND HUMAN SERVICES					
Board of Health:					
Salaries and Wages	58,123.00	58,723.00	58,610.22	112.78	-
Other Expenses	6,353.00	6,353.00	5,264.30	1,088.70	-
Environmental Commission (N.J.S.A. 40:56A-1)					
Other Expenses	700.00	5,950.00	486.93	5,463.07	-
Child Care Centers -					
Contracts (N.J.S.A. 40:223-8:14)					
Other Expenses:					
Better Beginnings	8,500.00	8,500.00	8,500.00	-	-
Hightstown/East Windsor	4,000.00	4,000.00	4,000.00	-	-
Animal Control					
Other Expenses	100.00	100.00	-	100.00	-
PARK AND RECREATION					
Maintenance of Parks:					
Salaries and Wages	44,000.00	44,000.00	38,656.72	5,343.28	-
Other Expenses	3,650.00	3,650.00	1,882.60	1,767.40	-
Recreation & Open Space (Parks Commission)					
Salaries and Wages	10,000.00	10,000.00	10,000.00	-	-
Other Expenses	10,700.00	10,700.00	10,178.24	521.76	-

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
 STATEMENT OF EXPENDITURES
 REGULATORY BASIS
 (CONTINUED FROM PRIOR PAGE)

OPERATIONS - WITHIN "CAPS" (Continued)	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED):					
Celebration of Public Events: Other Expenses	\$ 1,700.00	\$ 1,700.00	\$ 309.00	\$ 1,391.00	\$ -
Accumulated Sick and Vacation Other Expenses	95,000.00	95,000.00	79,142.18	15,857.82	-
Postage and Shipping Charges: Other Expenses	9,000.00	9,000.00	8,202.10	797.90	-
UTILITY EXPENSE AND BULK PURCHASES					
Gasoline and Diesel Fuel	65,300.00	73,300.00	67,809.31	5,490.69	-
Electricity	63,500.00	63,500.00	57,984.18	5,515.82	-
Telephone	44,900.00	44,900.00	36,048.47	8,851.53	-
Natural Gas	21,000.00	21,000.00	14,351.25	6,648.75	-
Street Lighting	46,000.00	46,000.00	40,920.74	5,079.26	-
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Landfill Disposal Costs: Other Expenses	185,000.00	185,000.00	184,563.23	436.77	-
Municipal Court: Salaries and Wages	126,401.00	126,401.00	124,655.44	1,745.56	-
Other Expenses	15,100.00	12,850.00	5,991.06	6,858.94	-
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
State Uniform Construction Code (N.J.S.A. 52:270-120D et seq.) Salaries and Wages	108,228.00	108,228.00	101,469.67	6,758.33	-
Other Expenses	6,900.00	6,900.00	3,931.16	2,968.84	-
Housing Code Enforcement: Salaries and Wages	27,000.00	27,000.00	14,157.13	12,842.87	-
Other Expenses	450.00	450.00	450.00	-	-
Total Operations within "CAPS"	\$ 4,276,651.00	\$ 4,276,651.00	\$ 3,833,066.35	\$ 443,584.65	\$ -
Contingent	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operations Including Contingent - within "CAPS"	\$ 4,276,651.00	\$ 4,276,651.00	\$ 3,833,066.35	\$ 443,584.65	\$ -
Detail:					
Salaries and Wages	\$ 2,390,093.00	\$ 2,382,693.00	\$ 2,226,146.55	\$ 156,546.45	\$ -
Other Expenses (Including Contingent)	\$ 1,886,558.00	\$ 1,893,958.00	\$ 1,606,919.80	\$ 287,038.20	\$ -
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY EXPENDITURES:					
Public Employees' Retirement System of N.J.	\$ 132,949.00	\$ 132,949.00	\$ 132,949.00	\$ -	\$ -
Social Security System (O.A.S.I.)	118,000.00	118,000.00	107,444.65	10,555.35	-
Police and Firemen's Retirement System of N.J.	366,470.00	366,470.00	366,470.00	-	-
Defined Contribution Benefit Plan	5,000.00	5,000.00	-	5,000.00	-
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	\$ 622,419.00	\$ 622,419.00	\$ 606,863.65	\$ 15,555.35	\$ -
Total General Appropriations for Municipal Purposes within "CAPS"	\$ 4,899,070.00	\$ 4,899,070.00	\$ 4,439,930.00	\$ 459,140.00	\$ -

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

OPERATIONS - EXCLUDED FROM "CAPS"	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
Length of Service Award Program (LOSAP)					
Other Expenses	\$ 36,500.00	\$ 36,500.00	\$ -	\$ 36,500.00	\$ -
Recycling Tax (P.L. 2007, C.311)	6,500.00	6,500.00	4,652.34	1,847.66	-
Hurricane Irene Emergency Authorization	-	1,600,000.00	1,265,939.69	334,060.31	-
Total Other Operations - Excluded from "CAPS"	\$ 43,000.00	\$ 1,643,000.00	\$ 1,270,592.03	\$ 372,407.97	\$ -
Interlocal Municipal Service Agreements					
Implementation of 911:					
Salaries and Wages	\$ 103,723.00	\$ 103,723.00	\$ 100,653.05	\$ 3,069.95	\$ -
Other Expenses	46,127.00	46,127.00	27,752.72	18,374.28	-
Senior Citizens - Program Service Center:					
Other Expenses	24,394.00	24,394.00	5,849.27	18,544.73	-
Senior Citizens Transportation:					
Other Expenses	2,180.00	2,180.00	2,180.00	-	-
Health Services:					
Salaries and Wages	26,858.00	26,858.00	26,858.00	-	-
Other Expenses	26,096.00	26,096.00	25,971.00	125.00	-
Emergency Medical Services					
Other Expenses	34,000.00	34,000.00	30,000.00	4,000.00	-
Landfill Disposal Costs (Roosevelt)					
Other Expenses	40,000.00	40,000.00	26,316.18	3,683.82	10,000.00
Vehicle Maintenance Services					
Other Expenses	12,000.00	12,000.00	7,804.33	4,195.67	-
Total Interlocal Municipal Service Agreements	\$ 315,378.00	\$ 315,378.00	\$ 253,384.55	\$ 51,993.45	\$ 10,000.00
Public and Private Programs Offset by Revenues					
Clean Communities Program	\$ 7,520.26	\$ 7,520.26	\$ 7,520.26	\$ -	\$ -
Body Armor Replacement Grant	-	1,437.28	1,437.28	-	-
Recycling Tonnage Grant	5,518.84	9,895.45	9,895.45	-	-
Alcohol Education and Rehabilitation Fund	-	6,040.69	6,040.69	-	-
ANJEC Land Use Planning Grant	-	5,250.00	5,250.00	-	-
Over the Limit Under Arrest	-	4,400.00	4,400.00	-	-
Total Public and Private Programs Offset by Revenues	\$ 13,039.10	\$ 34,543.68	\$ 34,543.68	\$ -	\$ -
Total Operations - Excluded from "CAPS"	\$ 371,417.10	\$ 1,992,921.68	\$ 1,558,520.26	\$ 424,401.42	\$ 10,000.00
Detail:					
Salaries and Wages	\$ 130,581.00	\$ 130,581.00	\$ 127,511.05	\$ 3,069.95	\$ -
Other Expenses	\$ 240,836.10	1,862,340.68	\$ 1,431,009.21	\$ 421,331.47	\$ 10,000.00

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
 STATEMENT OF EXPENDITURES
 REGULATORY BASIS
 (CONTINUED FROM PRIOR PAGE)

OPERATIONS - EXCLUDED FROM "CAPS" (Continued)	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -	\$ -
Total Capital Improvements Excluded from "CAPS"	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ -	\$ -
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	\$ 245,000.00	\$ 245,000.00	\$ 245,000.00	\$ -	\$ -
Payment of Bond Anticipation Notes and Capital Notes	45,000.00	45,000.00	45,000.00	-	-
Interest on Bonds	124,900.00	124,900.00	124,900.00	-	-
Interest on Notes	6,240.00	6,240.00	6,237.00	-	3.00
Dam Restoration Loan	-	-	-	-	-
Dam Restoration Loan	8,000.00	8,000.00	7,428.70	-	571.30
Total Municipal Debt Service Excluded from "CAPS"	\$ 429,140.00	\$ 429,140.00	\$ 428,565.70	\$ -	\$ 574.30
Deferred Charges - Municipal - Excluded from "CAPS"					
DEFERRED CHARGES: Special Emergency Authorizations - 5 Years (N.J.S. 40A4-55)	\$ 32,000.00	\$ 32,000.00	\$ 32,000.00	\$ -	\$ -
Total Deferred Charges - Municipal - Excluded from "CAPS"	\$ 32,000.00	\$ 32,000.00	\$ 32,000.00	\$ -	\$ -
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	\$ 41,896.00	\$ 41,896.00	\$ 41,896.00	\$ -	\$ -
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	\$ 879,453.10	\$ 2,500,957.68	\$ 2,065,981.96	\$ 424,401.42	\$ 10,574.30
Total General Appropriations - Excluded from "CAPS"	\$ 879,453.10	\$ 2,500,957.68	\$ 2,065,981.96	\$ 424,401.42	\$ 10,574.30
Subtotal General Appropriations	\$ 5,778,523.10	\$ 7,400,027.68	\$ 6,505,911.96	\$ 883,541.42	\$ 10,574.30
Reserve for Uncollected Taxes	530,000.00	530,000.00	530,000.00	-	-
Total General Appropriations	<u>\$ 6,308,523.10</u>	<u>\$ 7,930,027.68</u>	<u>\$ 7,035,911.96</u>	<u>\$ 883,541.42</u>	<u>\$ 10,574.30</u>
Ref.				A	
Detail:					
Original Budget	A-2	\$ 6,308,523.10			
Emergency Authorizations	A-8	1,600,000.00			
Added by N.J.S.A. 40A:4-87	A-2	21,504.58			
		<u>\$ 7,930,027.68</u>			
Disbursed	A-4		\$ 5,974,568.53		
Reserve for Encumbrances	A		499,343.43		
Emergency Authorization	A-8		32,000.00		
Reserve for Uncollected Taxes	A-2		530,000.00		
			<u>\$ 7,035,911.96</u>		

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

TRUST FUND
 COMPARATIVE BALANCE SHEET
 REGULATORY BASIS

ASSETS	<u>Ref.</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
Animal Control Fund:			
Cash and Investments	B-1	\$ 14,043.74	\$ 12,600.13
Other Trust Funds:			
Cash and Investments	B-1	\$ 971,350.36	\$ 868,251.58
Due From Current Fund		<u>152,715.68</u>	<u>-</u>
		<u>\$ 1,124,066.04</u>	<u>\$ 868,251.58</u>
Escrow Trust Funds:			
Cash and Investments	B-1	\$ 178,285.94	\$ 178,576.49
Length of Service Awards Program Fund (LOSAP) - Unaudited:			
Funds Held by Trustee	B-14	\$ 423,759.04	\$ 439,895.29
		<u>\$ 1,740,154.76</u>	<u>\$1,499,323.49</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
(Continued from prior page)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Animal Control Fund:			
Due to N.J. State Department of Health	B-2	\$ 1.20	\$ 22.20
Due to Current Fund		1,641.54	131.29
Reserve for Expenditures	B-3	<u>12,401.00</u>	<u>12,446.64</u>
		<u>\$ 14,043.74</u>	<u>\$ 12,600.13</u>
Other Trust Funds:			
Due to Water Sewer Operating Reserve for:		\$ 5,000.00	\$ 5,000.00
Redemption of Tax Title Liens	B-4	67,404.59	1,340.17
Regional Contribution Agreement - Manalapan	B-5	174,121.53	174,121.53
Law Enforcement Fund -Federal	B-6	2,262.49	2,253.48
Law Enforcement Fund	B-7	33,197.16	7,127.54
Public Defender	B-8	7,980.47	7,531.47
Unemployment	B-9	24,005.84	36,828.52
Payroll Deductions	B-10	30,473.31	34,794.43
Miscellaneous Trust Funds	B-11	383,738.92	206,331.91
Housing Trust	B-13	<u>395,881.73</u>	<u>392,922.53</u>
		<u>\$ 1,124,066.04</u>	<u>\$ 868,251.58</u>
Escrow Trust Funds:			
Escrow Fees	B-12	<u>\$ 178,285.94</u>	<u>\$ 178,576.49</u>
Length of Service Awards Program Fund (LOSAP) - Unaudited:			
Reserve for Length of Service Awards Program (LOSAP)	B-14	<u>\$ 423,759.04</u>	<u>\$ 439,895.29</u>
		<u>\$ 1,740,154.76</u>	<u>\$1,499,323.49</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

GENERAL CAPITAL FUND
 COMPARATIVE BALANCE SHEET
 REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Cash - Treasurer	C-2	\$ 342,544.17	\$ 39,228.14
Grants Receivable	C-6	1,547,520.52	2,121,450.09
Deferred Charges to Future Taxation:			
Funded	C-4	3,642,849.77	3,888,125.00
Unfunded	C-5	<u>2,815,543.23</u>	<u>2,749,171.09</u>
		<u>\$ 8,348,457.69</u>	<u>\$ 8,797,974.32</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 3,490,000.00	\$ 3,735,000.00
Loan Payable	C-12	152,849.77	153,125.00
Bond Anticipation Notes	C-10	907,546.00	831,546.00
Interfund-Current Fund	C-3	300,000.00	140,000.00
Interfund-Water-Sewer Capital Fund	C-3	180,000.00	-
Reserve for Encumbrances	C-13	825,011.50	891,495.74
Improvement Authorizations:			
Funded	C-8	127,479.49	142,183.89
Unfunded	C-8	824,667.32	1,011,991.22
Capital Improvement Fund	C-9	11,330.00	21,630.00
Reserve for Grants Receivable	C-6	1,525,747.23	1,858,950.09
Various Reserves	C-7	247.00	10,247.00
Fund Balance	C-1	<u>3,579.38</u>	<u>1,805.38</u>
		<u>\$ 8,348,457.69</u>	<u>\$ 8,797,974.32</u>

There were bonds and notes authorized but not issued on December 31, 2011 of \$1,907,997.23 and December 31, 2010 of \$1,917,625.09 (C-14).

The accompanying notes to financial statements are an integral part of the financial statements.

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE
 REGULATORY BASIS

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	C	\$ 1,805.38	\$ 1,722.61
Increased by:			
Premium on Bond Anticipation Notes	C-2	1,774.00	-
Canceled Improvement Authorizations		-	82.77
		<u>1,774.00</u>	<u>82.77</u>
Balance, December 31	C	<u>\$ 3,579.38</u>	<u>\$ 1,805.38</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY FUND
 COMPARATIVE BALANCE SHEET
 REGULATORY BASIS

ASSETS	<u>Ref.</u>	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
Operating Fund:			
Cash and Investments	D-5	\$ 349,447.31	\$ 291,087.12
Due From Current Fund	D-5	3,997.65	6,060.03
Due From Water Sewer Capital Fund		297,500.00	300,000.00
Due From Trust Fund		5,000.00	5,000.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-8	<u>199,048.95</u>	<u>156,729.91</u>
Total Operating Fund		<u>\$ 854,993.91</u>	<u>\$ 758,877.06</u>
Capital Fund:			
Cash	D-6	\$ 135,078.34	\$ 185,198.58
Due From General Capital Fund	D-6	180,000.00	-
Loans Receivable	D-6	252,198.00	576,319.00
Fixed Capital	D-9	12,962,487.48	12,962,487.48
Fixed Capital Authorized and Uncompleted	D-10	<u>7,253,400.00</u>	<u>5,070,400.00</u>
		<u>\$ 20,783,163.82</u>	<u>\$ 18,794,405.06</u>
		<u>\$ 21,638,157.73</u>	<u>\$ 19,553,282.12</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

WATER-SEWER UTILITY FUND
 COMPARATIVE BALANCE SHEET
 REGULATORY BASIS
 (Continued from prior page)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4,11	\$ 202,470.58	\$ 105,095.66
Encumbrances Payable	D-4,11	125,609.91	73,807.54
Accounts Payable	D-11	2,776.42	-
Prepaid Rents and Fees	D-12	3,875.16	3,427.73
Overpayments	D-13	2,862.45	1,701.74
Accrued Interest on Bonds and Loans	D-14	55,888.55	51,219.80
Accrued Interest on Notes	D-15	219.71	81.81
		<hr/>	<hr/>
		\$ 393,702.78	\$ 235,334.28
Reserve for Receivables		199,048.95	156,729.91
Fund Balance	D-1	<hr/> 262,242.18	<hr/> 366,812.87
Total Operating Fund		<hr/> \$ 854,993.91	<hr/> \$ 758,877.06
Capital Fund:			
Serial Bonds Payable	D-16	\$ 4,410,000.00	\$ 4,850,000.00
Loans Payable	D-17	1,879,419.65	1,946,250.00
Bond Anticipation Notes	D-18	281,000.00	187,000.00
Due to Water-Sewer Operating Fund		297,500.00	300,000.00
Improvement Authorization - Funded	D-19	163,907.85	101,383.49
Improvement Authorization - Unfunded	D-19	2,210,950.28	381,742.32
Down Payments on Improvements		200.00	200.00
Reserve for Encumbrances	D-20	249,990.50	253,524.06
Reserve for Amortization	D-21	10,913,817.83	10,406,987.48
Deferred Reserve for Amortization	D-22	344,800.00	338,800.00
Capital Improvement Fund	D-23	27,516.95	25,016.95
Fund Balance	D-2	<hr/> 4,060.76	<hr/> 3,500.76
Total Capital Fund		<hr/> \$ 20,783,163.82	<hr/> \$ 18,794,405.06
		<hr/> <hr/> \$ 21,638,157.73	<hr/> <hr/> \$ 19,553,282.12

There were bonds and notes authorized but not issued on December 31, 2011 of \$2,386,850.00 and on December 31, 2010 of \$303,850.00 (D-24)

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

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

Revenue and Other Income Realized	Ref.	Year 2011	Year 2010
Fund Balance Utilized	D-3	\$ 291,000.00	\$ 325,000.00
Water-Sewer Rents	D-3	2,271,157.00	2,381,174.63
Miscellaneous	D-3	584,927.71	602,467.53
Non-Budget Revenue	D-3	1,001.39	2,221.69
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-11	<u>105,795.81</u>	<u>107,322.07</u>
 Total Income		 <u>\$ 3,253,881.91</u>	 <u>\$ 3,418,185.92</u>
 Expenditures			
Budget:			
Operating		\$ 2,211,688.00	\$ 2,298,264.00
Capital Appropriations		2,500.00	27,500.00
Debt Service		705,676.60	602,996.91
Deferred Charges and Statutory Expenditures		<u>147,588.00</u>	<u>143,174.00</u>
 Total Expenditures	D-4	 <u>\$ 3,067,452.60</u>	 <u>\$ 3,071,934.91</u>
 Excess in Revenue		 \$ 186,429.31	 \$ 346,251.01
 Fund Balance, January 1	D	 <u>366,812.87</u>	 <u>345,561.86</u>
		\$ 553,242.18	\$ 691,812.87
 Less: Utilized as Anticipated Revenue - Utility	D-3	 <u>291,000.00</u>	 <u>325,000.00</u>
 Fund Balance, December 31	D	 <u>\$ 262,242.18</u>	 <u>\$ 366,812.87</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE
REGULATORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2010	D	\$ 3,500.76
Increased by:		
Premium on Bond Anticipation Notes	D-6	<u>560.00</u>
Balance, December 31, 2011	D	<u>\$ 4,060.76</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 291,000.00	\$ 291,000.00	\$ -
Water-Sewer Rents	D-1,3	2,226,454.00	2,271,157.00	44,703.00
Miscellaneous	D-1,3	550,000.00	584,927.71	34,927.71
		<u>\$ 3,067,454.00</u>	<u>\$ 3,147,084.71</u>	<u>\$ 79,630.71</u>
Non-Budget Revenues			<u>1,001.39</u>	
			<u>\$ 3,148,086.10</u>	

Analysis of Realized Revenues

	<u>Ref.</u>	
Water-Sewer Rents:		
2011 Collections	D-8	\$ 2,266,695.60
Water-Sewer Overpayments - Applied	D-8	1,033.67
Prepaid Water-Sewer Rents Applied	D-8	<u>3,427.73</u>
	D-3	<u>\$ 2,271,157.00</u>

Analysis of Miscellaneous Revenues

Gray-Water Fees		\$ 513,297.05
Gray-Water Fees - Overpayments Applied		668.07
Interest on Investments		4,411.70
Interest on Delinquent Charges		18,560.63
Water Connection Fees		29,625.00
Sewer Connection Fees		15,238.00
Sale of Meters		480.00
Manual Meter Reading		380.00
Grease AWWTP		2,047.50
Miscellaneous Revenue		<u>219.76</u>
	D-3	<u>\$ 584,927.71</u>
Cash Receipts	D-5	\$ 584,259.64
Overpayments Applied	D-8	<u>668.07</u>
	D-3	<u>\$ 584,927.71</u>

Analysis of Non-Budget Revenue

FEMA Refund	D-5	<u>1,001.39</u>
	D-3	<u>\$ 1,001.39</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY OPERATING FUND
 STATEMENT OF EXPENDITURES
 REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operating:						
Salaries and Wages	\$ 860,816.00	\$ 860,816.00	\$ 767,890.63	\$ -	\$ 92,925.37	\$ -
Other Expenses	1,350,872.00	1,350,872.00	1,131,638.66	125,609.91	93,623.43	-
Capital Improvements:						
Capital Improvement Fund	2,500.00	2,500.00	2,500.00	-	-	-
Debt Service:						
Payment of Bond Principal	440,000.00	440,000.00	440,000.00	-	-	-
Payment of Anticipation Notes	6,000.00	6,000.00	6,000.00	-	-	-
Interest on Bonds	172,238.00	172,238.00	172,237.50	-	-	0.50
Interest on Bond Anticipation Notes	1,540.00	1,540.00	1,540.00	-	-	-
Water and Waste Water Supply Loan	85,900.00	85,900.00	85,899.10	-	-	0.90
Statutory Expenditures:						
Public Employees' Retirement System	71,588.00	71,588.00	71,588.00	-	-	-
Social Security System (O.A.S.I.)	66,000.00	66,000.00	60,078.22	-	5,921.78	-
Unemployment Insurance	10,000.00	10,000.00	-	-	10,000.00	-
	<u>\$ 3,067,454.00</u>	<u>\$ 3,067,454.00</u>	<u>\$ 2,739,372.11</u>	<u>\$ 125,609.91</u>	<u>\$ 202,470.58</u>	<u>\$ 1.40</u>
	Ref	D-1		D	D	D-1
Disbursements	D-5		\$ 2,544,025.86			
Due to Water-Sewer Capital Fund	D-7		2,500.00			
Accrued Interest on Bonds and Loans	D-14		191,306.25			
Accrued Interest on Notes	D-15		1,540.00			
			<u>\$ 2,739,372.11</u>			

The accompanying notes to financial statements are an integral part of the financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP
STATUTORY BASIS
STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$ 90,835.99	\$ 106,335.99
Buildings and Improvements	106,464.00	106,464.00
Equipment	1,170,967.07	1,102,980.94
Motor Vehicles and Equipment	<u>2,465,024.26</u>	<u>2,444,599.26</u>
	<u>\$ 3,833,291.32</u>	<u>\$ 3,760,380.19</u>
Investment in General Fixed Assets	<u>\$ 3,833,291.32</u>	<u>\$ 3,760,380.19</u>

The accompanying notes to financial statements are an integral part of the financial statements.

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Hightstown, County of Mercer, New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid organization or fire company which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2011.

B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles. GASB Codification establishes seven major fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles ("GAAP").

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. 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 accounts for its financial transactions through the following separate funds which differs from the fund structure required by GAAP:

Current Fund - revenues and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Animal Control Trust Fund - animal license revenues and expenditures.

Other Trust Fund - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Descriptions of Funds (Continued)

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

Water-Sewer Utility Operating Fund - revenues and expenditures necessary to operate municipally-owned water supply and sewer collection systems from user fees.

Water-Sewer Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of water-sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - used to account for fixed assets used in general government operations.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Deferred Charges - 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, 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 respective balance sheets. 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. The status of deferred charges at December 31, 2008 is set forth in Note 9.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water-Sewer Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2011 is set forth in Note 4.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Property Acquired for Taxes - is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be 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 - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs 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. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

General Fixed Assets - In accordance with the Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system based on an inspection and historic cost analysis.

Fixed assets used in governmental operations (general fixed assets) are required to be accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

Expenditures for construction in progress are required to be recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Utility Fixed Assets - Accounting for utility fund "fixed capital" remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

Property and equipment purchased by the Water-Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contribution in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Water-Sewer Utility Fund are not depreciated. Principal payments for Water-Sewer Utility debt are recorded as expenditures in the Water-Sewer Utility Statement of Operations.

During 2011 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Fixed Assets:				
Land	\$ 106,335.99	\$ -	\$ 15,500.00	\$ 90,835.99
Buildings and Improvements	106,464.00	-	-	106,464.00
Equipment	1,141,530.66	67,986.13	-	1,209,516.79
Motor Vehicles and Equipment	<u>2,406,049.54</u>	<u>20,425.00</u>	<u>-</u>	<u>2,426,474.54</u>
	<u>\$ 3,760,380.19</u>	<u>\$ 88,411.13</u>	<u>\$ 15,500.00</u>	<u>\$ 3,833,291.32</u>

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with an other comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2. CASH AND CASH EQUIVALENTS

A. 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 insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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.

At year-end the carrying amount of the Borough's deposits was \$4,465,898 and the bank balance amount was \$4,563,810. Of this amount \$455,820 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the remaining \$4,107,990.

B. Investments

1. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:
 - (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
 - (b) Government money market mutual funds.
 - (c) 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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

- (d) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
 - (e) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
 - (f) Municipal investment pools.
 - (g) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
 - (h) Agreements for the repurchase of fully collateralized securities, if:
 - (1) the underlying securities are permitted investments pursuant to paragraphs (a) and (c) of this section;
 - (2) the custody of collateral is transferred to a third party;
 - (3) the maturity of the agreement is not more than 30 days;
 - (4) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (5) a master repurchase agreement providing for the custody and security of collateral is executed.
2. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.
3. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

At year-end, the carrying value of the Borough's investments and the investment balance was \$ - 0 -.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

C. Cash Management Plan (Continued)

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

Category 1	Deposits covered by federal depository insurance, or by collateral held by the Borough or its agent, in the Borough's name.	\$ 2,581,493.00
Category 2	Deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the Borough's name.	\$ -
Category 3	Deposits covered by collateral, held by the pledging financial institution, or its trust department, or its agent but not in the Borough's name.	\$ -

NOTE 3. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds, in anticipation of which such notes were issued, be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt is summarized as follows:

General Capital Fund

3.00% to 3.75% General Improvement Bonds Issued February 1, 2008, installment maturities to October 1, 2021	<u>\$ 3,490,000.00</u>
	<u>\$ 3,490,000.00</u>

Water-Sewer Utility Capital Fund

4.50% to 4.75% Water-Sewer Utility Bonds Issued March 1, 2002, installment maturities to March 1, 2028	\$ 1,670,000.00
3.00% to 3.50% Water-Sewer Utility Bonds Issued February 1, 2008, installment maturities to October 1, 2018	<u>2,740,000.00</u>
	<u>\$ 4,410,000.00</u>

The General Capital Fund Bonds and Loans and Water-Sewer Utility Capital Fund Bonds mature serially in installments to the year 2030. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

A. Long-Term Debt (Continued)

Water-Sewer Utility Capital Fund (Continued)

Year	General Capital		Water-Sewer Utility Capital	
	Principal	Interest	Principal	Interest
2012	\$ 270,000.00	\$ 117,550.00	\$ 460,000.00	\$ 161,550.00
2013	290,000.00	109,450.00	480,000.00	146,475.00
2014	305,000.00	100,750.00	505,000.00	130,462.50
2015	320,000.00	91,600.00	530,000.00	113,812.50
2016	340,000.00	82,000.00	555,000.00	96,350.00
2017-21	1,965,000.00	223,950.00	1,180,000.00	255,037.50
2022-26	-	-	500,000.00	106,875.00
2027-28	-	-	200,000.00	9,500.00
Total	\$ 3,490,000.00	\$ 725,300.00	\$ 4,410,000.00	\$ 1,020,062.50

Peddie lake Dam Restoration Loan

Year	General Capital	
	Principal	Interest
2012	\$ 6,902.82	\$ 3,022.66
2013	7,041.56	2,883.91
2014	7,183.10	2,742.37
2015	7,327.48	2,597.99
2016	7,474.76	2,450.71
2017-21	39,688.74	9,938.58
2022-26	43,841.07	5,786.28
2027-30	33,390.24	1,348.89
Total	\$ 152,849.77	\$ 30,771.39

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

A. Long-Term Debt (Continued)

New Jersey Environmental Infrastructure Trust

In March 2011, the Borough received loans from the State of New Jersey to fund the replacement of Water Mains. The Borough has a no interest loan in the amount of \$1,451,250.00 and a loan for \$495,000 at interest rates from 3.00% to 5.00%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan</u>	<u>Traditional Loan</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2012	77,745.52	20,000.00	20,475.00
2013	77,745.52	20,000.00	19,475.00
2014	77,745.52	20,000.00	18,475.00
2015	77,745.52	20,000.00	17,475.00
2016	77,745.52	20,000.00	16,475.00
2017-21	388,727.60	120,000.00	66,375.00
2022-26	388,727.60	155,000.00	39,125.00
2027-29	233,236.85	105,000.00	8,400.00
Total	<u>\$ 1,399,419.65</u>	<u>\$ 480,000.00</u>	<u>\$ 206,275.00</u>

Subsequent Event

In May 2012, the Borough received loans from the State of New Jersey to fund Water Treatment Facility Improvements. The Borough has a no interest loan in the amount of \$685,482.00 and a loan for \$238,918 at interest rates from .22% to 3.140%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan</u>	<u>Traditional Loan</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2012	-	-	-
2013	36,078.00	11,282.00	4,400.98
2014	36,078.00	11,307.00	4,376.14
2015	36,078.00	11,347.00	4,336.56
2016	36,078.00	11,401.00	4,282.08
2017-21	180,390.00	58,489.00	19,927.16
2022-26	180,390.00	63,390.00	15,024.78
2027-31	180,390.00	71,702.00	6,713.46
Total	<u>\$ 685,482.00</u>	<u>\$ 238,918.00</u>	<u>\$ 59,061.16</u>

Continued

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

A. Long-Term Debt (Continued)

Subsequent Event (Continued)

New Jersey Environmental Infrastructure Trust (Continued)

In May 2012, the Borough received loans from the State of New Jersey to fund Advanced Waste Water Treatment Plant Improvements. The Borough has a no interest loan in the amount of \$813,055.00 and a loan for \$283,382 at interest rates from .22% to 3.140%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan Principal</u>	<u>Traditional Loan Principal</u>	<u>Interest</u>
2012	-	-	-
2013	42,792.36	13,382.00	5,219.90
2014	42,792.36	13,411.00	5,190.44
2015	42,792.36	13,458.00	5,143.50
2016	42,792.36	13,523.00	5,078.90
2017-21	213,961.80	69,373.00	23,635.30
2022-26	213,961.80	75,189.00	17,820.72
2027-31	<u>213,961.96</u>	<u>85,046.00</u>	<u>7,962.76</u>
Total	<u>\$ 813,055.00</u>	<u>\$ 283,382.00</u>	<u>\$ 70,051.52</u>

B. Short-Term Debt

On December 31, 2011 the Borough's outstanding bond anticipation notes were as follows:

General Capital Fund

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Rate</u>	<u>Dec. 31, 2011</u>
05-24, 09-13	Peddie Lake Dam Improvements	1.75%	\$ 49,000.00
07-04	Automated Garbage Truck and Containers	1.75%	178,596.00
07-21	Acquisition of Ambulance	1.75%	65,850.00
07-26	Police Department Equipment	1.75%	51,900.00
08-01	Westerlea Avenue Improvements	1.75%	50,000.00
09-01	Reconstruction of Morrison Avenue	1.75%	57,700.00
09-10	Improvements to Memorial Parking Lot	1.75%	154,500.00
10-02	Reconstruction of Leshin Lane	1.75%	100,000.00
11-05	Milling and Paving of Various Roads	1.75%	<u>200,000.00</u>
			<u>\$907,546.00</u>

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

B. Short-Term Debt (Continued)

Water-Sewer Utility Capital Fund

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Rate</u>	<u>Dec. 31, 2011</u>
08-10,08-19	Water Sewer Improvements	1.75%	\$ 142,000.00
09-02	Morrison Avenue Improvements	1.75%	39,000.00
09-02	Refurbishment of Water Tanks	1.75%	<u>100,000.00</u>
			<u>\$ 281,000.00</u>

C. Bonds and Notes Authorized but not Issued

At December 31, 2011, the Borough had authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 1,907,997.23
Water-Sewer Utility Capital Fund	\$ 2,386,850.00

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3½% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2011 was 1.33%. The Borough's remaining borrowing power is 2.17%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the statistical section of this report.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 3. DEBT (Continued)

E. Summary of Debt Activity

During 2011 the following changes occurred in the debt of the Borough:

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Capital Fund:				
Serial Bonds	\$ 3,735,000.00	\$ -	\$ 245,000.00	\$ 3,490,000.00
Peddie Lake Dam Restoration Loan	153,125.00	3,125.00	3,400.23	152,849.77
Bond Anticipation Notes	831,546.00	907,546.00	831,546.00	907,546.00
Water-Sewer Utility Capital Fund:				
Serial Bonds	4,850,000.00	-	440,000.00	4,410,000.00
Bond Anticipation Notes	187,000.00	281,000.00	187,000.00	281,000.00
Loans Payable	1,946,250.00	-	66,830.35	1,879,419.65
	<u>\$ 11,702,921.00</u>	<u>\$ 1,191,671.00</u>	<u>\$ 1,773,776.58</u>	<u>\$ 11,120,815.42</u>

NOTE 4. ACCRUED SICK PAY BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused sick pay. The Borough permits certain employees within limits to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation would approximate \$87,382 at December 31, 2011. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES

The fund balances at December 31, 2011 which have been appropriated and included as anticipated revenue in the year ending December 31, 2012 are as follows:

Current Fund	\$ 400,000.00
Water-Sewer Utility Fund	\$ 250,000.00

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 6. TAXES AND WATER/SEWER CHARGES COLLECTED IN ADVANCE

Taxes and water-sewer charges collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance, December 31</u>	
	<u>2011</u>	<u>2010</u>
Prepaid Taxes	\$ 134,420.48	\$ 138,818.84
Prepaid Water-Sewer Utility Charges	\$ 3,875.16	\$ 3,427.73

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Regional School District and County, 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 (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector 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 N.J. 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% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 9. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance Dec. 31, 2011</u>	<u>2012 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Emergency Authorizations (40A:4-46):	\$ 1,600,000.00	\$ 277,364.00	\$ 1,322,636.00 **

**Funded by Bond Ordinance 2012-14.

NOTE 10. PENSION PLANS

The Borough contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System and the Police and Firemen's Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Each plan has a Board of Trustees that implement benefit provisions which are established and amended by State statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P. O. Box 295
Trenton, New Jersey 08625-0295

The contribution requirements of plan members are determined by State statute. Plan members enrolled in the Public Employees' Retirement System are required to contribute 6.5% of their annual covered salary. Plan members enrolled in the Police and Firemen's Retirement System are required to contribute 10.0% of their annual covered salary. The Borough's contributions to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$ 204,537.00	\$ 366,470.00
2010	180,498.00	309,656.00
2009	91,813.50	138,699.50
2008	114,032.00	256,889.00
2007	65,669.40	176,741.60

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 11. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2011, the Borough estimates that no material liabilities will result from such audits.

Major Tax Assessments

Taxpayers in 2011 with assessments in excess of 1% of the total assessed valuation were as follows:

<u>Owner</u>	<u>Assessed Value</u>	<u>Assessed Value</u>
Presbyterian Homes at Meadow Lake	\$ 11,200,000.00	2.33%
Hightstown Development Assoc. LLC	\$ 9,552,000.00	1.98%
Mercer St Warehouse/Bruckner Southern	\$ 5,500,000.00	1.14%

Pending Litigation

There are actions, which have been instituted against the Borough which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

The Borough officials believe that negligence and other types of liability suits, of which the Borough is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

Continued

**BOROUGH OF HIGHTSTOWN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 319,400.84	\$ 156,713.33
Grant Fund	-	17,759.30
Animal Control Fund	-	1,641.54
Trust Fund	152,715.68	5,000.00
General Capital Fund	-	480,000.00
Water-Sewer Operating Fund	306,497.65	-
Water-Sewer Capital Fund	180,000.00	297,500.00
	<u>\$ 958,614.17</u>	<u>\$ 958,614.17</u>

NOTE 13. LENGTH OF SERVICE AWARD PLAN

On December 17, 2001, the Division approved the Borough's Length of Service Award Plan, provided by Lincoln National Life Insurance Company. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln National Life Insurance Company will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$1,150 to each eligible volunteer who accumulates a minimum of 75 service points, based on criteria established by Borough Ordinance No. 99-20. The Borough's contribution shall be included in the current year's budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participant volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

NOTE 14. SUBSEQUENT EVENT - DEBT AUTHORIZED

The Borough adopted the following ordinances in 2012:

General Capital Fund:		
2012-04	Hurricane Irene Damage Emergency	\$ 1,259,653.00
2012-13	Various Capital Improvements	249,500.00
2012-15	Communication Equip.-Fire Dept, First Aid	33,300.00
Water-Sewer Utility Capital Fund:		
2012-14	Mitigation Water Plant/ Roof Replacement	\$ 122,000.00

Concluded

BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
PART II
SUPPLEMENTARY DATA
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2011

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$ 3.128	\$ 3.156	\$ 2.943
Apportionment of Tax Rate			
Net County Levy	.486	.500	.483
County Library Tax	.054	.052	.049
County Open Space Tax	.020	.021	.032
Regional School District	1.692	1.707	1.643
Local Municipal Purpose Tax	.876	.876	.736
Assessed Valuation			
2011	\$ 481,330,622		
2010		\$488,429,147	
2009			\$499,728,918

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 levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2011	\$15,327,099	\$15,009,393	97.92%
2010	\$15,511,943	\$15,102,011	97.35%
2009	\$14,764,063	\$14,207,247	96.22%

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 Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$ 94,180	\$236,145	\$330,325	2.16%
2010	82,300	378,968	461,268	2.97%
2009	71,408	541,295	612,703	4.15%

COMPARATIVE SCHEDULE OF FUND BALANCES

CURRENT FUND:

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Current Fund</u>	<u>Water-Sewer Utility Fund</u>
2011	\$ 547,521	\$ 400,000	\$ -0-
2010	452,908	287,950	-0-
2009	123,938	118,000	-0-

WATER-SEWER UTILITY FUND:

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Current Fund</u>	<u>Water-Sewer Utility Operating Fund</u>
2011	\$ 262,242	\$ -0-	\$ 250,000
2010	366,813	-0-	291,000
2009	345,562	-0-	325,000

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 4,550,396	\$ 4,719,671	\$ 4,686,546
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>6,570,420</u>	<u>6,983,250</u>	<u>5,511,713</u>
	<u>\$ 11,120,816</u>	<u>\$ 11,702,921</u>	<u>\$ 10,198,259</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	\$ 1,894,997	\$ 1,917,625	\$ 2,045,800
Water-Sewer Utility:			
Bonds and Notes	<u>2,386,850</u>	<u>303,450</u>	<u>2,200,200</u>
Total Authorized but not Issued	<u>\$ 4,281,847</u>	<u>\$ 2,221,075</u>	<u>\$ 4,246,000</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 15,402,663</u>	<u>\$ 13,923,996</u>	<u>\$ 14,444,259</u>

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
Steven Kirson	Mayor	
Lawrence D. Quattrone	Council President	
Selena Bibens	Councilwoman	
Gail Doran	Councilwoman	
Skye Gilmartin	Councilwoman	
Isabel McGinty	Councilwoman	
Lynne Woods	Councilwoman	
Debra L. Sopronyi, RMC	Municipal Clerk	\$ 1,000,000
George Lang	Chief Financial Officer	1,000,000
Frederick C. Raffeto, Esq.	Attorney	
Janice Mohr-Kminek	Treasurer	1,000,000
Kathryn Monzo	Tax Collector and Water-Sewer Collector	1,000,000
James M. Newman	Magistrate	1,000,000
Kristy Gilsenan	Court Administrator	1,000,000
Kenneth Pacera	Assessor	

There is a blanket bond with the Mid-Jersey Municipal Joint Insurance Fund in the amount of \$50,000. There is additional coverage through a blanket bond with the Municipal Excess Liability Joint Insurance Fund in the amount of \$950,000. There are also a Public Officials' Bond and a Statutory Position Bond with the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000 subject to deductibles.

CURRENT FUND
 SCHEDULE OF CASH

	<u>Current Fund</u>
Balance, December 31, 2010	\$ 1,004,599.19
Increased by Receipts:	
Taxes Receivable	\$ 15,218,234.40
Revenue Accounts Receivable	1,451,915.47
Miscellaneous Revenue Not Anticipated	75,668.18
Prepaid Taxes	134,420.48
Due from State of N.J. (Ch. 20, P.L. 1971)	30,000.00
Tax Overpayments	7,201.42
Emergency Note Payable	1,600,000.00
Interfunds:	
Trust Funds	152,715.68
Water-Sewer Operating Fund	3,997.65
Due to State of New Jersey	<u>3,166.00</u>
	<u>18,677,319.28</u>
	\$ 19,681,918.47
Decreased by Disbursements:	
2010 Appropriation Reserves	\$ 166,735.56
2011 Appropriations	5,974,568.53
Accounts Payable	3,803.29
County Taxes	2,750,013.72
Regional School District Tax	8,264,830.51
Reserve for Tax Appeals	817.94
Prior Year Refund	2,123.61
Due to State of New Jersey	3,962.00
Interfund - Grant Fund	6,430.54
Interfund - General Capital Fund	160,000.00
Interfund - Water-Sewer Operating Fund	<u>6,060.03</u>
	<u>17,339,345.73</u>
Balance, December 31, 2011	<u><u>\$ 2,342,572.74</u></u>

CURRENT FUND
SCHEDULE OF DUE FROM STATE OF NEW JERSEY
(CH. 20, P.L. 1971)

Balance, December 31, 2010		\$ 377.40
Increased by:		
Senior Citizens Deductions Per Tax Billings	\$ 6,250.00	
Veterans Deductions Per Tax Billings	26,250.00	
Senior Citizen Deductions Allowed by Collector	250.00	
Veterans Deductions Allowed by Collector	<u>875.00</u>	
		<u>33,625.00</u>
		\$ 34,002.40
Decreased by:		
Senior Citizens Deductions Disallowed by Collector:		
Current Year	\$ 375.00	
Prior Year	1,750.00	
Received in Cash from State of N.J.	<u>30,000.00</u>	
		<u>32,125.00</u>
Balance, December 31, 2011		<u><u>\$ 1,877.40</u></u>

CALCULATION OF AMOUNT FOR TAXES RECEIVABLE SCHEDULE

Deductions Per Tax Billings	\$ 32,500.00	
Deductions Allowed	<u>1,125.00</u>	
		\$ 33,625.00
Decreased by:		
Deductions Disallowed		<u>375.00</u>
Taxes Receivable		<u><u>\$ 33,250.00</u></u>

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

Year	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Collections		Chap. 20 P.L. 1971	Adjusted or Canceled	Transfers To Tax Title Liens	Balance Dec. 31, 2011
				2010	2011				
2009	\$ 60.58	-	\$ -	\$ -	\$ 60.58	-	\$ -	-	\$ -
2010	378,907.64	-	1,942.37	-	380,850.01	-	-	-	-
	<u>378,968.22</u>	-	<u>1,942.37</u>	-	<u>380,910.59</u>	-	-	-	-
2011	-	15,327,098.96	-	138,818.84	14,837,323.81	33,250.00	69,681.00	11,880.14	236,145.17
	<u>\$ 378,968.22</u>	<u>\$ 15,327,098.96</u>	<u>\$ 1,942.37</u>	<u>\$ 138,818.84</u>	<u>\$ 15,218,234.40</u>	<u>\$ 33,250.00</u>	<u>\$ 69,681.00</u>	<u>\$ 11,880.14</u>	<u>\$ 236,145.17</u>

Analysis of 2011 Property Tax Levy:

Tax Yield:	
General Property Tax	\$ 15,275,496.24
Added and Omitted Taxes	<u>51,602.72</u>
Total Tax Yield	<u>\$ 15,327,098.96</u>
Tax Levy:	
Regional School District Taxes	
County Taxes:	\$ 8,264,830.61
County Tax	\$ 2,372,669.76
County Library Tax	261,994.66
Open Space Tax	97,693.70
Due County for Added Taxes	<u>9,233.37</u>
	2,741,591.49
	11,006,422.10
Local Tax for Municipal Purposes	
Add: Additional Taxes Levied	\$ 4,277,904.00
Local Taxes for Municipal Purposes Levied	<u>42,772.86</u>
	<u>4,320,676.86</u>
	<u>\$ 15,327,098.96</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance, December 31, 2010	\$ 82,299.77
Increased by:	
Transfer from Taxes	<u>11,880.14</u>
Balance, December 31, 2011	<u><u>\$ 94,179.91</u></u>

CURRENT FUND
 SCHEDULE OF DEFERRED CHARGES

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Authorized</u> <u>2011</u>	<u>Raised in</u> <u>2011</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Emergency Authorization (40A:4-53):				
Revision of Tax Map	\$ 3,000.00		\$ 3,000.00	\$ -
Revaluation	29,000.00		29,000.00	-
Emergency Authorization (40A:4-46):				
Hurricane Irene	-	1,600,000.00	-	1,600,000.00
	<u>\$ 32,000.00</u>	<u>\$1,600,000.00</u>	<u>\$ 32,000.00</u>	<u>\$1,600,000.00</u>

SCHEDULE OF ACCOUNTS PAYABLE

Balance, December 31, 2010	\$ 32,137.64
Increased by:	
Charged to Appropriation Reserves	<u>876.00</u>
	\$ 33,013.64
Decreased by:	
Disbursements	<u>3,803.29</u>
Balance, December 31, 2011	<u>\$ 29,210.35</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Accrued in</u> <u>2011</u>	<u>Collected</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Licenses:					
Alcoholic Beverages	A-2	\$ -	\$ 7,520.00	\$ 7,520.00	\$ -
Other	A-2	-	13,480.00	13,480.00	-
Fees and Permits	A-2	-	35,540.50	35,540.50	-
Fines and Costs:					
Municipal Court	A-2	20,677.26	247,687.30	247,413.13	20,951.43
Interest and Costs on Taxes	A-2	-	106,529.81	106,529.81	-
Interest on Investments and Deposits	A-2	-	19,090.19	19,090.19	-
Lease of Borough-Owned Property - AT&T	A-2	-	81,073.92	81,073.92	-
Consolidated Municipal Property Tax Relief Aid	A-2	-	101,196.00	101,196.00	-
Energy Receipts Tax	A-2	-	402,354.00	402,354.00	-
Uniform Construction Code Fees	A-2	-	44,220.00	44,220.00	-
Interlocal Services Agreement - 911 Cranbury Township	A-2	-	149,850.00	149,850.00	-
Interlocal Services Agreement - Roosevelt Borough Trash Collection	A-2	-	52,530.00	52,530.00	-
Interlocal Services Agreement - Roosevelt Borough Trash Collection - Tipping Fees	A-2	-	28,512.85	28,512.85	-
Recycling Tonnage Grant	A-2	-	9,895.45	9,895.45	-
Clean Communities Program	A-2	-	7,520.26	7,520.26	-
Alcohol Education Rehabilitation Fund	A-2	-	6,040.69	6,040.69	-
Body Armor Grant	A-2	-	1,437.28	1,437.28	-
Over the Limit Under Arrest	A-2	-	4,400.00	4,400.00	-
ANJEC Planning Grant	A-2	-	5,250.00	5,250.00	-
Uniform Fire Safety Act	A-2	-	10,807.48	10,807.48	-
CATV - Franchise Fee	A-2	-	34,793.70	34,793.70	-
The Peddie School - Gift	A-2	-	23,000.00	23,000.00	-
Verizon Franchise Fee	A-2	-	27,413.55	27,413.55	-
Reserve for Debt Service	A-2	-	10,000.00	10,000.00	-
Hightstown Housing Authority - Payment in Lieu of Taxes	A-2	-	22,046.66	22,046.66	-
		<u>\$ 20,677.26</u>	<u>\$ 1,452,189.64</u>	<u>\$ 1,451,915.47</u>	<u>\$ 20,951.43</u>

CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES

	<u>2010 Unexpended</u>	<u>Balance After Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
General Administration				
Salaries and Wages	\$ 920.77	\$ 920.77	\$ -	\$ 920.77
Other Expenses	9.05	9.05	-	9.05
Mayor and Council				
Salaries and Wages	1,755.00	1,755.00	-	1,755.00
Other Expenses	55.79	247.00	191.21	55.79
Municipal Clerk				
Salaries and Wages	2,737.83	2,737.83	1,307.70	1,430.13
Other Expenses	293.64	893.58	799.56	94.02
Elections				
Other Expenses	53.69	53.69	-	53.69
Office Supplies and Paper Products				
Other Expenses	503.10	2,285.64	1,511.25	774.39
Financial Administration				
Salaries and Wages	2,169.72	2,169.72	2,150.00	19.72
Other Expenses	148.50	148.50	60.00	88.50
Audit Services				
Other Expenses	-	9,505.00	9,485.00	20.00
Grant Writing and Administration				
Other Expenses	52.50	52.50	-	52.50
Central Computer (Data Processing Tech)				
Other Expenses	2,491.96	4,606.44	2,540.58	2,065.86
Tax Collection				
Salaries and Wages	142.12	142.12	140.00	2.12
Other Expenses	1,077.00	1,077.00	-	1,077.00
Tax Assessment				
Salaries and Wages	0.98	0.98	-	0.98
Other Expenses	1,305.77	1,505.77	200.00	1,305.77
Interest on Tax Appeals				
Other Expenses	100.00	100.00	-	100.00
Legal Services and Costs				
Other Expenses	1,212.80	10,433.33	8,575.99	1,857.34
Engineering Services				
Other Expenses	600.00	4,287.50	1,332.50	2,955.00
Historical Commission				
Other Expenses	1,093.20	1,093.20	-	1,093.20
Planning Board				
Salaries and Wages	551.56	551.56	-	551.56
Other Expenses	501.50	3,561.50	1,616.01	1,945.49
Insurance				
Insurance Deductibles	2,000.00	2,000.00	8.55	1,991.45
Employee Group Health Insurance	7,126.37	7,495.37	687.00	6,808.37

Continued

CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
(CONTINUED FROM PRIOR PAGE)

	<u>2010 Unexpended</u>	<u>Balance After Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Police Department				
Salaries and Wages	\$ 3,504.17	\$ 3,504.17	\$ 3,504.00	\$ 0.17
Other Expenses	11,051.88	12,067.25	7,221.02	4,846.23
Police - Fire Radio Communications				
Salaries and Wages	1,625.37	1,625.37	-	1,625.37
Other Expenses	1,025.11	1,825.11	354.00	1,471.11
Emergency Management				
Other Expenses	250.00	250.00	-	250.00
Fire Department				
Other Expenses	14,336.91	21,045.59	19,716.76	1,328.83
Uniform Fire Safety Act				
Salaries and Wages	70.02	70.02	-	70.02
Other Expenses	4.38	105.50	101.12	4.38
First Aid Organization:				
Other Expenses	522.19	927.22	405.03	522.19
Municipal Prosecutor				
Salaries and Wages	200.00	2,600.00	2,400.00	200.00
Streets and Roads				
Salaries and Wages	7,251.06	7,251.06	-	7,251.06
Other Expenses	2,292.72	6,328.07	6,287.78	40.29
Snow Removal				
Other Expenses	0.02	0.02	-	0.02
Sanitation/Solid Waste Collection				
Salaries and Wages	1,736.47	1,736.47	-	1,736.47
Other Expenses	1,064.29	1,777.85	754.94	1,022.91
Public Buildings and Grounds				
Salaries and Wages	2,277.70	2,277.70	-	2,277.70
Other Expenses	1,060.36	3,024.66	1,906.80	1,117.86
Recycling				
Salaries and Wages	4,046.64	4,046.64	-	4,046.64
Other Expenses	1,400.36	2,661.24	77.88	2,583.36
Vehicle Maintenance				
Other Expenses	2,530.62	4,306.98	3,954.17	352.81
Community Services / Condominium Act				
Other Expenses	2,785.07	2,785.07	2,784.10	0.97
Board of Health				
Salaries and Wages	2,829.63	2,829.63	-	2,829.63
Other Expenses	480.40	1,477.00	996.60	480.40
Environmental Commission				
Other Expenses	202.14	257.14	-	257.14

Continued

CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
(CONTINUED FROM PRIOR PAGE)

	<u>2010 Unexpended</u>	<u>Balance After Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Animal Control				
Other Expenses	\$ 100.00	\$ 100.00	\$ -	\$ 100.00
Maintenance of Parks				
Salaries and Wages	3,715.13	3,715.13	-	3,715.13
Other Expenses	2,030.91	2,183.75	133.25	2,050.50
Recreation & Open Space (Parks Commission)				
Other Expenses	2,771.43	2,771.43	-	2,771.43
Celebration of Public Events:				
Other Expenses	195.00	195.00	-	195.00
Accumulated Sick and Vacation				
Other Expenses	0.05	0.05	-	0.05
Postage and Shipping Charges				
Other Expenses	1,008.35	1,035.74	27.39	1,008.35
Utilities				
Gasoline and Diesel Fuel	2,852.64	12,664.79	10,702.21	1,962.58
Electricity	4,177.86	4,630.67	4,106.35	524.32
Telephone	3,483.88	4,375.12	2,424.64	1,950.48
Natural Gas and Heating Oil	2,646.04	4,657.26	2,011.22	2,646.04
Street Lighting	3,238.78	6,816.45	6,816.38	0.07
Landfill Disposal Costs				
Other Expenses	27,242.55	38,076.72	30,568.51	7,508.21
Municipal Court				
Salaries and Wages	1,016.76	1,016.76	-	1,016.76
Other Expenses	6,334.03	9,247.07	3,195.55	6,051.52
Construction Official				
Salaries and Wages	2,203.87	2,203.87	-	2,203.87
Other Expenses	1,635.15	3,863.65	2,228.50	1,635.15
Housing Code Enforcement				
Salaries and Wages	3,257.28	3,257.28	-	3,257.28
Other Expenses	450.00	450.00	190.00	260.00
Contribution to:				
Social Security System	3,697.99	3,697.99	-	3,697.99
Defined Contribution Benefit Plan	5,000.00	5,000.00	-	5,000.00
Length of Service Awards Program	5,400.00	5,400.00	-	5,400.00
Recycling Tax	1,227.28	1,638.91	752.88	886.03
Implementation of 911				
Salaries and Wages	10,630.24	10,630.24	-	10,630.24
Other Expenses	9,119.23	9,799.40	729.15	9,070.25

Continued

CURRENT FUND
 SCHEDULE OF 2010 APPROPRIATION RESERVES
 (CONTINUED FROM PRIOR PAGE)

	<u>2010 Unexpended</u>	<u>Balance After Transfers and</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Senior Citizen Program				
Other Expenses	\$ 18,204.34	\$ 18,204.34	\$ 17,547.84	\$ 656.50
Health Services:				
Salaries and Wages	1,128.25	1,128.25	-	1,128.25
Other Expenses	175.00	175.00	-	175.00
Emergency Medical Services				
Other Expenses	525.05	525.05	-	525.05
Landfill Disposal Costs (Roosevelt)				
Other Expenses	1,882.17	5,946.55	4,064.38	1,882.17
Vehicle Maintenance Services				
Other Expenses	3,478.64	4,522.40	1,043.76	3,478.64
	<u>\$ 218,278.26</u>	<u>\$ 310,341.68</u>	<u>\$ 167,611.56</u>	<u>\$ 142,730.12</u>
Encumbrances	<u>92,063.42</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 310,341.68</u></u>	<u><u>\$ 310,341.68</u></u>	<u><u>\$ 167,611.56</u></u>	<u><u>\$ 142,730.12</u></u>
Disbursements			\$ 166,735.56	
Accounts Payable			<u>876.00</u>	
			<u><u>\$ 167,611.56</u></u>	

CURRENT FUND
SCHEDULE OF PREPAID TAXES

Balance, December 31, 2010	\$ 138,818.84
Increased by:	
Receipts	<u>134,420.48</u>
	\$ 273,239.32
Decreased by:	
Applied to 2011 Taxes	<u>138,818.84</u>
Balance, December 31, 2011	<u><u>\$ 134,420.48</u></u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

Balance, December 31, 2010	\$ 9,271.14
Increased by:	
Receipts	<u>7,201.42</u>
Balance, December 31, 2011	<u>\$ 16,472.56</u>

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SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Levy Calendar year 2011	\$ 8,264,830.61
Payments	<u>8,264,830.51</u>
Balance, December 31, 2011	<u>\$ 0.10</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

Balance, December 31, 2010		\$ 17,655.60
Increased by:		
General County Levy	\$ 2,372,669.76	
County Library	261,994.66	
County Open Space Preservation	97,693.70	
Due County for Added and Omitted Taxes	<u>9,233.37</u>	
		<u>2,741,591.49</u>
		\$ 2,759,247.09
Decreased by:		
Payments		<u>2,750,013.72</u>
Balance, December 31, 2011		<u><u>\$ 9,233.37</u></u>

CURRENT FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Receipts</u>	<u>Adjustment</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
State Training Fees	\$ 1,562.00	\$ 2,641.00	\$ -	\$ 3,512.00	\$ 691.00
Marriage Licenses	375.00	525.00	175.00	450.00	275.00
	<u>\$ 1,937.00</u>	<u>\$ 3,166.00</u>	<u>\$ 175.00</u>	<u>\$ 3,962.00</u>	<u>\$ 966.00</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR REVALUATION

Balance, December 31, 2011 and 2010

\$ 15,000.00

GRANT FUND
SCHEDULE OF CASH

Balance, December 31, 2010		\$ 66,242.48
Receipts:		
Grants Receivable	\$ 26,354.84	
Due from Current Fund	11,328.76	
Reserve for Grants Unappropriated	<u>2,070.40</u>	
		<u>39,754.00</u>
		\$ 105,996.48
Disbursements:		
Reserve for Grants Appropriated		<u>20,668.58</u>
Balance, December 31, 2011		<u><u>\$ 85,327.90</u></u>

GRANT FUND
 SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2010	2011 Budget Revenue Realized	Received	Balance Dec. 31, 2011
Clean Communities	\$ -	\$ 7,520.26	\$ 7,520.26	\$ -
Municipal Court Alcohol Education and Rehabilitation Fund	-	6,040.69	6,040.69	-
Over the Limit - Under Arrest	-	4,400.00	-	4,400.00
Division of Parks and Forestry Trees	7,000.00	-	6,980.00	20.00
Recycling Tonnage Grant	-	9,895.45	9,895.45	-
Body Armor Grant - State	-	1,437.28	1,437.28	-
Body Armor Grant - Federal	833.84	-	-	833.84
ANJEC Land Use Planning Grant	-	5,250.00	-	5,250.00
JIF Safety Grant	376.00	-	-	376.00
Total	\$ 8,209.84	\$ 34,543.68	\$ 31,873.68	\$ 10,879.84

Unappropriated
 Cash Receipts

\$ 5,518.84
26,354.84
\$ 31,873.68

GRANT FUND
 SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Transferred from 2011 Budget Appropriations		Prior Year Encumbrances	Expended	Reserve for Encumbrances	Balance Dec. 31, 2011
	Budget	Appropriation By 40A:4-87				
Balance Dec. 31, 2010	\$ 27,256.28	\$ -	\$ -	\$ 3,063.01	\$ 142.00	\$ 24,051.27
Drunk Driving Enforcement Fund	-	-	-	7,520.26	-	-
Clean Communities	17,809.89	6,040.69	1,200.00	13,370.00	-	11,680.58
Municipal Court Alcohol Education and Rehabilitation Fund	-	4,400.00	-	-	-	4,400.00
Over the Limit - Under Arrest	-	4,376.61	-	-	-	24,713.98
Recycling Tonnage Grant	5,518.84	1,437.28	-	2,265.85	-	1,778.02
Body Armor Grant	-	-	-	-	-	1,603.47
Body Armor Grant - Federal	-	-	-	880.00	-	20.00
Division of Parks and Forestry Trees	-	-	-	-	-	2,405.72
FEMA State and Local Hazards Emergency Grant	-	-	-	-	-	5,250.00
ANJEC Land Use Planning Grant	-	5,250.00	-	-	-	333.00
JIF Safety Grant	-	-	-	-	-	-
	\$ 13,039.10	\$ 21,504.58	\$ 1,200.00	\$ 27,099.12	\$ 142.00	\$ 76,236.04

Paid by Current Fund
 Disbursed

\$ 6,430.54
20,668.58
<u>\$ 27,099.12</u>

GRANT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

Balance, December 31, 2010	\$ 1,200.00
Increased by:	
Charged to Reserve for Grants	<u>142.00</u>
	\$ 1,342.00
Decreased by:	
Encumbrances Prior Year	<u>1,200.00</u>
Balance, December 31, 2011	<u><u>\$ 142.00</u></u>

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SCHEDULE OF DUE TO/FROM CURRENT FUND

Increased by:	
Current Fund receipts deposited into Grant Fund	\$ 11,328.76
Grant Expenditures paid by Current Fund	<u>6,430.54</u>
Balance, December 31, 2011	<u><u>\$ 17,759.30</u></u>

CURRENT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

<u>Grant</u>	Balance	Transferred to		Balance
	<u>Dec. 31, 2010</u>	<u>2011 Budget</u>	<u>Received</u>	<u>Dec. 31, 2011</u>
		<u>Appropriations</u>		
		<u>Budget</u>		
Recycling Tonnage Grant	\$ 5,518.84	\$ 5,518.84	\$ -	\$ -
JIF Safety Grant	<u>-</u>	<u>-</u>	<u>2,070.40</u>	<u>2,070.40</u>
	<u>\$ 5,518.84</u>	<u>\$ 5,518.84</u>	<u>\$ 2,070.40</u>	<u>\$ 2,070.40</u>

TRUST FUND
 SCHEDULE OF TRUST CASH - TREASURER

	Animal Control	Other Trust	Escrow Trust
Balance, December 31, 2010	\$ 12,600.13	\$ 868,251.58	\$ 178,576.49
Increased by Receipts:			
Due to State of New Jersey	\$ 529.20	-	-
Reserve for Animal Control	5,205.15	-	-
Due from Current Fund	142.86	-	-
Redemption of Tax Title Liens	-	676,629.63	-
Law Enforcement Fund - Federal	-	9.01	-
Law Enforcement Fund	-	36,754.22	-
Public Defender	-	5,849.00	-
Unemployment Trust Fund	-	80.48	-
Payroll Deductions	-	4,018,897.47	-
Miscellaneous Trust Funds	-	294,170.38	-
Housing Trust	-	2,959.20	-
Escrow Fees	-	-	-
	<u>5,877.21</u>	<u>5,035,349.39</u>	<u>82,972.15</u>
	\$ 18,477.34	\$ 5,903,600.97	\$ 261,548.64
Decreased by Disbursements:			
N.J. State Dept. of Health	\$ 536.40	-	-
Expenditures Per R.S. 4:19-15.11	3,897.20	-	-
Redemption of Tax Title Liens	-	610,565.21	-
Law Enforcement Fund	-	10,684.60	-
Public Defender	-	5,400.00	-
Unemployment Trust Fund	-	17,683.86	-
Payroll Deductions	-	4,018,437.89	-
Miscellaneous Trust Funds	-	119,365.65	-
Due to Current Fund	-	150,113.40	-
Escrow Fees	-	-	-
	<u>4,433.60</u>	<u>4,932,250.61</u>	<u>83,262.70</u>
Balance, December 31, 2011	\$ 14,043.74	\$ 971,350.36	\$ 178,285.94

TRUST FUND
SCHEDULE OF DUE TO N.J. STATE DEPARTMENT OF HEALTH

Balance, December 31, 2010		\$	22.20
Increased by:			
State Registration Fees - 2011			<u>529.20</u>
		\$	551.40
Decreased by:			
Disbursed to State	536.40		
Adjustment to Balance	<u>13.80</u>		
			<u>550.20</u>
Balance, December 31, 2011		\$	<u><u>1.20</u></u>

Analysis of Balance

Dec 2011	<u>1.20</u>
	<u><u>\$ 1.20</u></u>

TRUST FUND
 SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

Balance, December 31, 2010			\$ 12,446.64
Increased by:			
License Fees Collected - 2011 Licenses	\$ 4,325.15		
Late Fees	<u>880.00</u>		
		5,205.15	
Adjustment to Balance		<u>13.80</u>	
			<u>5,218.95</u>
			\$ 17,665.59
Decreased by:			
Expenditures Per R.S. 4:19-15.11		3,897.20	
Statutory Excess Due Current Fund		<u>1,367.39</u>	
			<u>5,264.59</u>
Balance, December 31, 2011			<u><u>\$ 12,401.00</u></u>

Municipal Fees Collected

<u>Year</u>	<u>Amount</u>
2009	\$ 6,309.60
2010	<u>6,091.40</u>
	<u><u>\$ 12,401.00</u></u>

TRUST FUND
SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX SALE CERTIFICATES

Balance, December 31, 2010	\$ 1,340.17
Increased by:	
Deposits for Redemption	<u>676,629.63</u>
	\$677,969.80
Decreased by:	
Redemption of Tax Title Liens	<u>610,565.21</u>
Balance, December 31, 2011	<u><u>\$ 67,404.59</u></u>

SCHEDULE OF REGIONAL CONTRIBUTION AGREEMENT - MANALAPAN

Balance, December 31, 2010 and 2011	<u><u>\$174,121.53</u></u>
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TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT FUND - FEDERAL

Balance, December 31, 2010	\$	2,253.48
Increased by:		
Interest Earned		<u>9.01</u>
	\$	2,262.49
Balance, December 31, 2011	\$	<u>2,262.49</u>

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT FUND

Balance, December 31, 2010	\$	7,127.54
Increased by:		
Received from County of Mercer	\$	36,617.00
Interest Earned		<u>137.22</u>
		<u>36,754.22</u>
	\$	43,881.76
Decreased by:		
Disbursements		<u>10,684.60</u>
Balance, December 31, 2011	\$	<u>33,197.16</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC DEFENDER

Balance, December 31, 2010		\$ 7,531.47
Increased by:		
Receipts		<u>5,849.00</u>
		\$ 13,380.47
Decreased by:		
Disbursements		<u>5,400.00</u>
Balance, December 31, 2011		<u><u>\$ 7,980.47</u></u>

SCHEDULE OF UNEMPLOYMENT TRUST FUND

Balance, December 31, 2010		\$ 36,828.52
Increased by Receipts:		
Interest on Investments	\$ 80.48	
Employee Payroll Deductions	<u>4,780.70</u>	
		<u>4,861.18</u>
		\$ 41,689.70
Decreased by:		
Paid to N.J. Employment Security Agency/ N.J. Unemployment Compensation Fund		<u>17,683.86</u>
Balance, December 31, 2011		<u><u>\$ 24,005.84</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

Balance, December 31, 2010		\$ 34,794.43
Increased by:		
Receipts		<u>4,018,897.47</u>
		\$ 4,053,691.90
Decreased by:		
Employee Unemployment Deductions due Unemployment Trust Fund	\$ 4,780.70	
Disbursements	<u>4,018,437.89</u>	
		<u>4,023,218.59</u>
Balance, December 31, 2011		<u><u>\$ 30,473.31</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW FEES

Balance, December 31, 2010	\$ 178,576.49
Increased by:	
Receipts	<u>82,972.15</u>
	\$ 261,548.64
Decreased by:	
Disbursements	<u>83,262.70</u>
Balance, December 31, 2011	<u><u>\$ 178,285.94</u></u>

TRUST FUND
SCHEDULE OF HOUSING TRUST

Balance, December 31, 2010		\$ 392,922.53
Increased by:		
Payments in Lieu of Construction	\$ 1,500.00	
Interest Earned	<u>1,459.20</u>	
		<u>2,959.20</u>
Balance, December 31, 2011		<u><u>\$ 395,881.73</u></u>

TRUST FUND
SCHEDULE OF LOSAP
(LENGTH OF SERVICE AWARD PROGRAM)
(UNAUDITED)

Balance, December 31, 2010		\$439,895.29
Decreased by:		
Change in Investments (net)	\$ 14,836.25	
Account Charge	<u>1,300.00</u>	
		<u>16,136.25</u>
Balance, December 31, 2011		<u><u>\$423,759.04</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL CAPITAL FUND CASH-TREASURER

Balance, December 31, 2010		\$ 39,228.14
Increased by Receipts:		
Current Fund Appropriations:		
Capital Improvement Fund	\$ 5,000.00	
Payment of BAN Principal	45,000.00	
Premium on Bond Anticipation Notes	1,774.00	
Due From Current Fund	160,000.00	
Due from Water-Sewer Capital Fund	180,000.00	
Bond Anticipation Notes	907,546.00	
Loan Proceeds	3,125.00	
Grants Receivable	<u>863,929.57</u>	
		<u>2,166,374.57</u>
		\$ 2,205,602.71
Decreased by Disbursements:		
Encumbrances Payable	\$1,021,512.54	
Various Reserves	10,000.00	
Bond Anticipation Notes	<u>831,546.00</u>	
		<u>1,863,058.54</u>
Balance, December 31, 2011		<u><u>\$ 342,544.17</u></u>

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

Balance, December 31, 2010		\$ 3,888,125.00
Increased by:		
Improvement Costs Funded by Loans Issued		<u>3,125.00</u>
		\$ 3,891,250.00
Decreased by:		
2011 Budget Appropriation to Pay Serial Bonds	\$ 245,000.00	
2011 Budget Appropriation to Pay Loans	<u>3,400.23</u>	
		<u>248,400.23</u>
Balance, December 31, 2011		<u><u>\$ 3,642,849.77</u></u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2010	Authorized 2011	Grants Received	Loans Issued	Budget Appropriation Note Principal	Balance Dec. 31, 2011	Bond Anticipation Notes	Analysis of Balance		Unexpended Balance of Improvement Authorizations
									Expenditures	Expenditures	
05-24,09-13	Peddle Lake Dam Improvements	\$ 52,675.00	\$ -	\$ -	\$ 3,125.00	\$ -	\$ 49,550.00	\$ 49,000.00	\$ -	\$ -	\$ 550.00
07-04	Automated Garbage Truck and Containers	204,146.00	-	-	-	25,550.00	178,596.00	178,596.00	-	-	-
07-21	Acquisition of Ambulance	75,300.00	-	-	-	9,450.00	65,850.00	65,850.00	-	-	-
07-26	Various Police Equipment	58,900.00	-	-	-	7,000.00	51,900.00	51,900.00	-	-	-
08-01	Westerea Avenue Improvements	78,500.00	-	-	-	3,000.00	75,500.00	50,000.00	-	-	25,500.00
09-01	Reconstruction of Morrison Avenue	57,700.00	-	-	-	-	57,700.00	57,700.00	-	-	-
09-10	Improvements to Memorial Park Parking Lot	154,500.00	-	-	-	-	154,500.00	154,500.00	-	-	-
09-20	Stockton Street Historic District Improvements	1,658,691.24	-	507,444.01	-	-	1,151,247.23	-	568,969.23	-	582,278.00
10-02	Reconstruction of Leshin Lane	228,758.85	-	115,758.85	-	-	113,000.00	100,000.00	-	-	13,000.00
10-16	Summit Street Sidewalk Improvements	180,000.00	-	-	-	-	180,000.00	-	174,207.21	-	5,792.79
11-05	Milling and Paving Various Roads	-	432,000.00	-	-	-	432,000.00	200,000.00	182,535.90	-	49,464.10
11-11	DPW Vehicles and DPW/Police Equipment	-	305,700.00	-	-	-	305,700.00	-	192,173.74	-	113,526.26
		<u>\$ 2,749,171.09</u>	<u>\$ 737,700.00</u>	<u>\$ 623,202.86</u>	<u>\$ 3,125.00</u>	<u>\$ 45,000.00</u>	<u>\$ 2,815,543.23</u>	<u>\$ 907,546.00</u>	<u>\$ 1,117,886.08</u>	<u>\$ 790,111.15</u>	

Improvement Authorizations - Unfunded		
Less: Unexpended Proceeds BAN		\$
09-13		518.34
07-26		618.17
08-01		2,794.50
09-01		3,307.12
09-10		602.72
10-02		26,715.32
		<u>34,556.17</u>
		<u>\$ 790,111.15</u>

GENERAL CAPITAL FUND
 SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Receivables not Offset with Reserves:				
DOT Memorial Park Parking Lot (09-10)	\$ 262,500.00	\$ -	\$ 240,726.71	\$ 21,773.29
	<u>\$ 262,500.00</u>	<u>\$ -</u>	<u>\$ 240,726.71</u>	<u>\$ 21,773.29</u>
Receivables Offset with Reserves:				
DOT Morrison Ave. (09-01)	\$ -	\$ -	\$ -	\$ -
DOT Memorial Park Parking Lot (09-10)	87,500.00	-	-	87,500.00
Stockton Street Historic District Imp. (09-20)	1,508,691.24	-	507,444.01	1,001,247.23
Reconstruction of Leshin Lane (10-02)	115,758.85	-	115,758.85	-
Summit Street Sidewalk Imp. (10-16)	147,000.00	-	-	147,000.00
Milling and Paving Various Roads (11-05)	-	290,000.00	-	290,000.00
	<u>\$1,858,950.09</u>	<u>\$ 290,000.00</u>	<u>\$ 623,202.86</u>	<u>\$1,525,747.23</u>
Total	<u><u>\$2,121,450.09</u></u>	<u><u>\$ 290,000.00</u></u>	<u><u>\$ 863,929.57</u></u>	<u><u>\$1,547,520.52</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Reserve for John and Mary Hight Sculpture	\$ 150.00	\$ -	\$ 150.00
Reserve for Donations	50.00	-	50.00
Reserve for Housing Rehabilitation	47.00	-	47.00
Reserve for Debt Service	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>
	<u>\$ 10,247.00</u>	<u>\$ 10,000.00</u>	<u>\$ 247.00</u>

GENERAL CAPITAL FUND
SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND

Balance, December 31, 2010	\$ 21,630.00
Increased by:	
2011 Budget Appropriation	<u>5,000.00</u>
	\$ 26,630.00
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>15,300.00</u>
Balance, December 31, 2011	<u><u>\$ 11,330.00</u></u>

GENERAL CAPITAL FUND
 SCHEDULE OF BOND ANTICIPATION NOTES

Ord. No.	Description	Date of Ordinance	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
05-24	Peddle Lake Dam Improvements	8/03/2009	12/09/2011	12/09/2011	12/07/2012	1.75%	\$ -	\$ 49,000.00	\$ -	\$ 49,000.00
07-04	Automated Garbage Truck and Containers	2/20/2007	12/28/2007	12/09/2011	12/07/2012	1.75%	204,146.00	178,596.00	204,146.00	178,596.00
07-21	Acquisition of Ambulance	9/04/2007	12/28/2007	12/09/2011	12/07/2012	1.75%	75,300.00	65,850.00	75,300.00	65,850.00
07-26	Police Department Equipment	11/19/2007	12/11/2008	12/09/2011	12/07/2012	1.75%	58,900.00	51,900.00	58,900.00	51,900.00
08-01	Westerlea Avenue Improvements	1/22/2008	12/11/2008	12/09/2011	12/07/2012	1.75%	53,000.00	50,000.00	53,000.00	50,000.00
09-01	Reconstruction of Morrison Avenue	2/02/2009	12/23/2009	12/09/2011	12/07/2012	1.75%	57,700.00	57,700.00	57,700.00	57,700.00
09-10	Improvements to Memorial Parking Lot	5/18/2009	12/23/2009	12/09/2011	12/07/2012	1.75%	154,500.00	154,500.00	154,500.00	154,500.00
10-02	Reconstruction of Leshin Lane	2/01/2010	12/10/2010	12/09/2011	12/07/2012	1.75%	228,000.00	100,000.00	228,000.00	100,000.00
11-11	DPW Vehicles and DPW/Police Equipment	6/06/2011	12/09/2011	12/09/2011	12/07/2012	1.75%	-	200,000.00	-	200,000.00
							<u>\$ 831,546.00</u>	<u>\$ 907,546.00</u>	<u>\$ 831,546.00</u>	<u>\$ 907,546.00</u>

Notes Issued	\$ -
Notes Renewed	\$ 249,000.00
Notes Paid by Budget Appropriation	658,546.00
Notes Paid - Not Renewed or Budgeted	-
Notes Paid by Grant Proceeds	-
	<u>\$ 907,546.00</u>
	<u>\$ 831,546.00</u>

GENERAL CAPITAL FUND
 SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2011</u>	<u>Interest Rate</u>	<u>Balance</u>	
					<u>Dec. 31, 2010</u>	<u>Dec. 31, 2011</u>
General Improvement Bonds of 2008	2/01/2008	\$ 4,000,000	10/01/2012 \$ 270,000 10/01/2013 290,000 10/01/2014 305,000 10/01/2015 320,000 10/01/2016 340,000 10/01/2017 360,000 10/01/2018 375,000 10/01/2019 390,000 10/01/2020 410,000 10/01/2021 430,000	3.00% 3.00% 3.00% 3.00% 3.25% 3.25% 3.50% 3.75% 3.75%	\$ 3,735,000.00	\$ 3,490,000.00
					<u>\$ 3,735,000.00</u>	<u>\$ 3,490,000.00</u>
					<u>\$ 245,000.00</u>	<u>\$ 245,000.00</u>
					<u>\$ 3,490,000.00</u>	<u>\$ 3,490,000.00</u>

GENERAL CAPITAL FUND
 SCHEDULE OF CAPITAL IMPROVEMENT LOANS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2010	Issued	Decreased	Balance Dec. 31, 2011
			Date	Amount					
Peddie Lake Dam Restoration Loan	2011	\$ 156,250	6/10/2012	3,434.24	2.00%	\$ 153,125.00	\$ 3,125.00	\$ 3,400.23	\$ 152,849.77
			12/10/2012	3,468.58					
			6/10/2013	3,503.26					
			12/10/2013	3,538.30					
			6/10/2014	3,573.68					
			12/10/2014	3,609.42					
			6/10/2015	3,645.51					
			12/10/2015	3,681.97					
			6/10/2016	3,718.79					
			12/10/2016	3,755.97					
			6/10/2017	3,793.53					
			12/10/2017	3,831.47					
			6/10/2018	3,869.78					
			12/10/2018	3,908.48					
			6/10/2019	3,947.57					
			12/10/2019	3,987.04					
			6/10/2020	4,026.91					
			12/10/2020	4,067.18					
			6/10/2021	4,107.85					
			12/10/2021	4,148.93					
			6/10/2022	4,190.42					
			12/10/2022	4,232.32					
			6/10/2023	4,274.65					
			12/10/2023	4,317.39					
			6/10/2024	4,360.57					
			12/10/2024	4,404.17					
			6/10/2025	4,448.22					
			12/10/2025	4,492.70					
			6/10/2026	4,537.63					
			12/10/2026	4,583.00					
			6/10/2027	4,628.83					
			12/10/2027	4,675.12					
			6/10/2028	4,721.87					
			12/10/2028	4,769.09					
			6/10/2029	4,816.78					
			12/10/2029	4,864.95					
			6/10/2030	4,913.60					
						\$ 153,125.00	\$ 3,125.00	\$ 3,400.23	\$ 152,849.77

GENERAL CAPITAL FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

Balance, December 31, 2010	\$ 891,495.74
Increased by:	
Charged to Improvement Authorizations	<u>955,028.30</u>
	\$ 1,846,524.04
Decreased by:	
Payment	<u>1,021,512.54</u>
Balance, December 31, 2011	<u><u>\$ 825,011.50</u></u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2010	Authorized 2011	Funded By Loan Proceeds	Bond Anticipation Notes not Renewed	Grants Received	Bond Anticipation Notes Issued	Balance Dec. 31, 2011
05-24,09-13	Peddie Lake Dam Improvements	\$ 52,675.00	\$ -	\$ 3,125.00	-	\$ -	\$ 49,000.00	\$ 550.00
08-01	Westerlea Avenue Improvements	25,500.00	-	-	-	-	-	25,500.00
09-20	Stockton Street Improvements	1,658,691.24	-	-	-	507,444.01	-	1,151,247.23
10-02	Reconstruction of Leshin Lane	758.85	-	-	13,000.00	758.85	-	13,000.00
10-16	Summit Street Sidewalk Improvements	180,000.00	432,000.00	-	-	-	200,000.00	180,000.00
11-05	Milling and Paving Various Roads	-	305,700.00	-	-	-	-	232,000.00
11-11	DPW Vehicles and DPW/Police Equipment	-	-	-	-	-	-	305,700.00
		<u>\$ 1,917,625.09</u>	<u>\$ 737,700.00</u>	<u>\$ 3,125.00</u>	<u>\$ 13,000.00</u>	<u>\$ 508,202.86</u>	<u>\$ 249,000.00</u>	<u>\$ 1,907,997.23</u>

WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF UTILITY CASH - COLLECTOR/TREASURER

Balance, December 31, 2010		\$ 291,087.12
Increased by Receipts:		
Consumer Accounts Receivable - Rents	\$ 2,266,695.60	
Miscellaneous Revenue	584,259.64	
Due to Current Fund	6,060.03	
Non-Budget Revenues	1,001.39	
Prepaid Rents	3,875.16	
Water-Sewer Rent Overpayment	<u>2,862.45</u>	
		<u>2,864,754.27</u>
		\$ 3,155,841.39
Decreased by Disbursements:		
Budget Appropriations	\$ 2,544,025.86	
Appropriation Reserves	70,330.97	
Due From Current Fund	3,997.65	
Accrued Interest on Bonds and Loans	186,637.50	
Accrued Interest on Notes	<u>1,402.10</u>	
		<u>2,806,394.08</u>
Balance, December 31, 2011		<u><u>\$ 349,447.31</u></u>

WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF UTILITY CAPITAL CASH

Balance, December 31, 2010		\$ 185,198.58
Increased by Receipts:		
Due to Current Fund		
Budget Appropriations:		
Capital Improvement Fund	\$ 2,500.00	
Bond Anticipation Note Principal	6,000.00	
Loans Received	324,121.00	
Premium on Bond Anticipation Notes	560.00	
Due to Water Sewer Operating Fund	297,500.00	
Bond Anticipation Notes	<u>281,000.00</u>	
		<u>911,681.00</u>
		\$ 1,096,879.58
Decreased by Disbursements:		
Bond Anticipation Notes	\$ 187,000.00	
Encumbrances Payable	294,801.24	
Due to Water Sewer Operating Fund	300,000.00	
Due from General Capital Fund	<u>180,000.00</u>	
		<u>961,801.24</u>
Balance, December 31, 2011		<u><u>\$ 135,078.34</u></u>

WATER-SEWER UTILITY CAPITAL FUND
 ANALYSIS OF CASH

Ord. No.	Balance Dec. 31, 2010	Receipts	Bonds/Bond Anticipation Notes Issued	Disbursements	Bond Anticipation Notes Paid	Transfers		Balance Dec. 31, 2011
						From	To	
Capital Improvement Fund	\$ 25,016.95	\$ 2,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,516.95
Due to Water Sewer Operating Fund	300,000.00	297,500.00	-	300,000.00	-	-	-	297,500.00
Due to General Capital Fund	-	-	-	180,000.00	-	-	-	(180,000.00)
Reserve for Encumbrances	253,524.06	-	-	294,801.24	-	291,267.68	-	249,990.50
Loan Receivable	-	-	-	-	-	-	-	(252,198.00)
Fund Balance	3,500.76	560.00	-	-	-	252,198.00	-	4,060.76
Down Payment on Improvements	200.00	-	-	-	-	-	-	200.00
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
02-16 Water/Sewer Improvements	61,980.52	-	-	-	-	15,000.00	-	46,980.52
01-01 Various Upgrades	2,928.87	-	-	-	-	-	-	2,928.87
01-11, 03-11 Water Imp. Dey/Outcalt Street	9,143.09	-	-	-	-	-	-	9,143.09
03-19 Construction of Elevated Water Tower	5,369.57	-	-	-	-	-	-	5,369.57
04-18 Water/Sewer Improvements	4,001.99	-	-	-	-	-	-	4,001.99
06-06, 06-25 Water/Sewer Improvements	6,905.26	-	-	-	-	-	-	6,905.26
07-02 Water/Sewer Improvements Morrison/Outcalt	4,713.49	-	-	-	-	-	-	4,713.49
08-10,08-19 Water/Sewer Improvements	6,140.70	6,000.00	142,000.00	-	148,000.00	-	-	6,140.70
09-02 Water/Sewer Imp. Morrison Avenue	(1,981.14)	-	39,000.00	-	39,000.00	-	-	(1,981.14)
09-15 Water Main Extension	(492,453.94)	324,121.00	-	-	-	-	252,198.00	83,865.06
10-01 Water-Sewer Improvements - Leshin Lane	(3,791.60)	-	-	-	-	-	-	(3,791.60)
11-03 Water/Sewer Improvements	-	-	100,000.00	-	-	195,665.48	-	(195,665.48)
11-04 Refurbishment of Tax Tanks	-	-	-	-	-	80,602.20	-	19,397.80
	\$ 185,198.58	\$ 630,681.00	\$ 281,000.00	\$ 774,801.24	\$ 187,000.00	\$ 543,465.68	\$ 543,465.68	\$ 135,078.34

WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance, December 31, 2010		\$ 156,729.91
Increased by:		
Water-Sewer Rents Levied	\$ 2,278,719.50	
Gray Water Fees	<u>548,721.66</u>	
		<u>2,827,441.16</u>
		\$ 2,984,171.07
Decreased by:		
Collections:		
Water-Sewer Rents	\$ 2,266,695.60	
Water-Sewer Rents - Prepaid Rents Applied	3,427.73	
Water-Sewer Rents - Overpayments Applied	1,033.67	
Gray Water Fees	513,297.05	
Gray Water Fees - Overpayments Applied	<u>668.07</u>	
		<u>2,785,122.12</u>
Balance, December 31, 2011		<u><u>\$ 199,048.95</u></u>

BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY

D-9

WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

Balance, December 31, 2011 and December 31, 2010

\$ 12,962,487.48

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

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2010	Improvement Authorizations	Balance Dec. 31, 2011
		Date	Amount			
02-16	Water/Sewer Improvements	9/03/2002	\$ 460,000.00	\$ 460,000.00	\$ -	\$ 460,000.00
03-19	Construction of Elevated Water Tower	7/10/2003	1,010,000.00	1,010,000.00	-	1,010,000.00
03-26	Construction of Backwash Water Recovery Tank	9/02/2003	186,000.00	186,000.00	-	186,000.00
04-18	Water/Sewer Improvements	9/07/2004	250,000.00	250,000.00	-	250,000.00
06-06, 06-25	Water/Sewer Improvements	2/21/2006	292,000.00			
		11/06/2006	105,000.00	397,000.00	-	397,000.00
07-02	Water/Sewer Imp. Morrison and Outcalt	2/20/2007	145,000.00	145,000.00	-	145,000.00
08-10, 08-19	Water/Sewer Improvements	10/20/2008	155,400.00	155,400.00	-	155,400.00
09-02	Water/Sewer Imp. Morrison Avenue	2/02/2009	215,000.00	215,000.00	-	215,000.00
09-15	Water Main Extension	9/08/2009	2,200,000.00	2,200,000.00	-	2,200,000.00
10-01	Water-Sewer Improvements - Leshin Lane	2/01/2010	52,000.00	52,000.00	-	52,000.00
11-03	Water/Sewer Improvements	6/06/2011	2,083,000.00		2,083,000.00	2,083,000.00
11-04	Refurbishment of Water Tanks	6/06/2011	100,000.00		100,000.00	100,000.00
				\$ 5,070,400.00	\$ 2,183,000.00	\$ 7,253,400.00

WATER-SEWER UTILITY OPERATING FUND
 SCHEDULE OF 2010 APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2010</u>	<u>Balance After Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	\$ 36,838.73	\$ 36,838.73	\$ 1,129.33	\$ 35,709.40
Other Expenses	64,789.85	138,597.39	71,978.06	66,619.33
Capital Outlay	-	-		-
Statutory Expenditures:				
Unemployment Insurance	-	-	-	-
Social Security System	<u>3,467.08</u>	<u>3,467.08</u>	<u>-</u>	<u>3,467.08</u>
Total Appropriation Reserves	\$105,095.66	\$178,903.20	\$ 73,107.39	\$105,795.81
Encumbrances	<u>73,807.54</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$178,903.20</u>	<u>\$178,903.20</u>	<u>\$ 73,107.39</u>	<u>\$105,795.81</u>
Disbursements			\$ 70,330.97	
Accounts Payable			<u>2,776.42</u>	
			<u>\$ 73,107.39</u>	

WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF PREPAID WATER-SEWER RENTS AND FEES

Balance, December 31, 2010	\$ 3,427.73
Increased by:	
Receipts	<u>3,875.16</u>
	\$ 7,302.89
Decreased by:	
Prepaid Rents Applied	<u>3,427.73</u>
Balance, December 31, 2011	<u><u>\$ 3,875.16</u></u>

D-13

SCHEDULE OF OVERPAYMENTS

Balance, December 31, 2010	\$ 1,701.74
Increased by:	
Receipts	<u>2,862.45</u>
	\$ 4,564.19
Decreased by:	
Overpayments Applied - Water/Sewer Rents	\$ 1,033.67
Overpayments Applied - Grey Water	<u>668.07</u>
	<u>1,701.74</u>
Balance, December 31, 2011	<u><u>\$ 2,862.45</u></u>

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

Balance, December 31, 2010	\$ 51,219.80
Increased by:	
Charged to 2011 Budget	<u>191,306.25</u>
	\$ 242,526.05
Decreased by	
Payments	<u>186,637.50</u>
Balance, December 31, 2011	<u><u>\$ 55,888.55</u></u>

SCHEDULE OF ACCRUED INTEREST ON NOTES

Balance, December 31, 2010	\$ 81.81
Increased by:	
Charged to 2011 Budget	<u>1,540.00</u>
	\$ 1,621.81
Decreased by	
Payments	<u>1,402.10</u>
Balance, December 31, 2011	<u><u>\$ 219.71</u></u>

WATER-SEWER UTILITY CAPITAL FUND
 SCHEDULE OF SEWER SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Water-Sewer Utility Bonds	3/01/2002	\$ 2,295,000.00	3/01/2012-13	\$ 85,000.00	4.500%	\$ 1,745,000.00	\$ 75,000.00	\$ 1,670,000.00
			3/01/2014-15	100,000.00	4.500%			
			3/01/2016-19	100,000.00	4.625%			
			3/01/2020-28	100,000.00	4.750%			
Water-Sewer Utility Bonds	2/01/2008	3,265,000.00	10/01/2012	375,000.00	3.000%	3,105,000.00	365,000.00	2,740,000.00
			10/01/2013	395,000.00	3.000%			
			10/01/2014	405,000.00	3.000%			
			10/01/2015	430,000.00	3.000%			
			10/01/2016	455,000.00	3.250%			
		10/01/2017	470,000.00	3.250%				
		10/01/2018	210,000.00	3.500%				
						<u>\$ 4,850,000.00</u>	<u>\$ 440,000.00</u>	<u>\$ 4,410,000.00</u>

WATER-SEWER UTILITY CAPITAL FUND
 SCHEDULE OF LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2010		Interest Rate	Balance	
			Date	Amount		Dec. 31, 2010	Dec. 31, 2011
NJ Environmental Infrastructure Trust Loan	3/10/2010	495,000.00	8/01/2012-17	\$ 20,000.00	5.00%	\$ 495,000.00	\$ 480,000.00
			8/01/2018-21	25,000.00	3.00%-5.00%		
			8/01/2022-25	30,000.00	4.00%		
NJ Environmental Infrastructure Loan	3/10/2010	1,451,250.00	8/01/2026-29	35,000.00	3.50%-4.00%		
			8/01/2012-28	51,830.35	0.00%	1,451,250.00	1,399,419.65
			2/01/2012-29	25,915.17	0.00%		
			8/01/2029	25,830.64	0.00%		
						<u>\$ 1,946,250.00</u>	<u>\$ 1,879,419.65</u>
						<u>\$ 66,830.35</u>	<u>\$ 1,879,419.65</u>

WATER-SEWER UTILITY CAPITAL FUND
 SCHEDULE OF BOND ANTICIPATION NOTES

No.	Description	Date of Ordinance	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
08-10, 08-19	Water/Sewer Improvements	10/20/2008	12/11/2008	12/09/2011	12/07/2012	1.75%	\$ 148,000.00	\$ 142,000.00	\$ 148,000.00	\$ 142,000.00
09-02	Morrison Avenue Improvements	2/02/2009	12/23/2009	12/09/2011	12/07/2012	1.75%	39,000.00	39,000.00	39,000.00	39,000.00
11-04	Refurbishment of Water Tanks	6/06/2011	12/09/2011	12/09/2011	12/07/2012	1.75%	-	100,000.00	-	100,000.00
							<u>\$ 187,000.00</u>	<u>\$ 281,000.00</u>	<u>\$ 187,000.00</u>	<u>\$ 281,000.00</u>
								\$ 100,000.00	\$ -	
								<u>181,000.00</u>	<u>181,000.00</u>	
								<u>\$ 281,000.00</u>	<u>\$ 187,000.00</u>	<u>\$ 187,000.00</u>

Issued for Cash
 Budget Appropriations
 Roll-Over

WATER-SEWER UTILITY CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, Dec. 31, 2010		2011 Authorizations	Paid or Chartered	Balance, Dec. 31, 2011	
				Funded	Unfunded			Funded	Unfunded
01-01	Various Water Upgrades	2/22/2001	\$ 1,100,000.00	\$ 2,928.87	\$ -	-	-	\$ 2,928.87	\$ -
01-11, 03-11	Water Improvements Dev/Outcalt Street	8/09/2001	125,000.00	9,143.09	-	-	-	9,143.09	-
02-16	Water/Sewer Improvements	9/03/2002	460,000.00	62,180.52	-	-	-	46,980.52	200.00
03-19	Construction of Elevated Water Tower	7/10/2003	1,010,000.00	5,369.57	-	-	15,000.00	5,369.57	-
03-26	Construction of Backwash Water Recovery Tank	9/02/2003	186,000.00	-	-	-	-	-	-
04-18	Water/Sewer Improvements	9/07/2004	250,000.00	4,001.99	-	-	-	4,001.99	-
06-06, 06-25	Water/Sewer Improvements	2/21/2006	292,000.00	6,905.26	-	-	-	6,905.26	-
07-02	Water/Sewer Imp. Morrison and Outcalt	2/20/2007	145,000.00	4,713.49	-	-	-	4,713.49	-
08-10, 08-19	Water/Sewer Improvements	10/20/2008	155,400.00	6,140.70	-	-	-	-	6,140.70
09-02	Water/Sewer Imp. Morrison Avenue	2/02/2009	215,000.00	-	2,518.86	-	-	-	2,518.86
09-15	Water Main Extension	9/08/2009	2,200,000.00	-	333,515.06	-	-	83,865.06	249,650.00
10-01	Water-Sewer Improvements - Leshin Lane	2/01/2010	52,000.00	-	45,708.40	-	-	-	45,708.40
11-03	Water/Sewer Improvements	6/06/2011	2,083,000.00	-	-	2,083,000.00	195,665.48	-	1,887,334.52
11-04	Refurbishment of Water Tanks	6/06/2011	100,000.00	-	-	100,000.00	80,602.20	-	19,397.80
				\$ 101,383.49	\$ 381,742.32	\$ 2,183,000.00	\$ 291,267.68	\$ 163,907.85	\$ 2,210,950.28

WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF ENCUMBRANCES PAYABLE

Balance, December 31, 2010	\$ 253,524.06
Increased by:	
Charged to Improvement Authorizations	<u>291,267.68</u>
	\$ 544,791.74
Decreased by:	
Cash Disbursed	<u>294,801.24</u>
Balance, December 31, 2011	<u><u>\$ 249,990.50</u></u>

WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

Balance, December 31, 2010		\$ 10,406,987.48
Increased by:		
Serial Bonds paid by Operating Budget	\$ 440,000.00	
Loans paid by Operating Budget	<u>66,830.35</u>	
		<u>506,830.35</u>
Balance, December 31, 2011		<u><u>\$ 10,913,817.83</u></u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Balance, December 31, 2010		\$ 338,800.00
Increased by:		
Bond Anticipation Notes paid by Operating Budget	<u>\$ 6,000.00</u>	
		<u>6,000.00</u>
Balance, December 31, 2011		<u><u>\$ 344,800.00</u></u>

WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2010	\$ 25,016.95
Increased by:	
2011 Budget Appropriation	<u>2,500.00</u>
Balance, December 31, 2011	<u><u>\$ 27,516.95</u></u>

WATER-SEWER UTILITY CAPITAL FUND
 SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2010</u>	<u>2011 Authorizations</u>	<u>Prior Year Adjustment</u>	<u>Bond Anticipation Note Issued</u>	<u>Balance Dec. 31, 2011</u>
02-16	Water/Sewer Improvements	\$ 200.00	-	\$ -	-	\$ 200.00
09-02	Morrison Avenue Improvements	400.00	-	4,100.00	-	4,500.00
09-15	Water Main Extension	253,750.00	-	(4,100.00)	-	249,650.00
10-01	Water-Sewer Improvements - Leshin Lane	49,500.00	-	-	-	49,500.00
11-03	Water/Sewer Improvements	-	2,083,000.00	-	-	2,083,000.00
11-04	Refurbishment of Water Tanks	-	100,000.00	-	100,000.00	-
		<u>\$ 303,850.00</u>	<u>\$ 2,183,000.00</u>	<u>\$ -</u>	<u>\$ 100,000.00</u>	<u>\$ 2,386,850.00</u>

BOROUGH OF HIGHTSTOWN

COUNTY OF MERCER

PART III

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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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
County of Mercer
Borough of Hightstown
Hightstown, New Jersey

We have audited the financial statements of the Borough of Hightstown (the "Borough"), as of and for the year ended December 31, 2011, and have issued our report thereon dated December 31, 2012. Our report disclosed that, as described in Note 1 to the regulatory basis financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and a qualified opinion since the Division does not require the Length of Service Award Program ("LOSAP") to be audited. Except as noted in the preceding sentence, 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 in accordance with audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

Management of the Borough is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purposes 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division. We noted certain matters that we reported in the comments and recommendations section of this report and in a separate letter to management of the Borough dated December 31, 2012.

This report is intended solely for the information and use of the management, the Borough Council, others within the entity, the Division, and federal and/or state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

William E. Antonides and Company
Independent Auditors

December 31, 2012

BOROUGH OF HIGHTSTOWN

COUNTY OF MERCER

PART IV

SINGLE AUDIT SECTION

FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Borough of Hightstown's (the "Borough") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on Borough's major federal programs for the year ended December 31, 2011. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough's compliance with those requirements.

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William E. Antonides and Company
Independent Auditors

December 31, 2012

BOROUGH OF HIGHTSTOWN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 1

YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Agency or Pass-through Number	Program or Award Amount	Grant Period		Cash Received	Year 2011 Federal Expenditures	Total Federal Expenditures
				From	To			
Office of Water, Environmental Protection Agency: Pass-Through: New Jersey Department of Environmental Protection: Public Wastewater Facilities Capitalization Grants for States (Loan)	66.458	1104001-004	\$ 1,451,250.00	1/01/2009	Till Finished	\$ 243,091.00	\$ 92,655.11	\$ 1,313,700.22
Public Wastewater Facilities Capitalization Grants for States (Loan)	66.458	1104001-005	685,482.00	1/01/2011	Till Finished	-	27,694.69	27,694.69
Public Wastewater Facilities Capitalization Grants for States (Loan)	66.458	S340915-03	517,930.00	1/01/2011	Till Finished	-	18,744.38	18,744.38
Public Wastewater Facilities Capitalization Grants for States (Loan)	66.458	S340915-02	295,125.00	1/01/2011	Till Finished	-	10,550.25	10,550.25
Total Office of Water, Environmental Protection Agency						243,091.00	149,644.42	1,370,689.53
Department of Transportation: Indirect Programs - Passed through the State of New Jersey: State Aid Highway Projects:	20.205	480-078-6320-AJP	350,000.00	1/01/2009	Till Finished	240,726.71	229,625.18	350,000.00
NJ DOT Memorial Park Parking Lot	20.205	480-078-6320-A38	1,690,000.00	1/01/2009	Till Finished	507,444.01	541,020.25	1,024,509.29
NJ DOT Stockton Street Historic District	20.205	480-078-6320-AJP	455,000.00	1/01/2010	Till Finished	115,758.85	31,363.27	450,000.00
NJ DOT Leshin Lane						863,929.57	802,008.70	1,824,509.29
Total Department of Transportation								
Total Federal Assistance						\$ 1,107,020.57	\$ 951,653.12	\$ 3,198,277.85

Supplementary Information

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes grant activity of the Borough of Hightstown and is presented on the regulatory basis of accounting (as described in note 1C. of the financial statements). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

Expenditures, as reported on the accompanying Schedule of Expenditures of Federal Awards, reflects cash disbursements and outstanding encumbrances charged directly to Borough funds as follows:

<u>Fund</u>	<u>Amount</u>
Utility Capital Fund	\$ 149,644
General Capital Fund	<u>802,009</u>
	\$ <u>951,653</u>

NOTE 2. CONTINGENCIES

Each of the cognizant agencies reserves the right to conduct additional audits of the Borough's grant programs. Management does not believe such audits would result in material amounts of disallowed costs.

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements - statutory basis that are required to be reported in accordance with Chapter 5.18 through 5.20 of *Government Auditing Standards*.

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Awards Findings and Questioned Costs

This section identifies audit findings required to be reported by Section .510(a) of USOMB Circular A-133.

Federal Awards

Finding: None

Information on the federal program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response: N/A

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by Section .510(a) of USOMB Circular A-133 and NJOMB Circular 04-04.

Federal Awards

Finding: None

Information on the federal program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response: N/A

State Awards

Finding: None

Information on the state program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response: N/A

BOROUGH OF HIGHTSTOWN

COUNTY OF MERCER

SECTION V

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

An audit of the financial accounts and transactions of the Borough of Hightstown, in the County of Mercer, for the year ended December 31, 2011, has recently been completed. The results of the audit are herewith set forth.

SCOPE OF AUDIT

The audit covered the financial transactions of the Chief Financial Officer, Tax Collector, the activities of the Mayor and Borough Council, and the records of the various outside departments.

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 balances were reconciled with independent certifications obtained directly from the depositories.

The accrued and realized revenues for the various Borough Departments as shown on the Statement of Revenues and Schedule of Revenue Accounts Receivable are presented as recorded in the Borough records.

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a

N.J.S. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." The amount set forth pursuant to the above statute was \$17,500 for municipalities without a qualified purchasing agent (QPA) and \$36,000 with a qualified purchasing agent. In 2011, it was noted that the Division of Local Government Services adopted a temporary rule that permits municipalities to increase their bid threshold to \$26,000 for a person meeting certain eligibility requirements for the future anticipated QPA certification exam. The Borough's bid threshold was \$26,000 for the year under audit.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where questions arise 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.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

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.

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-4.

Contracts or Agreements not Required to be Advertised per N.J.S. 40A:11-6.1

N.J.S. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... .. the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable."

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

Collection of Interest on Delinquent Taxes and Assessments

N.J.S. 54:4-67, as amended, 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 3, 2011 adopted the following resolution authorizing interest to be charged on delinquent taxes:

1. Pursuant to N.J.S.A. 54-4:67, the Mayor and Council hereby reaffirm that the following interest shall be charged for the non-payment of taxes or assessments on any installment which is not made before or within the tenth (10th) calendar day following the date upon which same become payable: Eight (8%) percent annum on the first \$1,500.00 of the delinquency, and eighteen (18%) percent per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable and until the date of actual payment. The term "delinquent" as used herein shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.
2. In accordance with Chapter 75 of the Laws of 1991, any taxpayers with a delinquency in excess of Ten Thousand (\$10,000.00) Dollars who fails to pay that delinquency prior to the end of any calendar year, shall be assessed a penalty for that year of six (6%) percent of the amount of the delinquency, in addition to the interest provided for in Paragraph 1.
3. The provisions of Paragraphs 1 and 2 herein shall remain in effect unless and until superseded by Borough resolution or ordinance.

It appears from an examination of the Collector's records that interest was generally collected in accordance with the foregoing resolution.

Collection of Interest on Delinquent Water and Sewer Service Charges

The ordinances of the Borough provide for delinquent charges on water and sewer accounts as follows:

"Unpaid water and sewer charges shall be subject to an interest charge in the same manner as past-due real property taxes in the Borough."

It appears from an examination of the Collector's records that interest was generally collected in accordance with the foregoing ordinance.

Delinquent Taxes and Tax Title Liens

The last tax and utility lien sale was held on November 29, 2011 and was complete except for those properties in bankruptcy.

Inspection of tax sale certificates on file revealed that all certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2011	15
2010	15
2009	16

Miscellaneous

All sums of outstanding checks, reflected in cash reconciliations herein, are in agreement with the records of the Treasurer, as well as with independent lists made part of this audit.

A report summarizing collections of Dog License Fees and remittances of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A statutory report on the operations of the Municipal Court has been prepared and copies filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

Individual payments of the Regional School District Taxes by the municipality were confirmed as received by the Secretary of the Board of Education for the year 2011.

In our verification of expenditures, no attempt was made to establish proof of rendition, character or extent of services nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from individual employee salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittances to authorized agencies, however, were ascertained.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

FOLLOW-UP OF PRIOR YEAR FINDINGS

In accordance with Government Auditing Standards our procedures included a review of all prior year findings. Finding 10-01 was not corrected in 2011 and appears as Finding 11-01 for the period under audit. Finding 10-02 regarding professional service contracts was addressed in 2011.

FINDINGS/RECOMMENDATIONS

CR-11-01 Finding - There are a number of interfunds on the balance sheets as at December 31.

Criteria - All interfund balances should be liquidated by December 31 in accordance with Division of Local Government Services directives.

Recommendation - That an effort be made to liquidate all interfunds prior to December 31.

ACKNOWLEDGEMENT

We desire to express our appreciation for the assistance and courtesies rendered by the Borough officials and employees during the course of the audit.

The foregoing comments and resultant recommendation are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendation, or should you desire assistance in implementing our recommendations, please contact us at your earliest opportunity.

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