

BOROUGH OF WALLINGTON
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2011

BOROUGH OF WALLINGTON

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BOROUGH OF WALLINGTON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Wallington
Wallington, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Wallington as of December 31, 2011 and 2010 and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011. These financial statements are the responsibility of the Borough of Wallington's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Wallington's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect 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.

In addition, the financial statements of the Length of Service Award Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Funds, and represent 58 percent and 44 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2011 and 2010.

In addition, the notes to the Borough's financial statements do not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Wallington as of December 31, 2011 and 2010, or the changes in its 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.

However, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited and, except for the omission of the note disclosure regarding the other post employment benefit obligations, as described in the fifth paragraph, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds of the Borough of Wallington 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 revenues - regulatory basis and the 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 a report dated August 3, 2012 on our consideration of the Borough of Wallington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Wallington as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Wallington. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Lerch, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants

Gary W. Higgins

Gary W. Higgins

Registered Municipal Accountant

RMA Number CR00405

Fair Lawn, New Jersey
August 3, 2012

**BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash - Collector - Treasurer	A-4	\$ 2,950,226	\$ 2,585,615
Cash - Change Fund	A-5	100	100
Cash - Petty Cash	A-6	100	100
Federal and State Grants Receivable	A-21	<u>182,409</u>	<u>65,315</u>
		<u>3,132,835</u>	<u>2,651,130</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	591,199	370,270
Tax Title Liens Receivable	A-9	448,107	294,354
Due from Payroll Accounts	B-10		172,763
Due From Animal Control	B-4	2	2
Due from Water Capital Fund	D-27		105,355
Revenue Accounts Receivable	A-10	<u>13,019</u>	<u>13,563</u>
		<u>1,052,327</u>	<u>956,307</u>
Deferred Charges:			
Special Emergency Authorizations	A-20	68,000	90,000
Emergency Authorizations	A-27	575,000	
Overexpenditure of Appropriation	A-28	<u>2,252</u>	<u>-</u>
		<u>645,252</u>	<u>90,000</u>
Total Assets		<u>\$ 4,830,414</u>	<u>\$ 3,697,437</u>

BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-11	\$ 943,039	\$ 591,858
Encumbrances Payable	A-12	34,535	30,312
Accounts Payable	A-18	4,941	4,210
Reserve for Revaluation	A-19	2,770	2,770
Reserve for Codification of Ordinances	A-26	18,146	
Appropriated Reserves for Federal and State Grants	A-22	192,109	167,681
Unappropriated Reserves for Federal and State Grants	A-23	13,124	2,376
Prepaid Taxes	A-13	94,116	105,075
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	40,731	47,481
County Taxes Payable	A-15	1,544	
Miscellaneous Fees Payable	A-17	6,103	2,524
Emergency Notes Payable	A-24	575,000	-
Due to Other Trust Fund	B-7	7,012	205,714
Due to General Capital Fund	C-6	1,202,736	978,869
Due to Water Operating Fund	D-16	63,530	38,923
Amount Due to Library - State Aid	A-25	5,496	5,496
Tax Overpayments	A-14	<u>34,915</u>	<u>27,562</u>
		3,239,847	2,210,851
Reserve for Receivables	A	1,052,327	956,307
Fund Balance	A-1	<u>538,240</u>	<u>530,279</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,830,414</u>	<u>\$ 3,697,437</u>

BOROUGH OF WALLINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 113,000	\$ 293,800
Miscellaneous Revenues	A-2	2,874,221	1,482,249
Receipts from Delinquent Taxes	A-2	356,532	422,049
Receipts from Current Taxes	A-2	22,053,186	21,612,078
Non-Budget Revenues	A-2	137,470	203,187
Other Credits to Income:			
Cancellation of Accounts Payable	A-18	4,210	4,467
Interfunds Liquidated	A	172,763	86
Unexpended Balance of Appropriation Reserves	A-11	<u>315,296</u>	<u>96,108</u>
Total Income		<u>26,026,678</u>	<u>24,114,024</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	3,225,750	3,112,884
Other Expenses	A-3	6,306,549	4,655,511
Capital Improvements	A-3	102,000	40,000
Municipal Debt Service	A-3	686,401	452,586
Deferred Charges and Statutory			
Expenditures	A-3	938,648	858,300
Local District School Tax	A-16	12,763,324	12,231,990
County Tax	A-15	2,244,202	2,264,315
County Share of Added and Omitted Taxes	A-15	1,544	12,839
County Open Space Tax	A-15	27,747	29,279
Prior Year Adjustment - Due County Added Taxes	A-15	12,839	
Prior Year Tax Appeals Granted	A-14	173,965	
Refund of Prior Year Revenue	A-1		38,974
Interfunds Established	A	<u>-</u>	<u>105,357</u>
		<u>26,482,969</u>	<u>23,802,035</u>
Excess (Deficit) of Revenues over (under) Expenditures		(456,291)	311,989
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-27,28	<u>577,252</u>	<u>-</u>
Statutory Excess to Fund Balance		120,961	311,989
FUND BALANCE, JANUARY 1	A	<u>530,279</u>	<u>512,090</u>
		651,240	824,079
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>113,000</u>	<u>293,800</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 538,240</u>	<u>\$ 530,279</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

			2011 <u>Anticipated</u>		
	<u>Reference</u>	<u>Budget</u>	Added by: <u>NJS 40A:4-87</u>	2011 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 113,000	-	\$ 113,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	17,500		19,096	\$ 1,596
Other	A-2	10,400		10,758	358
Fees and Permits					
Other	A-2	8,000		10,435	2,435
Fines and Costs					
Municipal Court	A-10	218,300		255,168	36,868
Interest and Costs on Taxes	A-10	105,200		87,319	(17,881)
Interest on Investments and Deposits	A-2	22,100		12,523	(9,577)
Energy Receipts Tax	A-10	550,188		550,188	
Consolidated Municipal Property Tax Relief	A-10	123,266		123,266	
Uniform Construction Code Fees	A-10	100,000		75,514	(24,486)
State and Federal Revenues Offset with Appropriations					
Clean Communities Program	A-21		\$ 15,120	15,120	
Safe and Secure Communities	A-21	60,000		60,000	
Non-Public Nursing	A-21	10,510		10,510	
Recycling Tonnage Grant	A-21	13,437		13,437	
CDBG	A-21		62,000	62,000	
Reserve for Body Armor	A-23	2,156		2,156	
Reserve for Municipal Recycling Assistance	A-23	220		220	
Other Special Items					
Sewer Utility Charges	A-10	1,167,000		977,945	(189,055)
Uniform Safety Act	A-10	11,900		13,093	1,193
Utility Operating Surplus of Prior Year	D-1	255,000		255,000	
Reserve Due from Water Capital	D-27	105,355		105,355	
Reserve Payment of Debt	C-16	95,700		95,700	
Cell Tower Rental Fee	A-10	23,200		47,830	24,630
CATV Franchise Fee	A-10	59,600	-	71,588	11,988
Total Miscellaneous Revenues	A-1	2,959,032	77,120	2,874,221	(161,931)
Receipts from Delinquent Taxes	A-8	475,017	-	356,532	(118,485)

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

		2011 <u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	Added by: <u>NJS 40A:4-87</u>	<u>2011 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including					
Reserve for Uncollected Taxes		\$ 7,382,859		\$ 7,168,975	\$ (213,884)
Minimum Library Tax		368,394	-	368,394	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	7,751,253	-	7,537,369	(213,884)
Total General Revenue	A-3	\$ 11,298,302	\$ 77,120	10,881,122	\$ (494,300)
Non-Budget Revenue	A-1,A-2			137,470	
				\$ 11,018,592	

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

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 22,053,186
Allocated to		
School and County Taxes	A-15,A-16	<u>15,036,817</u>
		7,016,369
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>521,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 7,537,369</u>
Licenses - Other		
Borough Clerk	A-10	\$ 1,526
Registrar of Vital Statistics	A-10	312
Board of Health	A-10	<u>8,920</u>
	A-2	<u>\$ 10,758</u>
Fees and Permits - Other		
Borough Clerk	A-10	\$ 6,378
Fire Prevention	A-10	1,251
Planning and Zoning	A-10	90
Board of Health	A-10	2,050
Police	A-10	<u>666</u>
	A-2	<u>\$ 10,435</u>
Interest on Investments		
Cash Receipts	A-10	\$ 9,777
Due from Animal Control Fund	B-4	35
Due from Other Trust Fund - Payroll Accounts	B-10	490
Due from General Capital Fund	C-6	<u>2,221</u>
	A-2	<u>\$ 12,523</u>
Non-Budget Revenues		
Cash Receipts	A-2,A-4	<u>\$ 137,470</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	2011 <u>Appropriated</u>		<u>2011 Expended</u>			
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
Mayor and Council						
Salaries and Wages	\$ 17,300	\$ 17,300	\$ 17,203	\$ 97		
Municipal Clerk Elections						
Salaries and Wages	162,650	172,650	172,388	262		
Other Expenses	40,800	41,800	40,456	1,344		
Financial Administration						
Salaries and Wages	24,700	26,700	25,410	1,290		
Other Expenses	41,000	46,000	29,677	16,323		
Audit Services	11,300	11,300		11,300		
Revenue Administration						
Salaries and Wages	47,100	47,100	45,529	1,571		
Other Expenses	17,400	17,400	15,932	1,468		
Assessment Administration						
Salaries and Wages	12,400	12,400	12,390	10		
Other Expenses	1,100	1,100	396	704		
Legal Service and Costs						
Salaries and Wages	22,500	22,500	22,500			
Other Expenses	140,700	110,700	95,018	15,682		
Engineering Services and Costs						
Salaries and Wages	1,200	1,200	1,200			
Other Expenses	16,200	16,200	12,955	3,245		
Planning Board						
Salaries and Wages	3,600	3,600	3,569	31		
Other Expenses	9,200	9,200	5,026	4,174		
Zoning Board of Adjustment						
Salaries and Wages	1,600	1,600	1,560	40		
Other Expenses	9,400	9,400	2,937	6,463		
Insurance						
Unemployment Insurance	6,000	6,000		6,000		
Employee Group Insurance	1,375,877	1,375,877	1,163,789	212,088		
Liability	11,000	11,000	10,633	367		
Liability (South Bergen JIF)	179,775	179,775	91,603	88,172		
Worker's Compensation (South Bergen JIF)	202,725	202,725	100,000	102,725		
PUBLIC SAFETY FUNCTIONS						
Police						
Salaries and Wages	2,433,000	2,528,000	2,527,984	16		
Other Expenses	88,700	111,100	107,517	3,583		
Fire						
Other Expenses	171,100	171,100	117,442	53,658		
Emergency Management Services						
Other Expenses	1,000	1,000		1,000		
Uniform Fire Safety						
Salaries and Wages	13,000	13,000	10,442	2,558		
Other Expenses	6,800	6,800	749	6,051		
Municipal Prosecutor						
Salaries and Wages	9,900	9,900	9,880	20		

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

	2011		2011 Expended			
	<u>Appropriated</u>		<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Charged</u>			
		<u>Modification</u>				
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC WORK FUNCTIONS						
Streets and Roads Maintenance						
Salaries and Wages	\$ 87,300	\$ 94,300	\$ 91,466	\$ 2,834		
Other Expenses	73,600	75,600	67,927	7,673		
Shade Tree						
Other Expenses	4,700	4,700	157	4,543		
Solid Waste Collection (Garbage and Trash, Recycling)						
Salaries and Wages	5,000	5,000	5,000			
Other Expenses	594,700	1,044,700	867,856	176,844		
Buildings and Grounds						
Other Expenses	61,300	63,300	58,832	4,468		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	95,700	95,700	93,225	2,475		
Other Expenses	22,500	22,500	20,140	2,360		
Animal Control Services						
Other Expenses	6,687	6,687	6,687			
PARK AND RECREATION FUNCTIONS						
Board of Recreation Commissioners (R.S. 40-17.1)						
Salaries and Wages	20,500	20,500	20,409	91		
Other Expenses	20,400	20,400	12,610	7,790		
Senior Citizens						
Other Expenses	5,000	5,000	4,305	695		
Maintenance of Parks						
Other Expenses	37,000	27,000	17,707	9,293		
Celebration of Public Events						
Other Expenses	4,000	4,000	3,039	961		
Public Defender						
Salaries and Wages	5,000	5,000	4,960	40		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY						
DEDICATED REVENUES						
(N.J.A.C. 5:23-4-17)						
Construction Code Official						
Salaries and Wages	58,700	73,700	72,344	1,356		
Other Expenses	4,800	4,800	1,963	2,837		
Other Code Enforcement and Functions						
Rent Leveling Board						
Salaries and Wages	1,600	1,600	1,560	40		

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

	<u>2011</u> <u>Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					<u>Overexpended</u>
UTILITIES					
Electricity	\$ 110,000	\$ 103,000	\$ 102,199	\$ 801	
Street Lighting	70,000	70,600	70,588	12	
Communications	27,000	27,000	26,942	58	
Sewerage Processing and Disposal	27,000	17,000	12,001	4,999	
Gasoline	90,000	105,000	85,023	19,977	
Salary and Wage Adjustment	5,000				
Municipal Court					
Salaries and Wages	74,000	74,000	73,970	30	
Other Expenses	12,000	12,000	6,271	5,729	-
Total Operations Within "CAPS"	6,602,514	7,167,514	6,371,366	796,148	-
Detail:					
Salaries and Wages	3,101,750	3,225,750	3,212,989	12,761	
Other Expenses	3,500,764	3,941,764	3,158,377	783,387	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Deficit in Trust Reserves					
Unemployment	201	201	201		
Uniform Fire Safety Act	3,060	3,060	3,060		
Social Security System (O.A.S.I.)	109,807	119,807	122,059		\$ 2,252
Public Employees' Retirement System	121,981	121,981	121,981		
Police and Firemen's Retirement System	605,705	605,705	593,531	12,174	
Police and Firemen's Retirement System - ERIP	28,468	28,468	28,468		
Public Employees' Retirement System - ERIP	12,174	12,174	12,174	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	881,396	891,396	881,474	12,174	2,252
Total General Appropriations for Municipal Purposes Within "CAPS"	7,483,910	8,058,910	7,252,840	808,322	2,252

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

	2011 <u>Appropriated</u>		<u>Paid or Charged</u>	2011 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
Passaic Valley Sewerage Commission	\$ 1,687,015	\$ 1,687,015	\$ 1,514,689		\$ 172,326	
East Rutherford Sewer Fees	6,500	6,500		\$ 6,500		
Recycling Tax Appropriation	11,800	11,800	11,000	800		
Maintenance of Free Public Library	368,394	368,394	368,370	24		
Interlocal Services Agreement (County of Bergen)	8,700	8,700	5,927	2,773		
Length of Service Award Program (LOSAP)	109,000	109,000		109,000		
Employee Group Health	154,259	154,259	154,259	-	-	-
Total Other Operations Excluded from "CAPS"	<u>2,345,668</u>	<u>2,345,668</u>	<u>2,054,245</u>	<u>119,097</u>	<u>172,326</u>	<u>-</u>
Public and Private Programs Offset by Revenues						
Safe and Secure Communities Program						
State Share	60,000	60,000	60,000			
Local Share	90,000	90,000	90,000			
Clean Communities Program		15,120		15,120		
Reserve for Municipal Recycling Assistance	220	220	220			
Body Armor Replacement Program	2,156	2,156	2,156			
Recycling Tonnage Grant	13,437	13,437	13,437			
NJ Nonpublic Nursing	10,510	10,510	10,010	500	-	-
Total Public and Private Programs Offset by Revenues	<u>176,323</u>	<u>191,443</u>	<u>175,823</u>	<u>15,620</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,521,991</u>	<u>2,537,111</u>	<u>2,230,068</u>	<u>134,717</u>	<u>172,326</u>	<u>-</u>
Detail:						
Other Expenses	<u>2,521,991</u>	<u>2,537,111</u>	<u>2,230,068</u>	<u>134,717</u>	<u>172,326</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	40,000	40,000	40,000	-	-	-
CDBG	-	62,000	62,000	-	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>40,000</u>	<u>102,000</u>	<u>102,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	2011 <u>Appropriated</u>		<u>Paid or Charged</u>	<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Reserved</u>	<u>Cancelled</u>	<u>Overexpended</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 350,000	\$ 350,000	\$ 350,000			
Interest on Bonds	323,280	323,280	323,280			
Green Trust Loan Program: Loan Repayments of Principal and Interest	<u>13,121</u>	<u>13,121</u>	<u>13,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>686,401</u>	<u>686,401</u>	<u>686,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED CHARGES						
Special Emergency Authorizations - 3 Years (N.J.S. 40A:4-55.1 & 40A:4-55.13)	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,293,392</u>	<u>3,370,512</u>	<u>3,063,469</u>	<u>\$ 134,717</u>	<u>\$ 172,326</u>	<u>-</u>
Subtotal General Appropriations	10,777,302	11,429,422	10,316,309	943,039	172,326	\$ 2,252
Reserve for Uncollected Taxes	<u>521,000</u>	<u>521,000</u>	<u>521,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 11,298,302</u>	<u>\$ 11,950,422</u>	<u>\$ 10,837,309</u>	<u>\$ 943,039</u>	<u>\$ 172,326</u>	<u>\$ 2,252</u>
<u>Reference</u>	A-2			A		A-28

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

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Original Budget	A-2	\$ 11,298,302	
Emergency Authorizations	A-27	575,000	
NJSA 40A:4-87	A-2	<u>77,120</u>	
		<u>\$ 11,950,422</u>	
Cash Disbursed	A-4		\$ 10,177,700
Encumbrances Payable	A-12		34,535
Deferred Charges:			
Special Emergency Appropriations	A-20		45,000
Due to General Capital Fund			
Capital Improvement Fund	C-6		40,000
Transferred to Appropriated Grant Reserves	A-22		15,813
Due to Other Trust Fund - Uniform Fire Safety	B-7		3,060
Due to Other Trust Fund - Unemployment	B-7		201
Reserve for Uncollected Taxes	A-2		<u>521,000</u>
			<u>\$ 10,837,309</u>

**BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 10,579	\$ 7,292
		<u>10,579</u>	<u>7,292</u>
OTHER TRUST FUND			
Cash	B-1	380,861	395,593
Due from Current Fund	B-7	<u>7,012</u>	<u>205,714</u>
		<u>387,873</u>	<u>601,307</u>
LENGTH OF SERVICE AWARD PROGRAM(LOSAP) FUND (UNAUDITED)			
Investments	B	461,704	383,121
Intergovernmental Receivable	B	<u>92,288</u>	<u>100,385</u>
		<u>553,992</u>	<u>483,506</u>
Total Assets		<u>\$ 952,444</u>	<u>\$ 1,092,105</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Amount Due to State of New Jersey	B-3		\$ 11
Due to Current Fund	B-4	\$ 2	2
Reserve for Animal Control Expenditures	B-2	<u>10,577</u>	<u>7,279</u>
		<u>10,579</u>	<u>7,292</u>
OTHER TRUST FUND			
Reserve for Escrow Deposits	B-6	3,850	3,850
Payroll Deductions Payable (Deficit)	B-9	(32,692)	(31,628)
Due to Current Fund-Payroll Account	B-10		172,763
Other Reserves	B-5	408,896	437,494
Reserve for Unemployment Compensation Ins. Claims	B-8	<u>7,819</u>	<u>18,828</u>
		<u>387,873</u>	<u>601,307</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>553,992</u>	<u>483,506</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 952,444</u>	<u>\$ 1,092,105</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	C-2,C-3	\$ 1,105,142	\$ 774,513
Due from Current Fund	C-6	1,202,736	978,869
Due from Water Utility Operating Fund	C-12		8,769
Due from Water Utility Capital Fund	C-5	41,210	
Other Accounts Receivable	C-17		36,891
Grants Receivable	C-4	388,329	564,579
Deferred Charges to Future Taxation:			
Funded	C-7	8,815,979	9,176,364
Unfunded	C-8	<u>2,449,886</u>	<u>691,586</u>
 Total Assets		 <u>\$ 14,003,282</u>	 <u>\$ 12,231,571</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-13	\$ 8,687,000	\$ 9,037,000
Bond Anticipation Notes Payable	C-15	2,019,324	
Green Acres Loan Payable	C-14	128,979	139,364
Improvement Authorizations			
Funded	C-10	1,501,405	1,537,621
Unfunded	C-10	274,613	567,541
Reserve for Grants Receivable	C-11	216,653	477,903
Due to Water Utility Operating Fund	D-16	374,789	
Due to Water Utility Capital Fund	C-5		227,000
Capital Improvement Fund	C-9	60,652	37,352
Reserve for Payment of Debt	C-16	261,250	95,700
Reserve for Encumbrances	C-18	468,381	112,090
Fund Balance	C-1	<u>10,236</u>	<u>-</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,003,282</u>	 <u>\$ 12,231,571</u>

There were bonds and notes authorized but not issued at December 31, 2011 and 2010 of \$430,562 and \$691,586 respectively (Exhibit C-19).

BOROUGH OF WALLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Fund Balance, January 1	C		\$ 27,492
Increased By:			
Premium on Sale of Notes	C-2	\$ 10,236	-
		<u>10,236</u>	<u>27,492</u>
Decreased By:			
Amount Anticipated in Current Fund Budget	C-1	-	27,492
Fund Balance, December 31	C	<u>\$ 10,236</u>	<u>\$ -</u>

**BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash - Treasurer	D-5	\$ 477,606	\$ 852,389
Change Fund - Collector	D-8	100	100
Due from Water Capital Fund	D-11	6,446	
Due from General Capital Fund	D-16	374,789	
Due from Current Fund	D-17	<u>63,530</u>	<u>38,923</u>
		<u>922,471</u>	<u>891,412</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-9	224,955	149,741
Water Utility Liens	D-10	<u>10,670</u>	<u>10,670</u>
		<u>235,625</u>	<u>160,411</u>
Total Assets		<u>\$ 1,158,096</u>	<u>\$ 1,051,823</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	D-3,D-14	\$ 157,122	\$ 236,380
Encumbrances Payable	D-23	3,656	6,379
Due to Water Capital Fund	D-11		93,756
Due to General Capital Fund	D-16		8,769
Accrued Interest on Bonds and Loans	D-22	4,316	4,316
Equipment Reserves	D-15	<u>3,862</u>	<u>3,862</u>
		168,956	353,462
Reserve for Receivables	D	235,625	160,411
Fund Balance	D-1	<u>753,515</u>	<u>537,950</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,158,096</u>	<u>\$ 1,051,823</u>

BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	D-5,D-7	\$ 1,443,200	\$ 60,900
Fixed Capital	D-12	3,592,963	2,204,520
Fixed Capital Authorized and Uncompleted	D-13	2,135,000	1,651,000
Grants Receivable	D-28	40,200	40,200
Due from Water Operating Fund	D-11		93,756
Due from General Capital Fund	C-5	-	227,000
Total Assets		<u>\$ 7,211,363</u>	<u>\$ 4,277,376</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Water Supply Rehabilitation Loans Payable	D-24		\$ 45,940
Serial Bonds Payable	D-25	\$ 413,000	463,000
Bond Anticipation Note Payable	D-26	1,800,000	72,500
Improvement Authorizations - Funded	D-18	228,874	225,515
Improvement Authorizations - Unfunded	D-18	683,331	37,042
Reserve for			
Amortization	D-20	3,099,505	2,204,520
Deferred Amortization	D-21	335,000	952,060
Grants Receivable	D-28	40,200	40,200
Due to Current Fund	D-27		105,355
Due to General Capital Fund	C-5	41,210	
Due to Water Operating Fund	D-11	6,446	
Capital Improvement Fund	D-19	120,787	131,244
Reserve for Encumbrances	D-29	442,038	
Fund Balance	D-4	<u>972</u>	<u>-</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 7,211,363</u>	<u>\$ 4,277,376</u>

There were bonds and notes authorized but not issued at December 31, 2011 and 2010 of \$80,458 and \$117,500 respectively (Exhibit D-30).

BOROUGH OF WALLINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Revenue and Other Income Realized	Reference	Year 2011	Year 2010
Fund Balance Utilized	D-1		\$ 22,440
Rents	D-2	\$ 2,402,222	1,598,800
Additional Rents	D-1		492,564
Fire Hydrant Service	D-2	35,968	41,878
Miscellaneous Revenue Anticipated	D-2	45,198	53,669
Reserve for Payment of Debt	D-1		117,500
Cancellation of Prior Year Accrued Interest	D-1		1,909
Unexpended Balance of Appropriation Reserves	D-14	<u>167,885</u>	<u>52,290</u>
 Total Revenues		 <u>2,651,273</u>	 <u>2,381,050</u>
 Expenditures			
Operating			
Salaries and Wages	D-3	495,000	501,930
Other Expenses	D-3	1,333,426	1,184,334
Deferred Charges and Statutory Expenditures	D-3	64,500	59,200
Capital Improvements	D-3	100,000	
Debt Service	D-3	<u>187,782</u>	<u>178,276</u>
 Total Expenditures		 <u>2,180,708</u>	 <u>1,923,740</u>
 Excess in Revenue	D	 <u>470,565</u>	 <u>457,310</u>
 Statutory Excess to Fund Balance		 470,565	 457,310
 FUND BALANCE, JANUARY 1	D	 <u>537,950</u>	 <u>103,080</u>
		1,008,515	560,390
Decreased by:			
Utilized by Current Fund Budget	A-2	255,000	
Utilized by Water Operating Budget	D-1	<u>-</u>	<u>22,440</u>
 FUND BALANCE, DECEMBER 31	D	 <u>\$ 753,515</u>	 <u>\$ 537,950</u>

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

	<u>Reference</u>	2011 <u>Anticipated</u> <u>Budget</u>	2011 <u>Realized</u>	Excess or <u>(Deficit)</u>
Rents	D-1,D-6	\$ 2,091,300	\$ 2,402,222	\$ 310,922
Fire Hydrant Service	D-1,D-5	41,800	35,968	(5,832)
Miscellaneous Charges	D-1,D-2	<u>48,000</u>	<u>45,198</u>	<u>(2,802)</u>
		<u>\$ 2,181,100</u>	<u>\$ 2,483,388</u>	<u>\$ 302,288</u>
	<u>Reference</u>	D-3	D-1	

Analysis of Miscellaneous Charges

	<u>Reference</u>	
Due from Water Utility Capital Fund	D-11	\$ 2,028
Miscellaneous Receipts	D-5	<u>43,170</u>
	D-2,D-5	<u>\$ 45,198</u>

**BOROUGH OF WALLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011		2011 Expended		Unexpended
	<u>Appropriated</u>		<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Charged</u>		<u>Cancelled</u>
		<u>Modification</u>			
OPERATING					
Salaries	\$ 495,000	\$ 495,000	\$ 477,768	\$ 17,232	
Other Expenses	1,333,426	1,333,426	1,207,642	125,784	
Capital Improvement Fund	100,000	100,000	100,000		
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Charges:					
Contribution to:					
Public Employee Retirement System	34,500	34,500	34,500		
Social Security System (O.A.S.I.)	30,000	30,000	15,894	14,106	
DEBT SERVICE					
Payment of Bond Principal	50,000	50,000	50,000		
Payment of Capital Notes	72,500	72,500	72,500		
Principal and Interest on Loans	47,149	47,149	47,149		
Interest on Bonds	17,800	17,800	17,800		
Interest on Notes	<u>725</u>	<u>725</u>	<u>333</u>	<u>-</u>	<u>\$ 392</u>
Total Water Utility Appropriations	<u>\$ 2,181,100</u>	<u>\$ 2,181,100</u>	<u>\$ 2,023,586</u>	<u>\$ 157,122</u>	<u>\$ 392</u>

Reference

D-2

D-2

D

ReferencePaid or
Charged

Cash Disbursements	D-4	\$ 1,678,088
Encumbrances Payable	D-23	3,656
Due to Water Capital Fund	D-11	100,000
Due to Current Fund	D-17	222,500
Accrued Interest	D-22	<u>19,342</u>
		<u>\$ 2,023,586</u>

BOROUGH OF WALLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Fund Balance, January 1	C		\$ -
Increased By:			
Improvement Authorizations Cancelled in 2011:			
Reserve for Amortization	D-20	\$ 10,050	
Deferred Reserve for Amortization	D-21	<u>207,922</u>	<u>-</u>
		217,972	-
Decreased By:			
Appropriated to Finance Improvement Authorizations	D-21	<u>217,000</u>	<u>-</u>
Fund Balance, December 31	C	<u>\$ 972</u>	<u>\$ -</u>

**BOROUGH OF WALLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
General Fixed Assets		
Land	\$ 6,838,518	\$ 6,838,518
Buildings and Building Improvements	1,677,892	1,677,892
Machinery and Equipment	<u>4,813,650</u>	<u>4,033,217</u>
	<u>\$ 13,330,060</u>	<u>\$ 12,549,627</u>
 LIABILITIES		
Investment in General Fixed Assets	<u>\$ 13,330,060</u>	<u>\$ 12,549,627</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Wallington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

A. Reporting Entity

The Borough of Wallington (the "Borough") was incorporated in 1896 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Length of Service Award Program (LOSAP) Fund – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water utility fund. The Borough's infrastructure is not reported in the account group.

The Borough of Wallington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Rents - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds
Capital Funds

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011 and 2010 the Borough Council increased the original budget by \$652,120 and \$-0-, respectively. The increases in 2011 were funded by additional aid allotted to the Borough in the amount of \$77,120 and emergency authorizations of \$575,000. In addition, the governing body approved several budget transfers during 2011 and 2010.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. 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, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Appropriation Reserves – Appropriation reserves are recorded as liabilities and 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.

Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriation resulted in an unfavorable variance.

<u>2011</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund:			
Social Security System (O.A.S.I.)	\$119,807	\$122,059	\$2,252

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - 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 inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Wallington has developed a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are 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 sewerage and drainage systems are not capitalized.

Fixed Assets purchased after December 31, 2011 will be stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 2011 are stated as follows:

Land and Buildings	1985 Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water 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. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2010 balances to conform to the December 31, 2011 presentation.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the Borough's deposits were \$6,367,914 and \$4,676,602 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,823,483 and \$4,921,375, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	\$ 6,823,483	\$ 4,921,375

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2011 and 2010, none of the Borough's bank balances were exposed to custodial credit risk.

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2011 and 2010, the Borough had the following investments:

	<u>Fair Value</u>
<u>2011</u>	
Investment:	
Length of Service Award Program	\$ <u>461,704</u>

	<u>Fair Value</u>
<u>2010</u>	
Investment:	
Length of Service Award Program	\$ <u>383,121</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2011 and 2010, \$461,704 and \$383,121 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
<u>2011</u>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>461,704</u>
<u>2010</u>	
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>383,121</u>

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer.

The fair value of the above-listed investment was based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2011</u>			
Property Taxes	\$ 591,199		\$ 591,199
Tax Title Liens	448,107		448,107
Utility Rents		\$ 224,955	224,955
Utility Liens	-	10,670	10,670
	<u>\$ 1,039,306</u>	<u>\$ 235,625</u>	<u>\$ 1,274,931</u>

In 2011, the Borough collected \$356,532 and \$149,741 from delinquent taxes and utility rents, which represented 54% and 93% of the delinquent tax, water and sewer charges receivable at December 31, 2010.

Receivables at December 31, 2010 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2010</u>			
Property Taxes	\$ 370,270		\$ 370,270
Tax Title Liens	294,354		294,354
Utility Rents		\$ 149,741	149,741
Utility Liens	-	10,670	10,670
	<u>\$ 664,624</u>	<u>\$ 160,411</u>	<u>\$ 825,035</u>

In 2010, the Borough collected \$422,049 and \$136,660 from delinquent taxes and utility rents, which represented 72% and 93% of the delinquent tax, water and sewer charges receivable at December 31, 2009.

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility fund. All 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, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,835,303	\$ 9,176,364
Water Utility		
Bonds, Notes and Loans	<u>2,213,000</u>	<u>581,440</u>
	13,048,303	9,757,804
Less Funds Temporarily Held to Pay Bonds and Notes	<u>261,250</u>	<u>95,700</u>
Net Debt Issued	12,787,053	9,662,104
Authorized But Not Issued		
General		
Bonds and Notes	430,562	691,586
Water Utility		
Bonds and Notes	<u>80,458</u>	<u>117,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 13,298,073</u>	<u>\$ 10,471,190</u>

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.00% and .84% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 11,265,865	\$ 261,250	\$ 11,004,615
School Debt	2,950,896	2,950,896	
Utility Debt	<u>2,293,458</u>	<u>2,293,458</u>	<u>-</u>
Total	<u>\$ 16,510,219</u>	<u>\$ 5,505,604</u>	<u>\$ 11,004,615</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 9,867,950	\$ 95,700	\$ 9,772,250
School Debt	3,137,856	3,137,856	
Utility Debt	<u>698,940</u>	<u>581,440</u>	<u>-</u>
Total	<u>\$ 13,704,746</u>	<u>\$ 3,814,996</u>	<u>\$ 9,772,250</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 38,440,871	\$ 40,680,305
Net Debt	<u>11,004,615</u>	<u>9,772,250</u>
Remaining Borrowing Power	<u>\$ 27,436,256</u>	<u>\$ 30,908,055</u>

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

General Obligation Bonds	<u>2011</u>	<u>2010</u>
\$1,700,000, 2002 Bonds, due in annual installments of \$155,000 to \$160,000 through May 15, 2015, interest of 4.250% to 4.375%	\$ 635,000	\$ 790,000
\$1,227,000, 2003 Bonds,, due in annual installments of \$95,000 to \$100,000 through October 15, 2018, interest at 3.750% to 4.00%	692,000	787,000
\$7,460,000, 2010 Bonds,, due in annual installments of \$125,000 to \$500,000 through August 1, 2030, interest at 2.00% to 4.00%	<u>7,360,000</u>	<u>7,460,000</u>
	<u>\$ 8,687,000</u>	<u>\$ 9,037,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the redevelopment of the Centennial Prevention Field. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$211,000, 2002 Loans, due in annual installments of \$10,594 to \$12,926 through August 14, 2022, interest at 2.00%	<u>\$ 128,979</u>	<u>\$ 139,364</u>

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$753,000, 2003 Bonds, due in annual installments of \$50,000 to \$68,000 through October 15, 2018, interest at 3.750% to 4.00%	\$ 413,000	\$ 463,000

Water Utility Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection Agency for the financing relating to the improvements of the water supply system. The Borough pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility at December 31 are as follows:

<u>Water Utility Capital Fund</u>	<u>2011</u>	<u>2010</u>
\$375,000, 2002 Loan due in Semi-annual through December 23, 2011	\$ -	\$ 45,940

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar Year	<u>General</u>		<u>Water Utility Fund</u>				Total
	<u>Bonds</u>		<u>Loan</u>		<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 380,000	\$ 311,025	\$ 10,594	\$ 2,527	\$ 50,000	\$ 16,258	\$ 770,403
2013	410,000	298,062	10,807	2,314	55,000	14,383	790,565
2014	410,000	284,312	11,024	2,097	55,000	12,320	774,753
2015	405,000	270,421	11,246	1,875	60,000	10,120	758,662
2016	425,000	260,030	11,472	1,649	60,000	7,720	765,871
2017-2021	2,197,000	1,095,010	60,911	4,693	133,000	8,040	3,498,653
2022-2026	2,475,000	696,000	12,926	194			3,184,121
2027-2030	1,985,000	197,600	-	-	-	-	2,182,600
	<u>\$ 8,687,000</u>	<u>\$ 3,412,460</u>	<u>\$ 128,979</u>	<u>\$ 15,349</u>	<u>\$ 413,000</u>	<u>\$ 68,840</u>	<u>\$ 12,725,627</u>

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 9,037,000		\$ 350,000	\$ 8,687,000	\$ 380,000
Intergovernmental Loans Payable	<u>139,364</u>	<u>-</u>	<u>10,385</u>	<u>128,979</u>	<u>10,594</u>
General Capital Fund Long-Term Liabilities	<u>\$ 9,176,364</u>	<u>\$ -</u>	<u>\$ 360,385</u>	<u>\$ 8,815,979</u>	<u>\$ 390,594</u>
Water Utility Capital Fund					
Bonds Payable	\$ 463,000		\$ 50,000	\$ 413,000	\$ 50,000
Intergovernmental Loans	<u>45,940</u>	<u>-</u>	<u>45,940</u>	<u>-</u>	<u>-</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 508,940</u>	<u>\$ -</u>	<u>\$ 95,940</u>	<u>\$ 413,000</u>	<u>\$ 50,000</u>
	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
General Capital Fund					
Bonds Payable	\$ 1,827,000	\$ 7,460,000	\$ 250,000	\$ 9,037,000	\$ 350,000
Intergovernmental Loans Payable	<u>149,544</u>	<u>-</u>	<u>10,180</u>	<u>139,364</u>	<u>10,385</u>
General Capital Fund Long-Term Liabilities	<u>\$ 1,976,544</u>	<u>\$ 7,460,000</u>	<u>\$ 260,180</u>	<u>\$ 9,176,364</u>	<u>\$ 360,385</u>
Water Utility Capital Fund					
Bonds Payable	\$ 508,000		\$ 45,000	\$ 463,000	\$ 50,000
Intergovernmental Loans	<u>90,313</u>	<u>-</u>	<u>44,373</u>	<u>45,940</u>	<u>45,940</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 598,313</u>	<u>\$ -</u>	<u>\$ 89,373</u>	<u>\$ 508,940</u>	<u>\$ 95,940</u>

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Bond Anticipation Notes				
General Capital Fund		\$ 2,019,324		\$ 2,019,324
Water Utility Capital Fund	\$ 72,500	1,800,000	\$ 72,500	1,800,000
	<u>\$ 72,500</u>	<u>\$ 3,819,324</u>	<u>\$ 72,500</u>	<u>\$ 3,819,324</u>
	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 6,407,966	\$ 6,408,000	\$ 12,815,966	
Water Utility Capital Fund	253,253	72,500	253,253	\$ 72,500
	<u>\$ 6,661,219</u>	<u>\$ 6,480,500</u>	<u>\$ 13,069,219</u>	<u>\$ 72,500</u>

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2011 and 2010 as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Emergency Notes	\$ -	\$ 575,000	\$ -	\$ 575,000
	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Tax Anticipation Notes	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Additions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>			
Land	\$ 6,838,518		\$ 6,838,518
Buildings and Building Improvements	1,677,892		1,677,892
Machinery and Equipment	<u>4,033,217</u>	<u>\$ 780,433</u>	<u>4,813,650</u>
	<u>\$ 12,549,627</u>	<u>\$ 780,433</u>	<u>\$ 13,330,060</u>
	Balance December 31, <u>2009</u>	<u>Additions</u>	Balance, December 31, <u>2010</u>
<u>2010</u>			
Land	\$ 6,838,518		\$ 6,838,518
Buildings and Building Improvements	1,677,892		1,677,892
Machinery and Equipment	<u>3,936,315</u>	<u>\$ 96,902</u>	<u>4,033,217</u>
	<u>\$ 12,452,725</u>	<u>\$ 96,902</u>	<u>\$ 12,549,627</u>

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 5 FIXED ASSETS (Continued)

Water Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years 2011 and 2010.

<u>Water Utility Fund</u>	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 2,204,520	\$ 1,388,443	\$ -	\$ 3,592,963
	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 2,204,520	\$ -	\$ -	\$ 2,204,520

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2011</u>		<u>2010</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 2	\$ 1,273,278	\$ 278,120	\$ 1,223,506
Trust Funds:				
Other Trust Fund	7,012		205,714	172,763
Animal Control Fund		2		2
General Capital Fund	1,243,946	374,789	987,638	227,000
Water Utility Operating Fund	444,765		38,923	102,525
Water Utility Capital Fund	<u>-</u>	<u>47,656</u>	<u>320,756</u>	<u>105,355</u>
Total	<u>\$ 1,695,725</u>	<u>\$ 1,695,725</u>	<u>\$ 1,831,151</u>	<u>\$ 1,831,151</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Funds are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 285,579	\$ 116,765	\$ 374,964	\$ 113,000
Non-Cash Surplus	<u>252,661</u>	<u>-</u>	<u>155,315</u>	<u>-</u>
	<u>\$ 538,240</u>	<u>\$ 116,765</u>	<u>\$ 530,279</u>	<u>\$ 113,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 753,515	\$ 241,863	\$ 499,027	\$ -
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>38,923</u>	<u>-</u>
	<u>\$ 753,515</u>	<u>\$ 241,863</u>	<u>\$ 537,950</u>	<u>\$ -</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2011</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 68,000	\$ 49,600	\$ 18,400
Emergency Authorizations	575,000	143,750	431,250
Overexpenditure of Appropriation	2,252	2,252	
Other Trust Fund			
Deficit in Miscellaneous Reserves	7,982	7,982	
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 90,000	\$ 45,000	\$ 45,000
Other Trust Fund			
Deficit in Miscellaneous Reserves	8,486		8,486
Uniform Fire Safety Act	3,060	3,060	

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal and sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

There is no maximum benefit an employee is entitled to at retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,501,909 and \$1,362,963 at December 31, 2011 and 2010, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 8.50% for PFRS and 5.50% for DCRP of employees' annual compensation.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2011, 2010 and 2009, the Borough, except for the amounts deferred during the year ended December 31, 2009 was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS</u>
2011	\$ 593,531	\$ 144,307
2010	552,442	132,779
2009	303,235	103,764

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$255,871 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to pay off the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2011 and 2010 is \$318,383 and \$294,118, respectively.

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post-employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined healthcare plan administered by the Borough. In accordance with Borough employment contracts and personnel policies, the Borough provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at the same cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents ends upon the death of the retiree.

Funding Policy

The Borough funds its post-retirement medical benefits on a pay-as-you-go basis. For the years 2011, 2010 and 2009, the Borough paid \$449,304, \$514,302 and \$302,964, respectively for post-retirement health coverage premiums for eligible retirees and their dependents.

BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 12 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Wallington is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The SBJIF and MEL coverage amounts are on file with the Borough.

The Borough is also a member of the Bergen Municipal Employee Benefit Fund (BMED). This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The Fund is a risk-sharing public entity pool. The Fund coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 201	\$ 3,318		\$ 7,819
2010		2,200	\$ 3,505	18,828
2009	15,000	32,359	42,873	20,116

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011 and 2010. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2011 and 2010, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2011 and 2010, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Wallington Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 22, 2004 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Wallington approved the adoption of the Plan at the general election held on November 2, 2004.

The first year of eligibility for entrance into the Plan was calendar year 2005. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Volunteer Emergency Squad, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

**BOROUGH OF WALLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Wallington has contributed \$1,315 and \$1,293 for 2011 and 2010, respectively, for each eligible volunteer fire department member and volunteer emergency squad members into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Funds.

NOTE 16 SUBSEQUENT EVENTS

Debt Authorized

As of the date of this report, the Borough has adopted various bond ordinances authorizing the issuance of \$678,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report, the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

**BOROUGH OF WALLINGTON
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, January 1, 2011		\$ 2,585,615
Increased by:		
Taxes Receivable	\$ 22,188,393	
State of NJ Senior Citizens' and Veterans' Deductions	109,500	
Miscellaneous Revenues Not Anticipated	137,470	
Revenue Accounts Receivable	2,251,977	
Tax Overpayments	34,333	
Prepaid Taxes	94,116	
Federal and State Grants Receivable	43,973	
Receipts from Animal Control Fund	35	
Receipts Due to Other Trust Funds	59,344	
Receipts from Other Trust Fund	173,253	
Receipts Due to General Capital Fund	561,250	
Receipts from General Capital Fund	423,733	
Receipts from Water Operating Utility Fund	502,107	
Receipts from Water Capital Fund	105,355	
Federal and State Grants - Unappropriated	13,124	
Miscellaneous Fees Payable	<u>8,690</u>	
		<u>26,706,653</u>
		29,292,268
Decreased by Disbursements:		
2011 Budget Appropriations	10,177,700	
2010 Appropriation Reserves	292,253	
Tax Overpayments	200,945	
County Taxes	2,284,788	
Local District School Taxes	12,763,324	
Appropriated Grant Reserves	1,065	
Disbursements to Other Trust Fund	172,763	
Disbursements Due from Other Trust Fund	88,544	
Disbursements Made to General Capital Fund	133,049	
Disbursements Made for Water Operating Utility Fund	222,500	
Miscellaneous Fees Payable	<u>5,111</u>	
		<u>26,342,042</u>
Balance, December 31, 2011		<u>\$ 2,950,226</u>

**BOROUGH OF WALLINGTON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, 2011	Balance, December 31, 2011
Collector - Treasurer	\$ 100	\$ 100

STATEMENT OF PETTY CASH

<u>Office</u>	Balance, January 1, 2011	Balance, December 31, 2011
Borough Clerk	\$ 100	\$ 100

**BOROUGH OF WALLINGTON
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2011		\$	47,481
Increased by:			
Senior Citizens' and Veterans' Deductions			
Disallowed by Tax Collector - 2011	\$	250	
Received in Cash from State		<u>109,500</u>	
			<u>109,750</u>
			157,231
Decreased by:			
Senior Citizens' and Veterans' Deductions Per Tax Billings- 2011		114,750	
Senior Citizens' and Veteran Deductions Allowed by Tax Collector - 2011		<u>1,750</u>	
			<u>116,500</u>
Balance, December 31, 2011		\$	<u>40,731</u>

BOROUGH OF WALLINGTON
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, January 1, 2011	2011 Levy	Senior Citizens and Veterans Deductions Disallowed	Collected in Cash		Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2011
				2010	2011				
2009	\$ 3,940				\$ 3,940				
2010	366,330	-	-	-	352,592	-	-	\$ 1,131	\$ 12,607
	370,270				356,532			1,131	12,607
2011	-	\$ 22,814,428	\$ 250	\$ 105,075	21,831,861	\$ 116,500	\$ 153,753	28,897	578,592
	<u>\$ 370,270</u>	<u>\$ 22,814,428</u>	<u>\$ 250</u>	<u>\$ 105,075</u>	<u>\$ 22,188,393</u>	<u>\$ 116,500</u>	<u>\$ 153,753</u>	<u>\$ 30,028</u>	<u>\$ 591,199</u>

Analysis of 2011 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 22,796,513
Added Taxes (54:4-63.1 et seq.)	<u>17,915</u>
	<u>\$ 22,814,428</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 12,763,324
County Taxes	\$ 2,244,202
Due County for Added Taxes (54:4-63.1 et seq)	1,544
County Open Space Taxes	<u>27,747</u>
	2,273,493
Local Tax for Municipal Purposes	7,382,859
Minimum Library Tax	368,394
Add Additional Tax Levied	<u>26,358</u>
	<u>7,777,611</u>
	<u>\$ 22,814,428</u>

**BOROUGH OF WALLINGTON
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2011	\$ 294,354
Increased by:	
Transferred from Taxes Receivable	<u>153,753</u>
Balance, December 31, 2011	<u>\$ 448,107</u>

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2011</u>	Accrued in 2011	Collected in 2011	Balance, December 31, <u>2011</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 19,096	\$ 19,096	
Other		1,526	1,526	
Fees and Permits		6,378	6,378	
Board of Health				
Licenses		8,920	8,920	
Fees and Permits		2,050	2,050	
Registrar of Vital Statistics				
Licenses		312	312	
Fire Prevention				
Fees and Permits		1,251	1,251	
Police				
Fees and Permits		666	666	
Planning & Zoning Boards				
Fees and Permits		90	90	
Municipal Court				
Fines and Costs	\$ 13,563	254,624	255,168	\$ 13,019
Interest and Costs on Taxes		87,319	87,319	
Interest on Investments and Deposits		9,777	9,777	
Energy Receipts Taxes		550,188	550,188	
Consolidated Municipal Property Tax Relief Aid		123,266	123,266	
Uniform Construction Code Fees		75,514	75,514	
Sewer Utility Charges		977,945	977,945	
Uniform Safety Act		13,093	13,093	
Cell Tower Rental Fee		47,830	47,830	
CATV Franchise Fee	-	71,588	71,588	-
	<u>\$ 13,563</u>	<u>\$ 2,251,433</u>	<u>\$ 2,251,977</u>	<u>\$ 13,019</u>

**BOROUGH OF WALLINGTON
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, January 1, <u>2011</u>	Encumbrances <u>Cancelled</u>	<u>Transfers</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Mayor and Council						
Salaries & Wages	\$ 1			\$ 1		\$ 1
Municipal Clerk Elections						
Salaries & Wages	54			54		54
Other Expenses	746	\$ 150	\$ 5,500	6,396	\$ 4,599	1,797
Financial Administration						
Other Expenses	17		4,480	4,497	4,462	35
Revenue Administration						
Salaries & Wages	271			271		271
Other Expenses	756			756	640	116
Assessment of Taxes						
Salaries & Wages	1			1		1
Other Expenses	692			692		692
Legal Services and Costs						
Other Expenses	61,904	100	(42,500)	19,504	16,940	2,564
Engineering Services and Costs -						
Other Expenses	3,166		500	3,666	1,044	2,622
Planning Board						
Salaries & Wages	100			100		100
Other Expenses	4,111		(500)	3,611	3,599	12
Zoning Bd of Adjustment						
Other Expenses	4,469		(500)	3,969	2,825	1,144
Construction Code Official						
Salaries & Wages	420			420		420
Other Expenses	1,802		(1,000)	802	91	711
Police						
Salaries & Wages	643			643		643
Other Expenses	9,129	1,200		10,329	3,841	6,488
Fire						
Other Expenses	794	22,253		23,047	18,951	4,096
Emergency Management						
Other Expenses	863			863		863
LOSAP	109,000			109,000	91,379	17,621
Uniform Fire Safety						
Salaries & Wages	3,400		(3,000)	400		400
Other Expenses	2,365		(2,000)	365		365
Streets and Roads Maintenance						
Salaries & Wages	308			308		308
Other Expenses	235	741	10,500	11,476	7,542	3,934
Shade Tree						
Other Expenses	30			30		30
Buildings and Grounds						
Other Expenses	781	3,200	5,000	8,981	6,402	2,579

BOROUGH OF WALLINGTON
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, January 1, <u>2011</u>	Encumbrances <u>Cancelled</u>	<u>Transfers</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Solid Waste Collection (Garbage and Trash, Recycling)						
Other Expenses	\$ 75,155		\$ (11,480)	\$ 63,675	\$ 26,366	\$ 37,309
Board of Health						
Salaries & Wages	1,402			1,402		1,402
Other Expenses	3,653			3,653	559	3,094
Senior Citizens						
Other Expenses	1,525			1,525	1,450	75
Board of Recreation Commissioners						
Salaries & Wages	968			968		968
Other Expenses	1,594	\$ 2,468		4,062	522	3,540
Maintenance of Parks						
Other Expenses	34,491		(8,000)	26,491	156	26,335
Celebration of Public Events						
Other Expenses	1,940			1,940		1,940
Electricity	17,225		12,000	29,225	20,603	8,622
Street Lighting	2,429		25,000	27,429	23,478	3,951
Gasoline	12,945		500	13,445	2,287	11,158
Communications	119		5,000	5,119	5,118	1
Public Defender						
Salaries & Wages	995		500	1,495	1,315	180
Sewerage Processing and Disposal						
Other Expenses	5,967	100		6,067	4,966	1,101
Passaic Valley Sewerage Commission	8			8		8
East Rutherford Sewer Fees	6,500			6,500		6,500
Recycling Tax Appropriation	11,800			11,800		11,800
911 Interlocal Services Agreement	2,760			2,760	2,760	
Maintenance of Free Public Library	2,728			2,728	2,724	4
Municipal Alliance Grant- State Share	6,753			6,753	6,753	
Municipal Alliance Grant- Local Share	2,927			2,927	2,927	
Municipal Court						
Salaries & Wages	9,290			9,290		9,290
Other Expenses	4,583	100		4,683	512	4,171
Social Security System	2,816			2,816		2,816
Insurance						
Unemployment	6,000			6,000		6,000
Employee Group	126,963			126,963		126,963
Liability	199			199		199
Liability (South Bergen JIF)	18,548			18,548	18,547	1
Worker's Compensation (South Bergen JIF)	23,517	-	-	23,517	23,516	1
Subtotal	\$ 591,858	\$ 30,312	\$ -	\$ 622,170	\$ 306,874	\$ 315,296

Cash Disbursements	\$ 292,253
Transferred to Accounts Payable	4,941
Transferred to Appropriated Grants	9,680
	<u>\$ 306,874</u>

**BOROUGH OF WALLINGTON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2011	\$ 30,312
Increased by:	
Charges to 2011 Budget Appropriations	<u>34,535</u>
	64,847
Decreased by:	
Transferred to 2010 Appropriations Reserve	<u>30,312</u>
Balance, December 31, 2011	<u>\$ 34,535</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2011	\$ 105,075
Increased by:	
Collection - 2012 Taxes	<u>94,116</u>
	199,191
Decreased by:	
Application to 2011 Taxes Receivable	<u>105,075</u>
Balance, December 31, 2011	<u>\$ 94,116</u>

**BOROUGH OF WALLINGTON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2011		\$ 27,562
Increased by:		
Prior Year Tax Appeals Granted	\$ 173,965	
Cash Receipts	<u>34,333</u>	
		<u>208,298</u>
		235,860
Decreased by:		
Cash Disbursements		<u>200,945</u>
Balance, December 31, 2011		<u>\$ 34,915</u>

EXHIBIT A-15

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2011 Tax Levy	\$ 2,244,202	
Open Space Taxes	27,747	
2010 Added Taxes (54:4-63.1 et seq.)	12,839	
2011 Added Taxes (54:4-63.1 et seq.)	<u>1,544</u>	
		<u>\$ 2,286,332</u>
		2,286,332
Decreased by:		
Payments		<u>2,284,788</u>
Balance, December 31, 2011		<u>\$ 1,544</u>

EXHIBIT A-16

STATEMENT OF SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year		<u>\$ 12,763,324</u>
Decreased by:		
Payments		<u>\$ 12,763,324</u>

**BOROUGH OF WALLINGTON
STATEMENT OF MISCELLANEOUS FEES PAYABLE**

	Balance, January 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2011</u>
Marriage License Fees	\$ 676	\$ 2,600	\$ 2,450	\$ 826
Blood Screening Fees	411	2,872	-	3,283
Burial Permit Fees		5	5	
DCA Training Fees	<u>1,437</u>	<u>3,213</u>	<u>2,656</u>	<u>1,994</u>
	<u>\$ 2,524</u>	<u>\$ 8,690</u>	<u>\$ 5,111</u>	<u>\$ 6,103</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2011	\$ 4,210
Increased by:	
Transfer from 2010 Appropriation Reserves	<u>4,941</u>
	9,151
Decreased by:	
Cancellations	<u>4,210</u>
Balance, December 31, 2011	<u>\$ 4,941</u>

STATEMENT OF RESERVE FOR REVALUATION

Balance, January 1, 2011	<u>\$ 2,770</u>
Balance, December 31, 2011	<u>\$ 2,770</u>

**BOROUGH OF WALLINGTON
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:4-55.3 SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>January 1,</u> <u>2011</u>	<u>Prior Year</u> <u>Adjustment</u>	<u>Raised</u> <u>in 2011</u>	<u>Balance,</u> <u>December 31,</u> <u>2011</u>
8/23/2007	Revaluation of Real Property	\$ 225,000	\$ 45,000	\$ 90,000		\$ 45,000	\$ 45,000
3/8/2010	Codification Of Ordinances	23,000	4,600	-	\$ 23,000	-	23,000
				<u>\$ 90,000</u>	<u>\$ 23,000</u>	<u>\$ 45,000</u>	<u>\$ 68,000</u>

BOROUGH OF WALLINGTON
STATEMENT OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance, January 1, <u>2011</u>	<u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2011</u>
CDBG		\$ 62,000		\$ 62,000
Clean Communities Program		15,120	\$ 15,120	
Recycling Tonnage		13,437	13,437	
Non-Public Nursing		10,510	10,510	
Municipal Alliance Grant	\$ 5,315		4,906	409
Safe and Secure Communities Program	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>120,000</u>
	<u>\$ 65,315</u>	<u>\$ 161,067</u>	<u>\$ 43,973</u>	<u>\$ 182,409</u>

BOROUGH OF WALLINGTON
STATEMENT OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance, January 1, <u>2011</u>	Transferred from 2011 <u>Appropriations</u>	Transferred from Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2011</u>
Supplemental Fire Services Program State Entitlement:					
Fire - Other Expenses	\$ 1,573				\$ 1,573
Alcohol Education and Rehabilitation Fund					
Municipal Court					
Salaries & Wages	8,992				8,992
Drunk Driving Enforcement Fund					
Police					
Salaries & Wages	13,281			\$ 1,065	12,216
Clean Communities	16,122				16,122
COPS Fast Programs	73				73
Municipal Alliance- State	32,978		\$ 6,753		39,731
Municipal Alliance- Local	2,549		2,927		5,476
Recycling Assistance Program	10,329				10,329
Legislative Grant- Emergency Services	9,530				9,530
Non Public Nursing	738				738
Body Armor Replacement		\$ 2,156			2,156
Municipal Recycling Assistance Program		220			220
Recycling Tonnage Grant		13,437			13,437
COPS More	1,579				1,579
Livable Communities -Acquisition of Fire Equipment	1,977				1,977
Domestic Preparedness Grant	50,000				50,000
DEP Stormwater Grant	17,960	-	-	-	17,960
	<u>\$ 167,681</u>	<u>\$ 15,813</u>	<u>\$ 9,680</u>	<u>\$ 1,065</u>	<u>\$ 192,109</u>

BOROUGH OF WALLINGTON
STATEMENT OF UNAPPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance, January 1, <u>2011</u>	Cash <u>Received</u>	Utilized as <u>2011 Revenue</u>	Balance, December 31, <u>2011</u>
Alcohol Education and Rehabilitation Fund		\$ 1,187		\$ 1,187
Drunk Driving Enforcement Fund		3,210		3,210
Body Armor Replacement	\$ 2,156	2,289	\$ 2,156	2,289
Municipal Recycling Assistance Program	<u>220</u>	<u>6,438</u>	<u>220</u>	<u>6,438</u>
	<u>\$ 2,376</u>	<u>\$ 13,124</u>	<u>\$ 2,376</u>	<u>\$ 13,124</u>

**BOROUGH OF WALLINGTON
STATEMENT OF EMERGENCY NOTES PAYABLE**

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Increased by Notes Issued</u>	<u>Balance, December 31, 2011</u>
12/22/2011	5/22/2012	1.30%	\$ 575,000	\$ 575,000

STATEMENT OF AMOUNT DUE TO LIBRARY - STATE AID

Balance, January 1, 2011	\$ 5,496
Balance, December 31, 2011	\$ 5,496

STATEMENT OF RESERVE FOR CODIFICATION OF ORDINANCES

Increased by:	
Prior Year Adjustment - Special Emergency Approved in 2010	\$ 23,000
Decreased by:	
Cash Disbursements in General Capital Fund	4,854
Balance, December 31, 2011	\$ 18,146

**BOROUGH OF WALLINGTON
STATEMENT OF EMERGENCY AUTHORIZATIONS**

Increased by:	
Authorized in 2011	<u>\$ 575,000</u>
Balance, December 31, 2011	<u>\$ 575,000</u>

STATEMENT OF OVEREXPENDITURE OF APPROPRIATION

Increased by:	
Overexpended in 2011	<u>\$ 2,252</u>
Balance, December 31, 2011	<u>\$ 2,252</u>

TRUST FUND

BOROUGH OF WALLINGTON
SCHEDULE OF TRUST CASH AND INVESTMENTS - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2011	\$ 7,292	\$ 395,593
Increased by Receipts:		
Other Reserves		\$ 341,016
Payroll Salaries and Deductions		4,377,576
Payroll Deductions - Unemployment		3,318
Interest Earned	\$ 35	490
Received from Current Fund		172,763
Due to State of New Jersey	851	
Cat/Late Fees	728	
Dog License Fees	<u>2,593</u>	<u>-</u>
	<u>4,207</u>	<u>4,895,163</u>
	11,499	5,290,756
Decreased by Disbursements:		
Payroll Salaries and Deductions		4,393,168
Due to State of New Jersey	862	
Expenditures Under (RS 4:19-15.11)	23	
Payments to Current Fund	35	173,253
Other Reserves	<u>-</u>	<u>343,474</u>
	<u>920</u>	<u>4,909,895</u>
Balance, December 31, 2011	<u>\$ 10,579</u>	<u>\$ 380,861</u>

BOROUGH OF WALLINGTON
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Balance, January 1, 2011	\$ 7,279
Increased by:	
Cat/Late Fees	\$ 728
Dog License Fees	<u>2,593</u>
	<u>3,321</u>
	10,600
Decreased by:	
Expenditures Under RS 4:19-15.11:	
Cash Disbursements	<u>23</u>
Balance, December 31, 2011	<u>\$ 10,577</u>

EXHIBIT B-3

STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH
ANIMAL CONTROL FUND

Balance, January 2, 2011	\$ 11
Increased by:	
State Fees Collected in 2011	<u>851</u>
	862
Decreased by:	
Payments to State of New Jersey	<u>862</u>
Balance, December 31, 2011	<u>\$ -</u>

EXHIBIT B-4

STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND

Balance, January 1, 2011	\$ 2
Increased by:	
Interest Earned	<u>35</u>
	37
Decreased by:	
Payments to Current Fund	<u>35</u>
Balance, December 31, 2011	<u>\$ 2</u>

**BOROUGH OF WALLINGTON
STATEMENT OF OTHER RESERVES - OTHER TRUST FUND**

	Balance, January 1, <u>2011</u>	Cash <u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2011</u>
Uniform Fire Safety Act Penalties	\$ (3,060)	\$ 3,210		\$ 150
Planning Board-Escrow	59,609	14,962	\$ 18,022	56,549
Road Opening	5	4,320		4,325
Third Party Lien Redemptions	29,588	122,962	152,550	
Tax Sale Premiums	116,060	99,503	83,900	131,663
Iron & Steel (Recycling)	128			128
Zoning Board-Escrow	15,196	11,670	3,782	23,084
Police Vests	3,085			3,085
Handicap Trust	37			37
Police Off Duty	208,914	129,695	165,966	172,643
Recreation	6,840	9,224	4,010	12,054
Parks		3,420	2,942	478
P.O.A.A.	9,578	3,104		12,682
Miscellaneous	<u>(8,486)</u>	<u>1,350</u>	<u>846</u>	<u>(7,982)</u>
 Total	 <u>\$ 437,494</u>	 <u>\$ 403,420</u>	 <u>\$ 432,018</u>	 <u>\$ 408,896</u>
Due to/from Current Fund	\$	59,344	\$ 88,544	
Budget Appropriation		3,060		
Cash Receipts/Cash Disbursements		<u>341,016</u>	<u>343,474</u>	
		<u>\$ 403,420</u>	<u>\$ 432,018</u>	

EXHIBIT B-6

**STATEMENT OF RESERVE FOR ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, January 1, 2011	\$ <u>3,850</u>
Balance, December 31, 2011	\$ <u>3,850</u>

**BOROUGH OF WALLINGTON
STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, January 1, 2011		\$ 205,714
Increased by:		
Other Trust Receipts Deposited in Current Fund	\$ 59,344	
Budget Appropriation - Uniform Fire Safety Act	3,060	
Budget Appropriation - Unemployment	<u>201</u>	
		<u>62,605</u>
		268,319
Decreased by:		
Receipts from Current Fund	172,763	
Other Trust Expenditures Paid by Current Fund	<u>88,544</u>	
		<u>261,307</u>
Balance, December 31, 2011		<u><u>\$ 7,012</u></u>

EXHIBIT B-8

**STATEMENT OF RESERVE FOR UNEMPLOYMENT
COMPENSATION INSURANCE CLAIMS
OTHER TRUST FUND**

Balance, January 1, 2011		\$ 18,828
Increased by:		
Budget Appropriation:		
Current Fund	\$ 201	
Payroll Deductions	<u>3,318</u>	
		<u>3,519</u>
		22,347
Decreased by:		
Prior Year Adjustment - Payroll		<u>14,528</u>
Balance, December 31, 2011		<u><u>\$ 7,819</u></u>

**BOROUGH OF WALLINGTON
STATEMENT OF RESERVE FOR PAYROLL SALARIES AND WITHHOLDINGS
OTHER TRUST FUND**

Balance (Deficit), January 1, 2011	\$ (31,628)
Increased by:	
Prior Year Adjustment - Unemployment	\$ 14,528
Cash Receipts	<u>4,377,576</u>
	4,392,104
	4,360,476
Decreased by:	
Cash Disbursements	<u>4,393,168</u>
Balance (Deficit), December 31, 2011	<u><u>\$ (32,692)</u></u>

EXHIBIT B-10

**STATEMENT OF DUE TO CURRENT FUND - PAYROLL ACCOUNTS
OTHER TRUST FUND**

Balance, January 1, 2011	\$ 172,763
Increased by:	
Interest Earned	<u>490</u>
	173,253
Decreased by:	
Payments to Current Fund	<u>173,253</u>
Balance, December 31, 2011	<u><u>\$ -</u></u>

GENERAL CAPITAL FUND

**BOROUGH OF WALLINGTON
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, January 1, 2011		\$ 774,513
Increased by Receipts:		
Other Accounts Receivable	\$ 36,891	
Receipts From Current Fund	133,049	
Receipts Due to Current Fund	575,000	
Due from Water Operating	383,558	
Receipts from Water Capital Fund	300,000	
Bond Anticipation Notes	2,019,324	
Premium on Sale of Notes	10,236	
Interest Earned	<u>2,221</u>	
		<u>3,460,279</u>
		4,234,792
Decreased by Disbursements:		
Payments to Current Fund	423,733	
Disbursements Due from Current Fund	4,854	
Payments to Water Capital Fund	227,000	
Due from Water Operating	341,210	
Improvement Authorizations	<u>2,132,853</u>	
		<u>3,129,650</u>
Balance December 31, 2011		<u>\$ 1,105,142</u>

**BOROUGH OF WALLINGTON
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2011</u>
Capital Improvement Fund	\$ 60,652
Due from Water Utility Capital Fund	(41,210)
Due to Water Utility Operating Fund	374,789
Due from Current Fund	(1,202,736)
Grants Receivable	(388,329)
Reserve for Encumbrances	468,381
Reserve for Grants Receivable	216,653
Fund Balance	10,236
Reserve for Payment of Notes - Ord. 10-15	261,250
 Improvement <u>Authorizations:</u>	
97-4/01-13 Emergency Services Building Impvts.	116
98-6 Various Road, Curb and Sidewalk Impvts.	37,203
98-10/99-4/ 00-17 Reconst. of Recreation Field	44,825
99-6 Acq. Of Police Comm. Package	7,802
99-7 Acq. of Fire Equipt.	131
00-21/01-19 Acq. of Fire Truck	1,848
00-12/03-21 Maple Avenue Impvts.	18,297
01-15 Improvements to Hathaway Street	(6,712)
02-3 Resurfacing of Hathaway	(97)
02-6 Sewer Relining	1,108
02-8 Repair of Sanitary Sewer Line	2,887
03-9 Acq. of Senior Citizen Bus	(3,895)
03-14 Resurface Various Streets	137,459
03-17 Replacement of Sanitary Sewer - Armm Ave	141
03-20 Replacement of Sanitary Sewer - Hathaway Street	455
05-11/07-13 Purchase of Real Property	2,380
06-11 2006 Road Improvement Program	215,456
07-10 Acquisition of New Automotive Vehicle	3,084
07-12 Acquisition of Real Property	42,266
10-7 Refunding Tax Appeals	(80,014)
10-8 Resurfacing Various Streets	887,048
10-14 Acquisition of Ambulance Chassis	771
10-15 Purchase of Fire Engine	40,144
11-4 Construction of Turf Field	149,827
11-5 Resurface Hathaway Street	98,899
11-10 Acq. Firefighter Equipment	<u>(255,973)</u>
	 <u>\$ 1,105,142</u>

**BOROUGH OF WALLINGTON
STATEMENT OF GRANTS RECEIVABLE
GENERAL CAPITAL FUND**

Balance, January 1, 2011	\$ 564,579
Increased by;	
Grants Awarded in 2011	<u>110,000</u>
	674,579
Decreased by;	
Cash Received in Current Fund in 2011	<u>286,250</u>
Balance, December 31, 2011	<u>\$ 388,329</u>

Analysis of Balance, December 31, 2010

<u>Ord. No.</u>		
	<u>New Jersey Department of Transportation</u>	
00-12	Locust Avenue/Main Avenue Intersection	\$ 1,000
01-15	Hathaway Street	4,712
11-5	Resurface Hathaway Street	110,000
	<u>Community Development Block Grants</u>	
10-14	Acquisition of Ambulance Chassis	61,676
10-15	Purchase of Fire Engine	<u>210,941</u>
		<u>\$ 388,329</u>

**STATEMENT OF DUE TO/(FROM) WATER UTILITY CAPITAL FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2011 (Due To)	\$ 227,000
Increased by:	
Cash Receipts in 2011	<u>300,000</u>
	527,000
Decreased by:	
Bills paid by General Capital	\$ 341,210
Cash Disbursements in 2011	<u>227,000</u>
	<u>568,210</u>
Balance, December 31, 2011 (Due from)	<u>\$ (41,210)</u>

**BOROUGH OF WALLINGTON
STATEMENT OF DUE FROM CURRENT FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2011		\$ 978,869
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	\$ 40,000	
Receipts in Current Fund	275,000	
Receipts in Current Fund - Grants	286,250	
Disbursements Due from Current Fund	4,854	
Payments to Current Fund	<u>423,733</u>	
		<u>1,029,837</u>
		2,008,706
Decreased By:		
Current Fund Emergency Notes Received Due to Current Fund	575,000	
Reserve for Payment of Debt Utilized as Current Fund Revenue	95,700	
Interest Earned	2,221	
Receipts from Current Fund	<u>133,049</u>	
		<u>805,970</u>
Balance, December 31, 2011 (Due From)		<u>\$ 1,202,736</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
GENERAL CAPITAL FUND**

Balance, January 1, 2011		\$ 9,176,364
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 350,000	
Green Acres Loan Payable	<u>10,385</u>	
		<u>360,385</u>
Balance, December 31, 2011		<u>\$ 8,815,979</u>

**BOROUGH OF WALLINGTON
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
GENERAL CAPITAL FUND**

Ord. No.	General Improvements	Balance January 1, 2011	2011 Authorizations	Balance, December 31, 2011	Bond Anticipation Notes Issued	Analysis of Balance, December 31, 2011	
						Expenditures	Unexpended Improvement Authorizations
97-4/01-13	Emergency Services Building Impvts.	\$ 103		\$ 103			\$ 103
00-12/03-21	Maple Avenue Impvts.	1,000		1,000			1,000
01-15	Improvements to Hathaway Street	6,712		6,712		\$ 6,712	
02-3	Resurfacing of Hathaway	100		100		97	3
03-9	Acq. of Senior Citizen Bus	3,895		3,895		3,895	
05-11/07-13	Purchase of Real Property	102		102			102
10-7	Refunding Tax Appeals	85,350		85,350		80,014	5,336
10-14	Acquisition of Ambulance Chassis	46,824		46,824	\$ 46,824		
10-15	Purchase of Fire Engine	547,500		547,500	547,500		
11-4	Construction of Turf Field	-	\$ 1,425,000	1,425,000	1,425,000		
11-10	Acq. Firefighting Equipment	-	333,300	333,300	-	255,973	77,327
		<u>\$ 691,586</u>	<u>\$ 1,758,300</u>	<u>\$ 2,449,886</u>	<u>\$ 2,019,324</u>	<u>\$ 346,691</u>	<u>\$ 83,871</u>
Improvement Authorizations-Unfunded							\$ 473,112
Less: Unexpended Proceeds of Bond Anticipation Notes							
Ord. 10-14						\$ 771	
Ord. 10-15						40,144	
Ord. 11-4						348,326	
							<u>389,241</u>
							<u>\$ 83,871</u>

**BOROUGH OF WALLINGTON
STATEMENT OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2011	\$ 37,352
Increased by:	
Budget Appropriation -Capital Improvement Fund	<u>40,000</u>
	77,352
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>16,700</u>
Balance, December 31, 2011	<u>\$ 60,652</u>

**BOROUGH OF WALLINGTON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2011		Capital Improvement Fund	2011 Authorizations		Deferred Charges Unfunded	Prior Year Encumbrances Cancelled	Expended	Balance, December 31, 2011	
		Funded	Unfunded		Due from Board of Education	Grants Receivable				Funded	Unfunded
97-4/01-13	Emergency Services Building Impvts.	\$ 116	\$ 103							\$ 116	\$ 103
98-6	Various Road, Curb and Sidewalk Impvts.	37,203								37,203	
98-10/ 99-4	Reconst. of Recreation Field	44,825								44,825	
99-6	Acq. of Police Comm. Package	7,802								7,802	
99-7	Acq. of Fire Equipt.	131								131	
00-12/03-21	Maple Ave. Impvts.	18,297	1,000							18,297	1,000
00-21/01-19	Acq. of Fire Truck	1,848								1,848	
02-3	Resurfacing of Hathaway		3								3
02-6	Sewer Relining	1,108								1,108	
02-8	Repair of Sanitary Sewer Line	2,887								2,887	
03-14	Resurface Various Streets	194,174						\$ 92,291	\$ 149,006	137,459	
03-17	Replacement of Sanitary Sewer-Armm Ave	1,141							1,000	141	
03-20	Replacement of Sanitary Sewer-Hathaway St.	2,955							2,500	455	
05-11/07-13	Purchase of Real Property	2,380	102							2,380	102
06-11	2006 Road Improvement Program	215,456								215,456	
07-10	Acquisition of New Automotive Vehicle	4,084							1,000	3,084	
07-12	Acquisition of Real Property	42,266								42,266	
10-3	Acquisition of Computer Network	1,095								1,095	
10-7	Refunding Tax Appeals		6,959							1,623	5,336
10-8	Resurfacing Various Streets	932,353						19,799	65,104	887,048	
10-14	Acquisition of Ambulance Chassis		11,874						11,103		771
10-15	Purchase of Fire Engine	27,500	547,500						534,856		40,144
11-4	Construction of Turf Field				\$ 275,000		\$ 1,425,000		1,550,173		149,827
11-5	Resurface Hathaway Street					\$ 110,000			11,101	98,899	
11-10	Acq. Firefighter Equipment	-	-	\$ 16,700	-	-	333,300	-	272,673	-	77,327
		<u>\$ 1,537,621</u>	<u>\$ 567,541</u>	<u>\$ 16,700</u>	<u>\$ 275,000</u>	<u>\$ 110,000</u>	<u>\$ 1,758,300</u>	<u>\$ 112,090</u>	<u>\$ 2,601,234</u>	<u>\$ 1,501,405</u>	<u>\$ 274,613</u>
	Cash Disbursements								\$ 2,132,853		
	Reserve for Encumbrances								468,381		
									<u>\$ 2,601,234</u>		

**BOROUGH OF WALLINGTON
STATEMENT OF RESERVE FOR GRANTS RECEIVABLE
GENERAL CAPITAL FUND**

Balance, January 1, 2011	\$ 477,903
Decreased by:	
Cash Receipts	<u>261,250</u>
Balance, December 31, 2011	<u>\$ 216,653</u>

Analysis of Balance

Ord. 00-12	\$ 1,000
Ord. 10-15	210,941
Ord. 01-15	<u>4,712</u>
	<u>\$ 216,653</u>

**STATEMENT OF DUE FROM/(TO) WATER UTILITY OPERATING FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2011 (Due From)	\$ 8,769
Decreased by:	
Received from Water Operating Fund	<u>383,558</u>
Balance, December 31, 2011 (Due To)	<u>\$ (374,789)</u>

**BOROUGH OF WALLINGTON
STATEMENT OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND**

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	5/15/2002	\$ 1,700,000	5/15/2012	\$ 160,000	4.250%			
			5/15/2013-14	160,000	4.375%			
			5/15/2015	155,000	4.375%	\$ 790,000	\$ 155,000	\$ 635,000
General Improvement Bonds	10/15/2003	1,227,000	10/15/2012	95,000	3.750%			
			10/15/2013	100,000	3.750%			
			10/15/2014-17	100,000	4.000%			
			10/15/2018	97,000	4.000%	787,000	95,000	692,000
General Improvement Bonds	8/1/2010	7,460,000	8/1/2012	125,000	2.000%			
			8/1/13-15	150,000	2.000%			
			8/1/16-18	325,000	3.000%			
			8/1/19-21	450,000	3.000%			
			8/1/2022	475,000	4.000%			
			8/1/23-29	500,000	4.000%			
			8/1/2030	485,000	4.000%	<u>7,460,000</u>	<u>100,000</u>	<u>7,360,000</u>
						<u>\$ 9,037,000</u>	<u>\$ 350,000</u>	<u>\$ 8,687,000</u>
					Budget Appropriation		\$ 350,000	

**BOROUGH OF WALLINGTON
STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE
GENERAL CAPITAL FUND**

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loan Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Centennial Field Development	11/7/2002	\$ 211,000	2/14/2012 - 2022	\$10,594-\$12,926	2.00%	<u>\$ 139,364</u>	<u>\$ 10,385</u>	<u>\$ 128,979</u>
					Budget Appropriation		<u>\$ 10,385</u>	

**BOROUGH OF WALLINGTON
STATEMENT OF BOND ANTICIPATION NOTES
GENERAL CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Amount of Note</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Increased</u>	<u>Balance, December 31, 2011</u>
10-14	Acquisition of Ambulance Chassis	\$ 46,824	9/29/2011	9/29/2011	9/28/2012	1.50%		\$ 46,824	\$ 46,824
10-15	Purchase of Fire Engine	547,500	9/29/2011	9/29/2011	9/28/2012	1.50%		547,500	547,500
11-4	Construction of Turf Field	1,425,000	9/29/2011	9/29/2011	9/28/2012	1.50%	-	1,425,000	1,425,000
							<u>\$ -</u>	<u>\$ 2,019,324</u>	<u>\$ 2,019,324</u>
Notes Issued for cash								<u>\$ 2,019,324</u>	

**BOROUGH OF WALLINGTON
STATEMENT OF RESERVE FOR PAYMENT OF DEBT
GENERAL CAPITAL FUND**

Balance, January 1, 2011	\$ 95,700
Increased by:	
Cash Receipts in 2011	<u>261,250</u>
	356,950
Decreased by:	
Anticipated as Current Fund Revenue	<u>95,700</u>
Balance, December 31, 2011	<u>\$ 261,250</u>

Analysis

Ordinance 10-15	<u>\$ 261,250</u>
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**STATEMENT OF OTHER ACCOUNTS RECEIVABLE
GENERAL CAPITAL FUND**

Balance, December 31, 2010	<u>\$ 36,891</u>
Decreased by:	
Cash Receipts in 2011	<u>\$ 36,891</u>

**STATEMENT OF RESERVE FOR ENCUMBRANCES
GENERAL CAPITAL FUND**

Balance, December 31, 2010	\$ 112,090
Increased by:	
Charges to Improvement Authorizations	<u>468,381</u>
	580,471
Decreased by:	
Cancelled in 2011	<u>112,090</u>
Balance, December 31, 2011	<u>\$ 468,381</u>

BOROUGH OF WALLINGTON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
GENERAL CAPITAL FUND

<u>Ord. No. or Date</u>	<u>Improvement Description</u>	<u>Balance, January 1, 2011</u>	<u>2011 Authorizations</u>	<u>Notes Issued</u>	<u>Balance, December 31, 2011</u>
	<u>General Improvements:</u>				
97-4/01-13	Emergency Services				
	Building Improvements	\$ 103			\$ 103
00-12/03-21	Maple Ave. Impvts.	1,000			1,000
01-15	Improvements to Hathaway Street	6,712			6,712
02-3	Resurfacing of Hathaway	100			100
03-09	Acq. of Senior Citizen Bus	3,895			3,895
05-11/07-13	Purchase of real Property	102			102
10-7	Refunding Tax Appeals	85,350			85,350
10-14	Acquisition of Ambulance Chassis	46,824		\$ 46,824	
10-15	Purchase of Fire Engine	547,500		547,500	
11-4	Construction of Turf Field		\$ 1,425,000	1,425,000	
11-10	Acq. Firefighting Equipment	-	333,300	-	333,300
		<u>\$ 691,586</u>	<u>\$ 1,758,300</u>	<u>\$ 2,019,324</u>	<u>\$ 430,562</u>

WATER UTILITY FUND

**BOROUGH OF WALLINGTON
STATEMENT OF CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, January 1, 2011	\$ 852,389	\$ 60,900
Increased by Receipts:		
Receipts from Water Collector	\$ 2,402,222	
Fire Hydrant Service	35,968	
Miscellaneous	43,170	
Payments from General Capital Fund		\$ 227,000
Payments from Water Utility Operating Fund		93,756
Payments from Water Utility Capital Fund	1,708	
Interest Earned		2,028
Proceeds of Bond Anticipation Notes	-	1,800,000
	<u>2,483,068</u>	<u>2,122,784</u>
	3,335,457	2,183,684
Decreased by Disbursements:		
2011 Budget Appropriations	1,678,088	
2010 Appropriation Reserves	68,495	
Improvement Authorizations		333,421
Payments to Water Utility Operating Fund		1,708
Payments to Water Utility Capital Fund	93,756	
Payments Due from Water Utility Capital Fund	106,126	
Payments to General Capital Fund	383,558	300,000
Payments to Current Fund	502,107	105,355
Encumbrances Payable	6,379	
Accrued Interest	19,342	-
	<u>2,857,851</u>	<u>740,484</u>
Balance, December 31, 2011	<u>\$ 477,606</u>	<u>\$ 1,443,200</u>

EXHIBIT D-6

STATEMENT OF CASH - WATER COLLECTOR

Increased by Receipts:	
Consumer Accounts Receivable	<u>\$ 2,402,222</u>
Decreased by Disbursements:	
Payments to Treasurer	<u>\$ 2,402,222</u>

**BOROUGH OF WALLINGTON
ANALYSIS OF WATER UTILITY CAPITAL CASH**

		Balance, December 31, <u>2011</u>
Due to General Capital Fund		\$ 41,210
Due from Water Operating Fund		6,446
Fund Balance		972
Reserve for Encumbrances		442,038
Capital Improvement Fund		120,787
<u>Improvement Authorizations:</u>		
06-12	Acquisition of Real Property	(80,458)
11-3	Acquisition of Two Dump Trucks with Plows	3,874
11-7	Replacement of Various Water Mains	683,331
11-8	Acquisition of Vehicles & Equipment	<u>225,000</u>
		<u>\$ 1,443,200</u>

**BOROUGH OF WALLINGTON
STATEMENT OF CHANGE FUND
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ <u>100</u>
Balance, December 31, 2011	\$ <u><u>100</u></u>

**STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ 149,741
Increased by:	
Billings	<u>2,477,436</u>
	2,627,177
Decreased by:	
Collections	<u>2,402,222</u>
Balance, December 31, 2011	\$ <u><u>224,955</u></u>

**BOROUGH OF WALLINGTON
STATEMENT OF WATER UTILITY LIENS
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011		
Water Charges	\$ 1,470	
Fire Hydrant Charges	<u>9,200</u>	
		<u>\$ 10,670</u>
Balance, December 31, 2011		
Water Charges	1,470	
Fire Hydrant Charges	<u>9,200</u>	
		<u>\$ 10,670</u>

Analysis of Balance

<u>Account No.</u>	<u>Amount</u>
1715	\$ 9,938
1148	<u>732</u>
	<u>\$ 10,670</u>

**BOROUGH OF WALLINGTON
STATEMENT OF DUE FROM/(TO) WATER UTILITY OPERATING FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2011 (Due From)	\$ 93,756
Increased by:	
2011 Budget Appropriation - Capital Improvement Fund	\$ 100,000
Paid to Water Utility Operating - Interest on Investments	<u>1,708</u>
	<u>101,708</u>
	195,464
Decreased by:	
Interest Earned	2,028
Improvement Authorization Expenditures Paid by Water Operating Fund'	106,126
Cash Receipts	<u>93,756</u>
	<u>201,910</u>
Balance, December 31, 2011 (Due To)	<u>\$ (6,446)</u>

**STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

	Balance, January 1, <u>2011</u>	Transferred from Fixed Capital Authorized and <u>Uncompleted</u>	Balance, December 31, <u>2011</u>
Water System	\$ 543,064		\$ 543,064
Water Storage Tank	81,000		81,000
Foundation for Water Storage Tank	38,967		38,967
Main Extension	1,200,055		1,200,055
Meters	28,082		28,082
Engineer - Exploration of Well Site	9,226		9,226
Wells:			
Construction	143,716		143,716
Consulting Engineer	2,754		2,754
Advertising	15		15
Vehicles and Equipment	157,641		157,641
Acq. Of a Dump Truck		\$ 38,966	38,966
Various Impvts. To Water Supply System		908,112	908,112
Acq. of Two Dump Trucks		54,928	54,928
Acquisition of Pick-up Truck		20,250	20,250
Acquisition of Trucks		58,279	58,279
Acquisition of Vehicles and Equipment		74,950	74,950
Acquisition of Real Property	<u>-</u>	<u>232,958</u>	<u>232,958</u>
	<u>\$ 2,204,520</u>	<u>\$ 1,388,443</u>	<u>\$ 3,592,963</u>

BOROUGH OF WALLINGTON
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY CAPITAL FUND

<u>Improvement Description</u>	<u>Ordinance</u>			Balance, January 1,	2011	Cancelled in	Transferred	Balance,
	<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>2011</u>	<u>Authorizations</u>	<u>2011</u>	<u>to Fixed Capital</u>	<u>December 31, 2011</u>
General Improvements								
Acq. Of a Dump Truck	97-2	1/23/1997	\$ 40,000	\$ 40,000		\$ 1,034	\$ 38,966	
Various Impvts. To Water Supply System	97-6	3/27/1997	1,200,000	1,115,000		206,888	908,112	
Acq. of Two Dump Trucks	00-16	10/26/2000	60,000	60,000		5,072	54,928	
Acquisition of Pick-up Truck	02-9	12/19/2002	21,000	21,000		750	20,250	
Acquisition of Trucks	03-12	5/22/2003	60,000	60,000		1,721	58,279	
Acquisition of Vehicles and Equipment	05-12	7/28/2005	85,000	85,000		10,050	74,950	
Acquisition of Real Property	06-12	5/25/2006	270,000	270,000		37,042	232,958	
Acquisition of Two Dump Trucks with Plow	11-3	3/24/2011	110,000		\$ 110,000	~		\$ 110,000
Replacement of Various Water Mains	11-7	6/16/2011	1,800,000		1,800,000	~		1,800,000
Acquisition of Vehicles & Equipment	11-8	7/21/2011	225,000	-	225,000	~	-	225,000
				\$ 1,651,000	\$ 2,135,000	\$ 262,557	\$ 1,388,443	\$ 2,135,000

**BOROUGH OF WALLINGTON
STATEMENT OF 2010 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2011</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries	\$ 9,874	\$ 9,874		\$ 9,874
Other Expenses	222,223	222,223	\$ 68,495	153,728
Deferred Charges And Statutory Expenditures				
Social Security System (O.A.S.I.)	<u>4,283</u>	<u>4,283</u>	<u>-</u>	<u>4,283</u>
Total Water Utility Appropriations	<u>\$ 236,380</u>	<u>\$ 236,380</u>	<u>\$ 68,495</u>	<u>\$ 167,885</u>
		Cash Disbursements	<u>\$ 68,495</u>	

**BOROUGH OF WALLINGTON
STATEMENT OF EQUIPMENT RESERVES
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ 3,862
Balance, December 31, 2011	<u>\$ 3,862</u>

**STATEMENT OF DUE TO/(FROM) GENERAL CAPITAL FUND
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011 (Due To)	\$ 8,769
Increased by:	
Payments Made to General Capital Fund	<u>383,558</u>
Balance, December 31, 2011 (Due From)	<u>\$ (374,789)</u>

**STATEMENT OF DUE FROM CURRENT FUND
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ 38,923
Increased by:	
Payments Made to Current Fund	<u>502,107</u>
	541,030
Decreased by:	
Bills Paid By Current Fund	\$ 150,000
Surplus Anticipated as Current Fund Revenue	255,000
Bond Anticipation Notes Paid By Current Fund	<u>72,500</u>
	<u>477,500</u>
Balance, December 31, 2011	<u>\$ 63,530</u>

**BOROUGH OF WALLINGTON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance		Balance, January 1, 2011		2011 Authorizations	Expended	Cancelled	Balance, December 31, 2011	
		Date	Amount	Funded	Unfunded				Funded	Unfunded
97-2	Acq. of a Dump Truck	1/23/1997	\$ 40,000	\$ 1,034				\$ 1,034		
97-6	Various Impvts. To Water Supply System	3/27/1997	1,200,000	206,888				206,888		
00-16	Acq. of Two Dump Trucks	10/26/2000	60,000	5,072				5,072		
02-9	Acquisition of Pick-up Truck	12/19/2002	21,000	750				750		
03-12	Acquisition of Trucks	5/22/2003	60,000	1,721				1,721		
05-12	Acquisition of Vehicles & Equipment	7/28/2005	85,000	10,050				10,050		
06-12	Acquisition of Real Property	5/25/2006	270,000		\$ 37,042			37,042		
11-3	Acquisition of Two Dump Trucks with Plov	3/24/2011	110,000			\$ 110,000	\$ 106,126		\$ 3,874	
11-7	Replacement of Various Water Mains	6/16/2011	1,800,000			1,800,000	1,116,669			\$ 683,331
11-8	Acquisition of Vehicles & Equipment	7/21/2011	225,000	-	-	225,000	-	-	225,000	-
				<u>\$ 225,515</u>	<u>\$ 37,042</u>	<u>\$ 2,135,000</u>	<u>\$ 1,222,795</u>	<u>\$ 262,557</u>	<u>\$ 228,874</u>	<u>\$ 683,331</u>
							Cash Disbursements	\$ 333,421		
							Reserve for Encumbrances	442,038		
							Due to General Capital Fund	341,210		
							Due to Water Operating Fund	106,126		
								<u>\$ 1,222,795</u>		

**BOROUGH OF WALLINGTON
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2011	\$ 131,244
Increased by:	
Improvement Authorizations Cancelled	\$ 7,543
Appropriation in 2011 Water Utility Budget	<u>100,000</u>
	<u>107,543</u>
	238,787
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>118,000</u>
Balance, December 31, 2011	<u>\$ 120,787</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2011	\$ 2,204,520
Increased by:	
Transferred from Deferred Reserve for Amortization	<u>905,035</u>
	3,109,555
Decreased by:	
Cancelled to Water Capital Surplus	<u>10,050</u>
Balance, December 31, 2011	<u>\$ 3,099,505</u>

BOROUGH OF WALLINGTON
STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND

Ord. No.	Improvement Description	Date of Ordinance	Balance, January 1, 2011	2011 Authorizations	Increased by <u>Paid by Operating Budget</u> Bond Anticipation			Cancelled	Transferred to Reserve for Amortization	Balance, December 31, 2011
					Bonds	Note	Loans			
General Improvements										
97-2	Acq. Of a Dump Truck	1/23/1997	\$ 40,000					\$ 1,034	\$ 38,966	
97-6	Various Impvts. To Water Supply System	3/27/1997	691,060		\$ 50,000		\$ 45,940	206,888	580,112	
00-16	Acq. of Two Dump Truck	10/26/2000	60,000					5,072	54,928	
02-9	Acquisition of Pick-up Truck	12/19/2002	21,000					750	20,250	
03-12	Acquisition of Trucks	5/22/2003	60,000					1,721	58,279	
06-12	Acquisition of Real Property	5/25/2006	80,000			\$ 72,500	-		152,500	
11-3	Acquisition of Two Dump Trucks with Plows	3/24/2011		\$ 110,000						\$ 110,000
11-8	Acquisition of Vehicles & Equipment	7/21/2011	-	225,000	-	-	-	-	-	225,000
			<u>\$ 952,060</u>	<u>\$ 335,000</u>	<u>\$ 50,000</u>	<u>\$ 72,500</u>	<u>\$ 45,940</u>	<u>\$ 215,465</u>	<u>\$ 905,035</u>	<u>\$ 335,000</u>
	Capital Improvement Fund		\$ 118,000					\$ 7,543		
	Capital Surplus		217,000					207,922		
			<u>\$ 335,000</u>					<u>\$ 215,465</u>		

**BOROUGH OF WALLINGTON
STATEMENT OF ACCRUED INTEREST ON BONDS, LOANS AND NOTES
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ 4,316
Increased by:	
Budget Appropriations	<u>19,342</u>
	23,658
Decreased by:	
Cash Disbursements	<u>19,342</u>
Balance, December 31, 2011	<u>\$ 4,316</u>

**BOROUGH OF WALLINGTON
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, January 1, 2011	\$ 6,379
Increased by:	
Charges to 2011 Budget Appropriations	<u>3,656</u>
	10,035
Decreased by:	
Cash Disbursements	<u>6,379</u>
Balance, December 31, 2011	<u><u>\$ 3,656</u></u>

BOROUGH OF WALLINGTON
STATEMENT OF NEW JERSEY WATER SUPPLY REHABILITATION LOAN PAYABLE
WATER UTILITY CAPITAL FUND

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loan Outstanding December 31, 2011</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
Various Improvements to Water Supply System Ord. #97-6	3/20/2002	\$ 375,000				\$ 45,940	\$ 45,940	\$ -
Paid by Budget Appropriation							\$ 45,940	

STATEMENT OF SERIAL BONDS PAYABLE
WATER UTILITY CAPITAL FUND

<u>Purpose of Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Water Capital Improvement Bonds	10/15/2003	\$ 753,000	10/15/2012	\$ 50,000	3.750%			
			10/15/2013	55,000	3.750%			
			10/15/2014	55,000	4.000%			
			10/15/2015-16	60,000	4.000%			
			10/15/2017	65,000	4.000%			
			10/15/2018	68,000	4.000%	\$ 463,000	\$ 50,000	\$ 413,000
			Paid by Budget Appropriation					

**BOROUGH OF WALLINGTON
STATEMENT OF BOND ANTICIPATION NOTES
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Original Amount of Note</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
06-12	Acquisition of Real Property	\$ 119,000	8/17/2006	4/23/2010	4/21/2011	1.00%	\$ 72,500		\$ 72,500	
11-7	Replacement of Various Water Mains	1,800,000	9/29/2011	9/28/2012	9/28/2012	1.50%	<u>-</u>	<u>\$ 1,800,000</u>	<u>-</u>	<u>\$ 1,800,000</u>
							<u>\$ 72,500</u>	<u>\$ 1,800,000</u>	<u>\$ 72,500</u>	<u>\$ 1,800,000</u>
							Paydown by Budget		\$ 72,500	
							Cash Receipts	<u>\$ 1,800,000</u>	<u>-</u>	
								<u>\$ 1,800,000</u>	<u>\$ 72,500</u>	

**BOROUGH OF WALLINGTON
STATEMENT OF DUE TO CURRENT FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2011	\$ 105,355
Decreased by:	
Paid in 2011	<u>105,355</u>
Balance, December 31, 2011	<u>\$ -</u>

**STATEMENT OF GRANTS RECEIVABLE
WATER UTILITY CAPITAL FUND**

	Balance, January 1, <u>2011</u>	Balance, December 31, <u>2011</u>
County of Bergen		
Acquisition of Real Property	<u>\$ 40,200</u>	<u>\$ 40,200</u>

Analysis of Balance

Pledged to Reserve-Ord 2006-12	<u>\$ 40,200</u>
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**STATEMENT OF RESERVE FOR ENCUMBRANCES
WATER UTILITY CAPITAL FUND**

Increased by:	
Charges to Improvement Authorizations	<u>\$ 442,038</u>
Balance, December 31, 2011	<u>\$ 442,038</u>

BOROUGH OF WALLINGTON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER CAPITAL FUND

<u>Ord. No.</u> <u>or Date</u>	<u>Improvement Description</u>	Balance, January 1, <u>2011</u>	2011 <u>Authorizations</u>	Cancelled in <u>2011</u>	Notes <u>Issued</u>	Balance, December 31, <u>2011</u>
06-12	Acquisition of Real Property	\$117,500		\$ 37,042		\$ 80,458
11-7	Replacement of Various Water Mains	-	\$ 1,800,000	-	\$1,800,000	-
		<u>\$117,500</u>	<u>\$ 1,800,000</u>	<u>\$ 37,042</u>	<u>\$1,800,000</u>	<u>\$ 80,458</u>

BOROUGH OF WALLINGTON
PART II
GOVERNMENT AUDITING STANDARDS

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

Honorable Mayor and Members
of the Borough Council
Borough of Wallington
Wallington, New Jersey

We have audited the financial statements – regulatory basis of the Borough of Wallington as of and for the year ended December 31, 2011, and have issued our report thereon dated August 3, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Fund and the omission of the footnote disclosure regarding the other post employment benefit obligations for the year ended December 31, 2011. Except as discussed 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Wallington is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Wallington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Wallington'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-3.

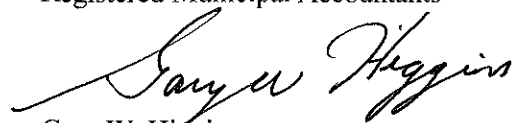
We also noted certain matters that we reported to management of the Borough of Wallington in Part III of this report of audit entitled "Letter of Comments and Recommendations".

The Borough of Wallington's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Borough's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the governing body, others within the Borough, New Jersey Department of Community Affairs and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
August 3, 2012

BOROUGH OF WALLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Federal CFDA Number</u>	<u>Original Grant Award Amount</u>	<u>Current Year Grant Receipt</u>	<u>Grant Year</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Adjustment</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expended</u>
U.S. Department of Justice										
COPS More	16.710	\$ 16,500		2004	\$ 579				\$ 579	\$ 15,921
		1,000		2008	1,000				1,000	
COPS in School	16.710	25,000		1999	73				73	24,927
U.S. Department of Housing and Urban Development										
(Passed through County Dept. of Community Development)										
Community Development Block Grant	14.219									
CDBG		62,000				\$ 62,000	\$ 62,000			62,000
Purchase of Fire Engine		497,191			497,191		286,250		210,941	286,250
Acquisition of Ambulance Chassis		61,676		2010	-	-	-	-	-	61,676
					<u>\$ 498,843</u>	<u>\$ 62,000</u>	<u>\$ 348,250</u>	<u>\$ -</u>	<u>\$ 212,593</u>	

Note - This schedule was not subject to an audit in accordance with OMB -133.

BOROUGH OF WALLINGTON
SCHEDULE OF EXPENDITURES OF STATE ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Grant Number</u>	<u>State Grant Program</u>	<u>Grant Award</u>	<u>Current Year Grant Receipt</u>	<u>Grant Award Year</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expended</u>
8030-150-041650-60	Supplemental Fire Services Program	\$ 1,573		Prior Years	\$ 1,573				\$ 1,573	
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	1,469		2002	1,469				1,469	
		1,922		2003	1,922				1,922	
		624		2005	624				624	
		1,941		2007	1,941				1,941	
		1,804		2008	1,804				1,804	
		1,232		2009	1,232				1,232	
1110-448-031020-22	Drunk Driving Enforcement Fund	4,784		2007	2,543		\$ 1,065		1,478	\$ 3,306
		7,946		2009	7,946				7,946	
		2,792		2010	2,792				2,792	
N/A	DEP Stormwater Grant	14,265		Prior Years	13,369				13,369	896
		2,552		2008	2,552				2,552	
		2,039		2009	2,039				2,039	
N/A	Clean Communities	16,122		2010	16,122				16,122	
		15,120	\$ 15,120	2011		\$ 15,120			15,120	
4900-752-178840-60	Municipal Recycling Assistance Grant	10,329		2010	10,329				10,329	
		220	220	2011			220		(220)	
N/A	Recycling Tonnage Grant	13,437	13,437	2011		13,437			13,437	
N/A	Body Armor replacement	2,156	2,156	2011		2,156			2,156	
N/A	Local Domestic Preparedness Grant	50,000		2004	50,000				50,000	
N/A	Non Public Nursing	11,102		2009	738				738	
		10,510	10,510	2011		10,510	10,010		500	10,010
N/A	Municipal Alliance Program	14,670		2000	2,986				2,986	11,684
		11,500		2001	5,648				5,648	5,852
		11,500		2002	55				55	11,445
		11,500		2004	114				114	11,386
		14,670		2005	2,435				2,435	12,235
		11,500		2006	2,378				2,378	9,122
		10,388		2007	10,388				10,388	
		11,500		2009	8,974				8,974	2,526
		11,706	4,906	2010	6,753				6,753	4,953
N/A	Livable Communities Grant Acquisition of Fire Equipment	100,000		2005	1,977				1,977	98,023
1020-789-066-1020	Safe and Secure Communities	60,000		2010						60,000
		60,000		2011		60,000	60,000			60,000
100-022-8030-620-FFFF-6120	Legislative Grant - Emergency Services Building	16,230		2001	9,530				9,530	6,700
	NJ Dept of Transportation									
N/A	Resurface Hathaway Street - Ord. 11-5	110,000		2011		110,000			110,000	
N/A	Purchase of Real Property - Ord 07-13	25,000		2007	2,380	-	2,380	-	-	25,000
					<u>\$ 172,613</u>	<u>\$ 211,223</u>	<u>\$ 73,675</u>	<u>\$ -</u>	<u>\$ 310,161</u>	

Note - This schedule was not subject to an audit in accordance with NJ OMB 04-04.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

BOROUGH OF WALLINGTON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Wallington. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 62,000	\$ 101,223	\$ 163,223
General Capital	<u>-</u>	<u>110,000</u>	<u>110,000</u>
Total Financial Awards	<u>\$ 62,000</u>	<u>\$ 211,223</u>	<u>\$ 273,223</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF WALLINGTON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2011, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
N.J. Green Acres Loan	4800-533-857000-60	\$ <u>128,979</u>

**BOROUGH OF WALLINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Qualified - Presentation of Unaudited LOSAP Fund</u> <u>Omission of OPEB Note Disclosures</u>
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Internal control over financial reporting:

1) Material weakness(es) identified	<u> X </u> yes	<u> </u> no
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2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported
---	---------------------	--------------------------------

Noncompliance material to the financial statements noted?	<u> X </u> yes	<u> </u> no
---	----------------------	--------------------

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF WALLINGTON
SCHEDULE OF FINDINGS AND RESPONSES**

Finding 2011-1:

Our audit revealed that the Borough's notes to the financial statements did not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents.

Criteria or specific requirement:

Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Condition:

Notes to the Financial Statements did not contain disclosures required by Government Accounting Standards Board Statement Number 45 and the Division of Local Government Services.

Questioned Costs:

Not Applicable.

Context:

See Finding 2011-1.

Effect:

Qualified opinion due to the omission of the note disclosure.

Cause:

Unknown.

Recommendation:

The Borough obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.

Management's Response:

Management agrees with finding and indicated that procedures have been implemented by administration to obtain the required actuary report.

**BOROUGH OF WALLINGTON
SCHEDULE OF FINDINGS AND RESPONSES**

Finding 2011-2:

Our audit revealed the following:

- Certain bills that related to 2011 were not properly recorded as liabilities at December 31, 2011.
- Certain bills were allocated between the Current and Water Operating Funds; however no supporting documentation pertaining to the allocation was available.

Criteria or specific requirement:

- Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.
- N.J.A.C. 5:30-5.2, "Encumbrance Systems".

Condition:

See Finding 2011-2.

Questioned Costs:

None.

Context:

- Bills in the amount of \$442,038 and \$468,381 were not properly recorded as liabilities at December 31, 2011 in the Water Capital Fund and General Capital Fund, respectively.
- Insurance bills were allocated without supporting documentation.

Cause:

Unknown.

Recommendation:

Procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the payment of bills.

Management's Response:

Management will review internal controls relating to the purchasing/cash disbursements accounting cycle.

**BOROUGH OF WALLINGTON
SCHEDULE OF FINDINGS AND RESPONSES**

Finding 2011-3:

The audit indicated that certain vouchers did not contain a certification that the goods or services have been received or that the services were rendered.

Criteria or specific requirement:

N.J.S.A. 40A:5-16 requires certain certifications to be provided prior to approval and payment.

Condition:

See Finding 2011-3.

Questioned Costs:

Unknown.

Context:

Several payment vouchers selected for audit did not include a certification that goods or services have been received or that the services were rendered.

Cause:

Unknown.

Recommendation:

Vouchers be pre-audited prior to payment to ensure all certifications are present.

Management's Response:

Management will require all vouchers be reviewed prior to payment to ensure all required certifications have been obtained.

**BOROUGH OF WALLINGTON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

Finding 2010-1

The Borough's fixed asset accounting and reporting system was not updated through December 31, 2010. The accounting group has been updated by audit adjustments to include fixed asset additions compiled from the accounting records.

Status

Corrective action has been taken.

Finding 2010-2

Our audit revealed that the Borough's notes to the financial statements did not disclose the other post employment benefit obligations related to post-retirement medical benefits provided to its eligible retirees and their dependents.

Status

See Finding 2011-1.

Finding 2010-3

Our audit revealed the following:

- Certain bills related to 2010 were not properly recorded as liabilities at December 31, 2010.
- Certain bills were allocated between the Current and Water Operating Funds; however no supporting documentation pertaining to the allocation was available.

Status

See Finding 2011-2.

Finding 2010-4

Purchase of street sweeping services exceeded the bid threshold in aggregate and was not awarded by public bid in accordance with NJSA 40A:11 et seq.

Purchases of sewer maintenance and repairs exceeded the quote threshold in aggregate and quotations were not obtained.

Status

Corrective action has been taken.

BOROUGH OF WALLINGTON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2011</u>			<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 113,000	0.43 %	\$	293,800	1.22 %
Miscellaneous - From Other Than Local					
Property Tax Levies	3,503,960	13.46		1,786,097	7.41
Collection of Delinquent Taxes					
and Tax Title Liens	356,532	1.37		422,049	1.75
Collection of Current Tax Levy	<u>22,053,186</u>	<u>84.73</u>		<u>21,612,078</u>	<u>89.62</u>
Total Income	<u>26,026,678</u>	<u>100.00 %</u>		<u>24,114,024</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	11,259,348	42.52 %		9,119,281	38.31 %
County Taxes	2,286,332	8.63		2,306,433	9.69
Local School Taxes	12,763,324	48.19		12,231,990	51.39
Other Expenditures	<u>173,965</u>	<u>0.66</u>		<u>144,331</u>	<u>0.61</u>
Total Expenditures	<u>26,482,969</u>	<u>100.00 %</u>		<u>23,802,035</u>	<u>100.00 %</u>
Excess (Deficit) of Revenue Over (Under) Expenditures	(456,291)			311,989	
Adjustments to Income before Fund Balance:					
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Year	<u>577,252</u>			<u>-</u>	
Statutory Excess to Fund Balance	120,961			311,989	
Fund Balance, January 1	<u>530,279</u>			<u>512,090</u>	
	651,240			824,079	
Less Amount of Fund Balance Utilized					
as Revenue	<u>113,000</u>			<u>293,800</u>	
Fund Balance, December 31	<u>\$ 538,240</u>			<u>\$ 530,279</u>	

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
WATER UTILITY OPERATING FUND**

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized			\$ 22,440	0.94 %
Collection of Water Rents	\$ 2,402,222	90.61 %	2,091,364	87.84
Miscellaneous - From Other Than Rents	249,051	9.39	267,246	11.22
	<u>2,651,273</u>	<u>100.00</u> %	<u>2,381,050</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Operating	1,828,426	83.85 %	1,686,264	87.65 %
Deferred Charges and Statutory				
Expenditures	64,500	2.96	59,200	3.08
Capital Improvements	100,000	4.59		
Debt Service	187,782	8.61	178,276	9.27
	<u>2,180,708</u>	<u>100.00</u> %	<u>1,923,740</u>	<u>100.00</u> %
Excess in Revenue to Fund Balance	470,565		457,310	
Fund Balance, January 1	<u>537,950</u>		<u>103,080</u>	
	1,008,515		560,390	
Less: Utilized as Revenue:				
Current Fund	255,000			
Water Operating Fund	<u>-</u>		<u>22,440</u>	
Fund Balance, December 31	<u>\$ 753,515</u>		<u>\$ 537,950</u>	

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2011 (A)</u>	<u>2010</u>	<u>2009</u>
Tax Rate	<u>\$2.073</u>	<u>\$1.837</u>	<u>\$1.764</u>

Apportionment of Tax Rate

Municipal	.704	.627	.587
County	.208	.192	.197
Local School	1.161	1.018	.980

Assessed Valuation

2011	<u>\$1,099,687,029</u>	
2010		<u>\$1,200,813,430</u>
2009		<u>\$1,200,637,032</u>

(A) The Borough undertook a reassessment of real property that took effect in 2011.

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 22,814,428	\$ 22,053,186	96.66%
2010	22,180,710	21,612,078	97.43%
2009	21,201,235	20,683,597	97.55%

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

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>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2011	\$ 448,107	\$ 591,199	\$ 1,039,306	4.56%
2010	294,354	370,270	664,624	3.00%
2009		608,377	608,377	2.87%

Comparison of Water Utility Billings

<u>Year</u>	<u>Levy</u>	<u>Collections *</u>
2011	\$2,477,436	\$2,402,222
2010	2,104,445	2,091,364
2009	1,710,500	1,670,301

* Includes collections of prior years' receivables

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2011	\$ 538,240	\$116,765
	2010	530,279	113,000
	2009	512,090	293,800
	2008	637,221	153,800
	2007	1,166,221	529,000
Water Utility Operating Fund	2011	753,515	241,863
	2010	537,950	-0-
	2009	103,080	22,440
	2008	237,721	163,414
	2007	295,248	145,060

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS AS OF DECEMBER 31, 2011

<u>Name</u>	<u>Title</u>
Walter G. Wargacki	Mayor
Stephen Adzima	Council President
Katherine Polten	Councilwoman
Mark Tomko	Councilman
Celina Urbankowski	Councilwoman
Christopher Sinisi	Councilman
Kenneth Kanter	Councilman
Witold T. Baginski	Borough Clerk
	Borough Administrator
	Officer for Searches for Municipal Improvements
Charles Cuccia	Chief Financial Officer
Dorothy Siek	Tax Collector
Katarzyna Rapacz	Water Rent Collector
Nick Melfi	Building Inspector
Thomas E. Simpson	Fire - Subcode Official
Stuart Stolarz	Tax Assessor
Lynda Branick	Sec. of Board of Health
	Licensing Official and
	Registrar of Vital Statistics
	Dog Licensing Official
Frank Recanati	Plumbing Inspector
Casimer Sondey	Magistrate
Krystyna Moskal	Court Administrator
Ilawa Sleseynski	Deputy Court Administrator
Richard Cedzidlo	Borough Attorney
Thomas A. Sarlo	Borough Prosecutor
Kenneth Job	Borough Engineer
Marianne Willms	Library Director

All non-Court officials handling cash were insured with public officials employee dishonesty coverage issued by the South Bergen Municipal Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund in the amounts of \$50,000 and \$1,000,000 respectively.

BOROUGH OF WALLINGTON SUPPLEMENTARY DATA

GENERAL COMMENTS

The audit revealed the Social Security line item was overexpended in the Current Fund. The amount was deemed to be immaterial and was subsequently raised in the 2012 budget and, therefore, no recommendation is warranted.

There are various appropriated grant reserves balances that remain unexpended for several years. It is recommended that the appropriated grant reserves be reviewed to be expended or cancelled.

The audit indicated there is no independent verification of Federal payroll deductions remitted by the Borough's third party payroll provider. It is recommended that the Borough implement procedures to verify the payment of Federal payroll deductions by its third party payroll provider.

The audit revealed that certain fees charged for Construction Code permits did not agree with fees set forth in the Borough's fee ordinance. It is recommended that Construction Code fees be charged in accordance with the appropriate Borough ordinance.

General Comments Also Included in Prior Years' Audits

The audit indicated there are certain inactive improvement authorization balances in the General Capital Fund. It is recommended that old improvement authorizations balances of completed projects in the General Capital Fund be reviewed and cleared of record.

The audit indicated that there are various interfunds outstanding at December 31, 2011 resulting from current and prior year transactions. Additionally, certain transactions undertaken in the Current Fund on behalf of other funds were not reported in the respective corresponding funds general ledger. It is recommended that a detail payroll deductions ledger be maintained and the subsidiary trust fund escrow ledgers be reconciled to the monthly bank reconciliations.

A detail payroll deductions ledger is not maintained and certain subsidiary Trust Fund escrow account ledgers are not in agreement with the respective monthly bank reconciliations. It is recommended that all subsidiary Trust Fund ledgers be reconciled to the bank reconciled balance on a monthly basis.

The audit of the Municipal Court indicated the following with regards to reports issued from the Automated Traffic System (ATS).

- Tickets Assigned Not Issued Report – The report includes 301 tickets that were outstanding in excess of six months.

It is recommended that reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement."

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Park Row Hose Company #3 Triple Combination Pumper
Installation of Synthetic Turf Field at High School
Furnishing and Delivery of Portable Bleachers
Park Row Hose Company #3 Miscellaneous Fire Equipment

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

Our examination of expenditures did not reveal any instances where individual payments exceeded \$36,000 "for the performance of any work or the furnishing or hiring of any materials or supplies," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJSA. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on March 27, 1980, adopted the following ordinance authorizing the amount of interest to be charged on delinquent taxes and assessments:

WHEREAS, Chapter 435 of the Laws of 1980 allows a governing body to set interest rates on delinquent taxes at a higher level than previously permitted by law;

NOW, THEREFORE, BE IT ORDAINED by the Governing Body of the Borough of Wallington, County of Bergen, State of New Jersey, that the interest rate to be charged by the Borough of Wallington on taxes or assessments not timely paid shall be eight (8%) percent per annum on the first \$1,500 of delinquent assessments and taxes; and eighteen (18%) percent per annum on delinquent assessments and taxes in excess of \$1,500, all to be calculated from the date the tax was payable until the date of actual payment.

It appears from an examination of the collector's record that interest was collected in accordance with the foregoing resolution.

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The tax sale for 2011 taxes and utility charges was held on December 28, 2011 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2011	4
2010	3
2009	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**BOROUGH OF WALLINGTON
SUPPLEMENTARY DATA**

RECOMMENDATIONS

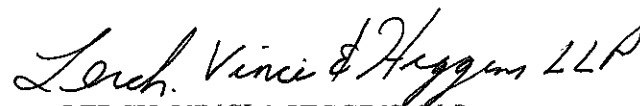
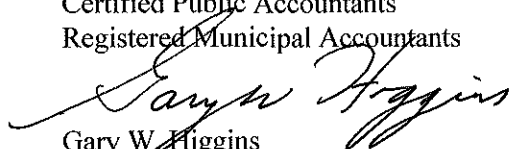
It is recommended that:

- * 1. The Borough obtain the actuarial report for valuations of Other Post-Employment Benefit (OPEB) obligations for disclosures required to be made in the notes to the financial statements.
- * 2. Procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the payment of bills.
- * 3. Old improvement authorization balances of completed projects in the General Capital Fund be reviewed and cleared of record.
- * 4. All interfunds be cleared of record as of December 31 and all interfund transactions be recorded in both funds affected.
- * 5. A detail payroll deductions ledger be maintained and the subsidiary trust fund escrow ledgers be reconciled to the monthly bank reconciliations.
- * 6. Reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.
- 7. Construction Code fees be charged in accordance with the appropriate Borough ordinance.
- 8. Appropriated grant reserves be reviewed to be expended or cancelled.
- 9. The Borough implement procedures to verify the payment of Federal payroll deductions by its third party payroll provider.
- 10. Vouchers be pre-audited prior to payment to ensure all certifications are present.

* * * * *

A review was performed on all prior year's recommendations. Those recommendations which have not been corrected and which are repeated in this audit are denoted with an asterisk (*).

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405