

**BOROUGH OF PENNINGTON  
COUNTY OF MERCER  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

***HODULIK & MORRISON, P.A.***

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

**BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY**

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**MERCER COUNTY, NEW JERSEY**

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**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART I**  
**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2017 and 2016, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough, as listed in the table of contents.

**Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements of the differences 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.

#### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Pennington, County of Mercer, New Jersey, as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2017 and 2016, and the results of its operations and changes in fund balance – regulatory basis for the years then ended, on the basis of accounting described in Note 2.

#### **Other Matters**

##### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that pension plan information, include the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidenced to express an opinion or provide any assurance.



### **Other Information**

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Pennington, County of Mercer, New Jersey. The information included in Part III – Fund Financial Statements and Part IV – Other Reporting Required by Regulation and Part V - Supplementary Data as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Pennington, County of Mercer, New Jersey. The information included in Part III – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis, taken as a whole.

The information contained in Part IV – Other Reporting Required by Regulation and Part V - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

### **Other Reporting Required by Regulations**

The financial statements referred to above include the assets and liabilities of the Borough's Length of Service Award Program (LOSAP), which, by regulation, is subject to an accountant's review report. The Length of Service Award Program is included in the Trust Fund. The Independent Auditor's Review Report for the LOSAP is included in Part IV – Other Reporting Required by Regulation as listed in the table of contents.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2018 on our consideration of the Borough of Pennington's internal control over financial reporting and on our tests of its compliance with certain provision 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 *Governmental Auditing Standards* in considering the Borough of Pennington's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

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

*Robert S. Morrison*

Robert S. Morrison  
Registered Municipal Accountant  
No. 412

Highland Park, New Jersey  
June 5, 2018

**HODULIK & MORRISON, P.A.**  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Pennington as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Pennington's basic financial statements and have issued our report thereon dated June 5, 2018. Our report was modified due to the departure from accounting principles generally accepted in the United States of America that, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Pennington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We also noted other matters we have reported to management of the Borough of Pennington in the General Comments and Recommendations section of the Report of Audit.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Highland Park, New Jersey  
June 5, 2018

## **FINANCIAL STATEMENTS**

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

Exhibit - A

CURRENT FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

ASSETS	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016
Cash and Investments - Treasurer	A-4	\$ 3,407,717.33	\$ 1,239,153.42	Liabilities:			
Change Funds	A-5	200.00	200.00	Appropriation Reserves	A-3, A-13	\$ 184,825.03	\$ 257,903.04
Due from State of NJ SC/Vet Deductions	A-7	4,699.20	4,699.20	Prepaid Property Taxes	A-14	1,506,743.56	103,561.48
				Tax Overpayments	A-15	5,506.57	15.61
		3,412,616.53	1,244,052.62	Reserve for Encumbrances	A-3, A-13	70,779.67	128,933.62
Receivables and Other Assets With				Var. Reserves and Accts. Payable	A-16	66,657.81	36,290.05
Full Reserves:				Interfunds Payable	A-12		41,000.00
Delinquent Prop. Taxes Receivable	A-6	122,956.60	141,981.44	Taxes Payable to Other Governments	A-11	814,865.49	6,532.55
Tax Title Liens Receivable	A-9	7,883.64	1,933.84			2,649,378.13	574,236.35
Property Acquired for Taxes (At							
Assessed Valuation)	A-8	17,810.00	17,810.00				
Revenue Accounts Receivable	A-10	5,714.07	5,329.57	Reserve for Receivables	Reserve	159,045.85	167,054.85
Interfunds Receivable	A-12	4,681.54		Fund Balance	A-1	763,238.40	708,327.62
Deferred Charges:							
Emergency Appropriations		159,045.85	167,054.85				
			38,511.35				
			38,511.35				
Total Current Fund		3,571,662.38	1,449,618.82	Total Current Fund		3,571,662.38	1,449,618.82
Grant Fund:				Grant Fund:			
Cash And Investments				Reserve for Encumbrances	A-18	67,662.51	564,367.73
State and Federal Grants Receivable	A-4	\$ 12,490.58	\$ 89,381.92	Interfunds Payable		22,000.00	
	A-17	1,425,037.31	920,932.00	Reserve for State and Federal Grants:			
				Appropriated	A-19	1,339,437.78	425,946.18
Total Grant Fund		1,437,527.89	1,010,313.92	Unappropriated	A-20	8,427.60	20,000.00
				Total Grant Fund		1,437,527.89	1,010,313.91
		\$ 5,009,190.27	\$ 2,459,932.74			\$ 5,009,190.27	\$ 2,459,932.73

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE-REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance Appropriated	A-1,A-2	\$ 573,617.91	\$ 581,611.11
Miscellaneous Revenues Anticipated	A-2	1,535,470.04	834,851.27
Receipts from Delinquent Taxes	A-2	149,769.22	149,817.30
Receipts from Current Taxes	A-2	13,293,177.17	13,260,779.06
Non-Budget Revenue	A-2	82,965.66	29,096.69
Other Credits to Income:			
Non-Municipal Tax Cancelled	A-11		5,000.00
Accounts Payable/Reserves Cancelled	A-16		6,639.93
Interfund Loans Cancelled	A-12		716.51
Interfunds Returned(Net)	A-12		5,238.59
Cancelled Grants	A-12		25,468.06
Unexpended Balance of Approp. Reserves	A-13	<u>271,390.81</u>	<u>140,098.59</u>
Total Revenues		<u>15,906,390.81</u>	<u>15,039,317.11</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,222,650.00	1,181,125.00
Other Expenses	A-3	2,501,744.65	1,758,505.48
Capital Improvements	A-3	65,000.00	53,511.35
Municipal Debt Service	A-3	206,626.26	206,551.26
Def. Charges and Statutory Expend.	A-3	222,585.00	335,761.15
Regional School Tax	A-11	7,716,988.00	7,712,057.00
County Tax	A-11	3,082,577.45	3,134,178.07
County Added Tax	A-11	5,520.61	6,532.55
Special District Tax	A-11	204,412.00	200,404.00
Local Open Space Tax	A-2,A-11	49,758.15	49,740.94
Refunds of Prior Year Revenues	A-4	<u></u>	<u>2,728.37</u>
Total Expenditures		<u>15,277,862.12</u>	<u>14,641,095.17</u>
Excess (Deficit) in Revenue (Balance Forward)		628,528.69	398,221.94

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Excess (Deficit) in Revenue (Balance Brought Forward)		\$ 628,528.69	\$ 398,221.94
Adjust. to Income Before Fund Balance:			
Expenditures Included Above Which			
are by Statutes Deferred Charges			
to Budget of Succeeding Years			
Emergency Appropriation	A-3	<u>                    </u>	<u>38,511.35</u>
Statutory Excess (Deficit) to Fund Balance		\$ 628,528.69	\$ 436,733.29
 <u>FUND BALANCE</u>			
Balance - January 1	A	<u>708,327.62</u>	<u>853,205.44</u>
		1,336,856.31	1,289,938.73
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>573,617.91</u>	<u>581,611.11</u>
Balance - December 31	A	\$ <u><u>763,238.40</u></u>	\$ <u><u>708,327.62</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

Exhibit - A-2  
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CURRENT FUND  
STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	REF.	ANTICIPATED 2017 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 573,617.91	\$	\$ 573,617.91	\$
Fees and Permits	A-10	11,000.00		12,448.00	1,448.00
Fines and Costs:					-
Municipal Court	A-10	70,000.00		96,476.22	26,476.22
Interest and Costs on Taxes	A-10	35,000.00		46,791.66	11,791.66
Interest on Investments and Deposits	A-10	8,000.00		16,527.91	8,527.91
Trash Collection Fees	A-10	35,000.00		44,945.03	9,945.03
Energy Receipts Taxes	A-10	187,581.00		187,581.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	A-10	90,000.00		122,715.00	32,715.00
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	A-3	8,314.10		8,314.10	-
Body Armor Fund	A-3		901.73	901.73	-
NJDOT Transportation Trust Fund	A-3		345,000.00	345,000.00	-
Comcast Grant	A-3	20,000.00		20,000.00	-
Clean Communities Program	A-3		5,419.29	5,419.29	-
NJDOT Streetscapes	A-3		580,000.00	580,000.00	-
ANJEC Grant	A-3		1,500.00	1,500.00	-
Pennington Day Grant	A-3		500.00	500.00	-
Other Special Items:					
Interlocal with Hopewell Township Senior Center	A-10				-
Administrative Charge to Library	A-10	4,000.00		4,000.00	-
Verizon/Comcast Franchise Fee	A-10	42,350.11		42,350.10	(0.01)
Total Miscellaneous Revenues	A-1	511,245.21	933,321.02	1,535,470.04	90,903.81
Receipts from Delinquent Taxes	A-1, A-2, A-6	142,000.00		149,769.22	7,769.22
Subtotal General Revenues		1,226,863.12	933,321.02	2,258,857.17	98,673.03
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes		2,142,042.98			
Minimum Library Tax		166,752.53			
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,308,795.51		2,478,920.96	170,125.45
Budget Totals		3,535,658.63	933,321.02	4,737,778.13	268,798.48
Non-Budget Revenues	A-1, A-10			82,965.66	
		\$ 3,535,658.63	\$ 933,321.02	\$ 4,820,743.79	

Ref.                      A-3                      A-3

( ) Denotes Deficit

Note: See Notes to Financial Statements



BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

CURRENT FUND  
 STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>	
<u>Allocation of Current Tax Collections:</u>		
2017 Collections	A-6	13,178,365.69
Prepaid Taxes Applied	A-6	103,561.48
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	<u>11,250.00</u>
	A-1	\$ 13,293,177.17
Allocated to:		
Regional School Tax	A-11	7,716,988.00
County Taxes	A-11	3,082,577.45
Added County Taxes	A-11	5,520.61
Special District Tax	A-11	204,412.00
Local Open Space Tax	A-1	<u>49,758.15</u>
		<u>11,059,256.21</u>
		2,233,920.96
Add: Reserve for Uncollected Taxes	A-3	<u>245,000.00</u>
Amount for Support of Municipal Budget	A-2	<u>\$ 2,478,920.96</u>
<u>Allocation of Delinquent Tax Collections:</u>		
Collections	A-6	\$ <u>149,769.22</u>
	A-2	<u>\$ 149,769.22</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Office of Business Administrator	\$ 51,500.00	\$ 51,500.00	\$ 51,226.81	\$ 1,060.45	\$ 273.19	\$ 3,784.96
Salaries and Wages	21,400.00	21,400.00	16,554.59			
Other Expenses						
Elections	2,500.00	2,500.00	1,525.00		975.00	
Other Expenses						
Financial Administration	45,000.00	45,000.00	38,999.97		6,000.03	
Salaries and Wages	20,700.00	20,700.00	16,930.97	1,610.98	2,158.05	
Other Expenses						
Assessment of Taxes	12,500.00	13,500.00	12,734.42		765.58	
Salaries and Wages						
Other Expenses	2,500.00	2,500.00		2,500.00		
Maintenance of Tax Map	5,070.00	5,070.00	2,058.30		3,011.70	
Misc. Other Expenses						
Collection of Taxes	30,000.00	31,000.00	30,288.94		711.06	
Salaries and Wages	7,250.00	7,250.00	4,918.07	39.90	2,292.03	
Other Expenses						
Mayor & Council	1,000.00	1,000.00	328.84	37.23	633.93	
Other Expenses						
Office of the Borough Clerk	45,000.00	45,000.00	44,261.99		738.01	
Salaries and Wages	12,800.00	12,800.00	4,944.26	240.97	7,614.77	
Other Expenses						
Municipal Court	31,250.00	31,250.00	30,048.46		1,201.54	
Salaries and Wages	4,600.00	4,600.00	3,467.11	85.35	1,047.54	
Other Expenses						
Public Defender	1,700.00	1,700.00	200.00		1,500.00	
Other Expenses						
Legal Services and Costs	50,000.00	55,000.00	50,161.47	4,240.00	598.53	
Other Expenses						
Municipal Prosecutor	7,200.00	7,200.00	5,100.00	300.00	1,800.00	
Other Expenses						
Engineering Services and Costs	131,500.00	131,500.00	117,005.45	11,225.83	3,268.72	
Other Expenses						
Public Bldgs. and Grounds	14,400.00	14,400.00	11,580.84		2,819.16	
Salaries and Wages	43,750.00	43,750.00	35,055.87	6,151.49	2,542.64	
Other Expenses						

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED RESERVED	
Operations Within "CAPS" (Cont'd.)					
GENERAL GOVERNMENT:					
Municipal Land Use Act (N.J.S.A. 40:55D-1)					
Planning and Zoning	49,000.00	49,500.00	49,023.11		476.89
Salaries and Wages	10,900.00	10,900.00	2,195.55	273.57	8,430.88
Other Expenses					
Shade Tree	14,850.00	14,850.00	1,501.00	9,682.55	3,666.45
Other Expenses					
Insurance					
Group Insurance	330,000.00	313,300.00	302,676.10		10,623.90
Workers Compensation	37,000.00	52,675.00	52,268.55		406.45
Liability and Other Insurance	42,000.00	42,000.00	39,606.20		2,393.80
Surety Bonds					
PUBLIC SAFETY:					
Police					
Salaries and Wages	516,000.00	516,000.00	511,024.18		4,975.82
Other Expenses	79,550.00	79,550.00	40,841.79	7,203.45	31,504.76
First Aid Organization - Contribution	15,675.00				
STREETS AND ROADS:					
Road Repairs and Maintenance					
Salaries and Wages	272,500.00	256,500.00	255,119.75		1,380.25
Other Expenses	115,000.00	110,000.00	92,854.92	7,758.24	9,386.84
Street Lighting					
Other Expenses	32,000.00	32,000.00	25,724.59	2,810.93	3,464.48
Sanitation					
Garbage and Trash Removal					
Salaries and Wages	88,000.00	109,000.00	104,693.38		4,306.62
Other Expenses	122,900.00	122,900.00	97,345.12	7,403.96	18,150.92

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health	\$	500.00 \$	500.00 \$	316.64 \$	88.36	
Other Expenses						
<u>RECREATION AND EDUCATION:</u>						
Recreation Committee						
Other Expenses	7,200.00	7,200.00	6,262.36	165.84	771.80	
Celebration of Public Event						
Other Expenses	1,500.00	1,500.00	1,414.75		85.25	
<u>OTHER BOARDS &amp; COMMISSIONS</u>						
Environmental Commission						
Other Expenses	500.00	500.00	300.00	200.00		
Economic Development Commission						
Other Expenses	875.00	875.00	211.21	625.00	38.79	
Historic Preservation						
Other Expenses	500.00	500.00	240.00	125.00	135.00	
Uniform Construction Code - Appropriations						
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code						
(N.J.S.A. 52:27D-120 et seq.)						
Office of the Construction Code Official						
Salaries and Wages	60,000.00	60,000.00	54,479.57		5,520.43	
Other Expenses	3,300.00	3,300.00	575.89		2,724.11	
<u>UNCLASSIFIED:</u>						
Telephone	18,000.00	25,700.00	20,819.27	1,943.67	2,937.06	
Electricity	25,500.00	25,500.00	17,383.00	755.11	7,361.89	
Gasoline & Lubricants	30,000.00	30,000.00	18,938.62	1,725.34	9,336.04	
Natural Gas	11,000.00	11,000.00	9,168.76	1,755.21	76.03	

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	\$ 2,425,870.00	2,424,370.00 \$	2,182,154.03 \$	70,236.71 \$	171,979.26	
Total Operations Including Contingent Within "CAPS"	2,425,870.00	2,424,370.00	2,182,154.03	70,236.71	171,979.26	
DETAIL:						
Salaries and Wages	1,215,150.00	1,222,650.00	1,193,481.42		29,168.58	
Other Expenses	1,210,720.00	1,201,720.00	988,672.61	70,236.71	142,810.68	
Deferred Charges and REGULATORY Expend. - Municipal Within "CAPS":						
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	64,320.00	64,320.00	64,319.50		0.50	
Police and Firemen's Retirement	53,365.00	53,365.00	53,365.00			
Defined Contribution Retirement Plan	1,900.00	3,400.00	2,331.04	56.28	1,012.68	
Unemployment Insurance	5,000.00	5,000.00	5,000.00			
Social Security System (O.A.S.I.)	96,500.00	96,500.00	95,905.97		594.03	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	221,085.00	222,585.00	220,921.51	56.28	1,607.21	
Total General Approp. for Municipal Purposes Within "CAPS"	2,646,955.00	2,646,955.00	2,403,075.54	70,292.99	173,586.47	
OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library	166,752.53	166,752.53	166,264.40	486.68	1.45	
L.O.S.A.P. Contribution:						
First aid Organization	12,000.00	12,000.00	7,263.89		4,736.11	
Interlocal Service Agreements:						
Emergency 911 and Dispatch	70,417.00	74,417.00	73,007.00		1,410.00	
Health Services	39,720.00	50,720.00	50,720.00			
Recycling Agreement	25,000.00	25,000.00	24,909.00		91.00	
Administration of Municipal Alliance Program	1,500.00	1,500.00	1,500.00			

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS" (Cont'd.)</u>						
Interlocal Service Agreements (Cont'd.):						
Animal Control	11,000.00					
Basic Life Support Services.	3,000.00	3,000.00	3,000.00			
Senior Services	5,000.00	5,000.00			5,000.00	
Mercer County EMS	4,000.00					
State and Federal Programs Offset by Revenues:						
Recycling Tonnage Grant	8,314.10	8,314.10	8,314.10			
Comcast Grant	20,000.00	20,000.00	20,000.00			
Clean Communities Program		5,419.29	5,419.29			
NJ DOT Transportation Trust Fund		345,000.00	345,000.00			
NJ DOT Streetscapes		580,000.00	580,000.00			
ANJEC Grant		1,500.00	1,500.00			
Body Armor Fund		901.73	901.73			
Pennington Day Grant		500.00	500.00			
Total Operations - Excluded from "CAPS"	366,703.63	1,300,024.65	1,288,299.41	486.68	11,238.56	
DETAIL:						
Other Expenses	366,703.63	1,300,024.65	1,288,299.41	486.68	11,238.56	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	15,000.00	15,000.00 \$	15,000.00			
Purchase of Backhoe and Attachments		50,000.00	50,000.00			
Total Capital Improvements - Excluded from "CAPS"	15,000.00	65,000.00	65,000.00			
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
Payment of Bond Principal	160,000.00	160,000.00	160,000.00			
Interest on Bonds	52,000.00	52,000.00	46,626.26			5,373.74
Total Municipal Debt Service - Excluded from "CAPS"	212,000.00	212,000.00	206,626.26			5,373.74

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Deferred Charges and Statutory Expenditures- Municipal-Excluded from CAPS						
Deferred Charges to Future Taxation-Unfunded 2015 Bond Ordinances	50,000.00					
2017 Bond Ordinances	50,000.00					
Total Deferred Charges-Excluded from CAPS						
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	643,703.63	1,577,024.65	1,559,925.67	486.68	11,238.56	5,373.74
Subtotal General Appropriations	3,290,658.63	4,223,979.65	3,963,001.21	70,779.67	184,825.03	5,373.74
Reserve for Uncollected Taxes	245,000.00	245,000.00	245,000.00			
Total General Appropriations	\$ 3,535,658.63	\$ 4,468,979.65	\$ 4,208,001.21	\$ 70,779.67	\$ 184,825.03	\$ 5,373.74
Ref.	A-2		A-1	A, A-1	A, A-1	
Adopted Budget						
Emergency Appropriations	A-2	\$ 3,535,658.63				
Added by N.J.S.A. 40A:4-87	A-1, A-6 A-2	933,321.02				
		\$ 4,468,979.65				
Disbursed	A-4	\$ 3,001,366.09				
Reserve for Uncollected Taxes	A-2	245,000.00				
Public & Private Programs Approp.	A-2	961,635.12				
		\$ 4,208,001.21				

Note: See Notes to Financial Statements

TRUST FUND

**Note: See Notes to Financial Statements**



BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Cash and Investments - Treasurer	C-2	\$ 49,509.61	\$ 21,876.24
Grants Receivable	C-4	75,000.00	75,000.00
Due from Grant Fund	C-5	22,000.00	
Due from Current Fund	C-5		41,000.00
Deferred Charges to Future Taxation:			
Funded	C-6	1,118,000.00	1,278,000.00
Unfunded	C-7	<u>2,315,347.97</u>	<u>1,118,097.97</u>
		\$ <u>3,579,857.58</u>	\$ <u>2,533,974.21</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 1,118,000.00	\$ 1,278,000.00
Improvement Authorizations:			
Funded	C-8	105,327.00	51,777.00
Unfunded	C-8	2,146,083.37	1,004,000.00
Capital Improv. Fund	C-10	37,068.45	26,818.45
Reserve for Encumbrances	C-8		
Reserve for Grants Receivable	Reserve	75,000.00	75,000.00
Fund Balance	C-1	<u>98,378.76</u>	<u>98,378.76</u>
		\$ <u>3,579,857.58</u>	\$ <u>2,533,974.21</u>

There were Bonds and Notes Authorized but not Issued on December 31, 2017 and 2016 in the amounts of \$2,315,347.97 and \$1,118,097.97, respectively (Exhibit C-11).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	
Balance - December 31, 2016	C	\$98,378.76
Balance - December 31, 2017	C	<u>\$98,378.76</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

ASSETS	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016
Operating Fund:							
Cash and Investments - Treasurer	D-5	\$ 434,214.49	\$ 234,566.84	Operating Fund:			
				Liabilities:			
				Appropriation Reserves	D-4, D-12	\$ 127,260.06	\$ 84,152.47
				Reserve for Encumbrances	D-4, D-12	13,169.07	16,259.25
				Rent Overpayments	D-8	23.90	23.90
				Accrued Interest on Bonds & Notes	D-13	18,714.96	20,943.07
						159,167.99	121,378.69
Receivables With Full Reserves:				Reserve for Receivables	Reserve	147,755.43	124,762.66
Consumer Accounts Receivable	D-7	147,755.43	124,762.66	Fund Balance	D-1	275,046.50	113,188.15
Total Operating Fund		581,969.92	359,329.50	Total Operating Fund		581,969.92	359,329.50
				Capital Fund:			
Capital Fund:				Serial Bonds Payable	D-18	1,196,000.00	1,386,000.00
Cash and Investments - Treasurer	D-5	165,645.33	186,176.24	Bond Anticipation Notes	D-19		42,500.00
Loan Proceeds Receivable	D-9		73,187.00	NJEIT Loans	D-20	383,200.25	817,805.00
Fixed Capital	D-10	6,218,606.38	6,191,382.47	Due To Current Fund	D-17		
Fixed Capital - Authorized and Uncompleted	D-11	2,032,434.22	2,059,658.13	Improvement Authorizations Funded	D-14	262,545.65	269,238.42
				Unfunded	D-14	1,769,888.57	1,790,419.71
Total Capital Fund		8,416,685.93	8,510,403.84	Capital Improvement Fund	D-15	123.55	123.55
				Reserve for Amortization	D-16	4,772,080.71	4,171,469.96
				Fund Balance	D-2	32,847.20	32,847.20
				Total Capital Fund		8,416,685.93	8,510,403.84
						\$ 8,998,655.85	\$ 8,869,733.34

There were Bonds, Notes and Loan Agreements Authorized but not Issued at December 31, 2017 and 2016 in the amounts of \$1,899,759.64 and \$1,906,452.64, respectively. (Exhibit D-21).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
 STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE-REGULATORY BASIS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance	D-1, D-2	\$ 94,946.00	\$ 94,946.00
Water and Sewer Rents	D-3,D-7	1,234,147.97	1,136,147.13
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-3,D-5	11,821.32	6,356.35
Interest on Investments	D-3,D-5	2,485.82	1,184.65
Connection Fee	D-3,D-5	84,600.00	8,100.00
Utility Rebate	D-3,D-5		9,423.71
Unexpended Balance of Approp. Reserves	D-11	<u>86,649.38</u>	<u>81,775.06</u>
Total Revenues		<u>1,514,650.49</u>	<u>1,337,932.90</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	190,000.00	166,000.00
Other Expenses	D-4	740,500.00	798,582.00
Debt Service	D-4	285,552.14	282,152.02
Statutory Expenditures	D-4	<u>41,794.00</u>	<u>39,389.00</u>
Total Expenditures		<u>1,257,846.14</u>	<u>1,286,123.02</u>
Excess in Revenues		256,804.35	51,809.88
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>113,188.15</u>	<u>156,324.27</u>
		369,992.50	208,134.15
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>94,946.00</u>	<u>94,946.00</u>
Balance - December 31	D	<u>\$ 275,046.50</u>	<u>\$ 113,188.15</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND  
 STATEMENT OF FUND BALANCE-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 32,847.20
Balance - December 31, 2017	D	<u>\$ 32,847.20</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
 STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	2017 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 94,946.00	\$ 94,946.00	\$
Water and Sewer Rents	D-1,D-7	1,170,148.00	1,234,147.97	63,999.97
Interest on Delinquencies	D-1,D-5	6,300.00	11,821.32	5,521.32
Interest on Investments	D-1,D-5		2,485.82	2,485.82
Connection Fee	D-1,D-5		84,600.00	84,600.00
		\$ <u>1,271,394.00</u>	\$ <u>1,428,001.11</u>	\$ <u>156,607.11</u>
	<u>Ref.</u>	D-4	D-1, D-5	

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

Exhibit - D-4

WATER AND SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Operating:						
Salaries and Wages	\$ 190,000.00	\$ 190,000.00	\$ 163,711.46	\$	\$ 26,288.54	\$
Other Expenses	252,800.00	252,800.00	147,213.73	13,169.07	92,417.20	
Sewer Service Fee	318,700.00	318,700.00	318,610.58		89.42	
Group Insurance	136,000.00	136,000.00	129,545.46		6,454.54	
Workers Compensation Insurance	16,000.00	16,000.00	15,682.95		317.05	
Liability Insurance	17,000.00	17,000.00	16,974.08		25.92	
Debt Service:						
Payment of Bond Principal	190,000.00	190,000.00	190,000.00			
Payment of Bond Anticipation Notes and Capital Notes	42,500.00	42,500.00	42,500.00			4,406.86
Interest on Bonds	52,000.00	52,000.00	47,593.14			68.75
Interest on Notes	600.00	600.00	531.25			9,072.25
NJEIT Principal & Interest	14,000.00	14,000.00	4,927.75			
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	27,565.00	27,565.00	27,565.00			
Social Security System (O.A.S.I.)	14,229.00	14,229.00	12,561.61		1,667.39	
Total Water & Sewer Utility Appropriations	\$ 1,271,394.00	\$ 1,271,394.00	\$ 1,117,417.01	\$ 13,169.07	\$ 127,260.06	\$ 13,547.86
Disbursed	Ref.	D-3		D,D-1	D, D-1	
Accrued Interest on Bonds and Notes	D-5		\$ 1,069,823.87			
	D-13		47,593.14			
			\$ 1,117,417.01			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

PAYROLL FUND  
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Cash and Investments - Treasurer	E-1	\$ <u>5,396.41</u>	\$ <u>15,349.94</u>
		\$ <u><u>5,396.41</u></u>	\$ <u><u>15,349.94</u></u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Payroll Deductions Payable	E-1	\$ <u>5,396.41</u>	\$ <u>15,349.94</u>
		\$ <u><u>5,396.41</u></u>	\$ <u><u>15,349.94</u></u>

Note: See Notes to Financial Statements



BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS  
 REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Governmental Fixed Assets:				
Land/Buildings	\$ 8,959,300.00	\$	\$	\$ 8,959,300.00
Equipment	<u>2,411,847.15</u>	<u>218,601.00</u>	<u>285,197.00</u>	<u>2,345,251.15</u>
Total Governmental Fixed Assets	<u>\$ 11,371,147.15</u>	<u>\$ 218,601.00</u>	<u>\$ 285,197.00</u>	<u>\$ 11,304,551.15</u>
Investment in Governmental Fixed Assets	<u>\$ 11,371,147.15</u>	<u>\$ 218,601.00</u>	<u>\$ 285,197.00</u>	<u>\$ 11,304,551.15</u>

Nots: See Notes to Financial Statements

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

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

- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Disposal of Forfeited Property (P.L. 1985, Ch. 135)
- Developer's Escrow Fund
- Uniform Fire Safety Act - Penalty Monies (N.J.S.A. 52:27D-192 et seq.)
- Recreation Program
- Outside Employment of Off-Duty Municipal Police Officers
- Public Defender Fees
- Open Space Trust Fund
- Police Department Donations
- Affordable Housing
- Parking Offense Adjudication Act (P.L.1989, c.137)
- Length of Service Awards Program (LOSAP)

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Water and Sewer Utility Fund - revenues and expenditures for the operations of the municipally-owned water and sewer utility and resources, including federal and state grants in aid of construction, and expenditures for the acquisition of sewer utility capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

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

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

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

#### C. Basis of Accounting

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

Entity-Wide Financial Statements – The regulatory basis of accounting followed by New Jersey municipal government does not require the presentation of entity-wide statements of financial position and activities. GAAP requires such a presentation, excluding only fiduciary funds.

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

C. Basis of Accounting (Cont'd.)

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

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

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

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, transfers of anticipated operating surpluses among the Current Fund and Sewer Utility Fund, transfers from utility operating funds to capital funds (to finance capital projects) and transfers from the Current Fund to the Trust Funds or General Capital Fund are required to be included in the Borough's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Under GAAP, operating transfers are not recognized as expenditures.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulate earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough does not generally permit accumulated leave to be compensable upon separation from service. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Water and Sewer Utility) fund on a full accrual basis.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

Governmental Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded within the respective funds as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized within the various funds of the municipality. Depreciation on general fixed assets is not recorded as an operating expense within the funds or in the combined financial statements. GAAP does not require recognition of depreciation of these assets as an operating expense of the funds, but does require the recognition of depreciation of governmental fixed assets as a governmental operating expense in the entity-wide financial statements. New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. All non-infrastructure fixed assets acquired by Pennington are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

Utility Fixed Assets - Property and equipment purchased by Water and Sewer Utility Fund are recorded as expenditures and are also capitalized within the utility capital fund at cost with an offsetting reserve for amortization, and are adjusted for disposition and abandonment. The amounts shown as utility fixed capital 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 represent charges to operations for the costs of acquisitions of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility. The provisions of New Jersey Administrative Code 5:30-5.6 also established a mandate for utility fund fixed asset accounting by municipalities. All non-infrastructure utility fixed assets acquired or constructed with utility financial resources are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

Disclosures About Pension Liabilities – The Borough has included information relating to its allocated share of net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

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

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

#### Recent Accounting Standards

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" in June 2015. The statement is to improve the usefulness of information about post employment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in June 2015. The objective is to identify – in context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes GASB Statement No. 55.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 77, "Tax Abatement Disclosures" in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts and others with information they need to evaluate the financial health of governments, make decisions and assess accountability.

GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to the state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14" in January 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 85 "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB issued Statement No. 86 "Certain Debt Extinguishment Issues" in May 2017. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt when resources other than the proceeds of refunding debt obligations are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB issued Statement No. 87 "Leases" in June 2017. The objective of this statement is to better meet the information needs of financial statement users relating to the accounting and reporting of leases by governments by establishing a single model for lease accounting.

GASB issued Statement No. 88 "Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements" in April 2018. The objective of this statement is to improve note disclosures in government financial statements relating to debt.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting. For the purpose of providing disclosures relating to Pension, The Borough has adopted certain provisions of GASB statements No. 73 and 77, which amend and clarify the provisions of GASB statement No. 68. The Borough has not adopted the provisions of any of the GASB statements listed above for financial reporting on the face of its financial statements. The effect of the adoption of the GASB standards cannot be determined.

#### Comparative Data

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



NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Changes in Long-Term Debt During Current Period:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
General:	\$ 1,278,000.00	\$ -	\$ 160,000.00	\$ 1,118,000.00
Bonds Payable				
Water & Sewer Utility:				
Bonds Payable	1,386,000.00	-	200,000.00	1,186,000.00
Notes Payable	42,500.00	-	42,500.00	-
Loans Payable	817,805.00	-	13,883.25	803,921.75
Total Water & Sewer Utility	2,246,305.00		256,383.25	1,989,921.75
Grand Totals	\$ 3,524,305.00	\$	\$ 416,383.25	\$ 3,107,921.75

B. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2017</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
<u>Issued:</u>			
General:			
Bonds & Notes	\$ 1,118,000.00	\$ 1,278,000.00	\$ 1,433,000.00
Water & Sewer Util:			
Bonds & Notes	1,579,200.25	2,246,305.00	1,656,000.00
Total Debt Issued	2,697,200.25	3,524,305.00	3,089,000.00
<u>Authorized but not Issued:</u>			
General:			
Bonds & Notes	2,315,347.97	1,118,097.97	1,078,347.97
Water & Sewer Util:			
Bonds & Notes	1,899,759.64	1,906,452.64	606,070.64
Total Authorized but not Issued	4,215,107.61	3,024,550.61	1,684,418.61
Net Bonds & Notes Issued and Authorized but not Issued	\$ 6,912,307.86	\$ 6,548,855.61	\$ 4,773,418.61

NOTES TO FINANCIAL STATEMENTS

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

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

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>General Debt:</u>			
\$2,125,000 General Improvement Bonds Series 2004, due in annual installments of \$240,000 to \$95,000 through September 15, 2019, interest at 2.50% to 4.00%	\$ 195,000.00	\$ 295,000.00	\$ 400,000.00
\$1,148,000 General Improvement Bonds Series 2010, due in annual installments of \$300,000 to \$83,000 through July 15, 2030, interest at 2.25% to 4.00%	923,000.00	983,000.00	1,033,000.00
\$75,000, Bond Anticipation Notes issued September 30 2013, due Sept. 30, 2014 at interest of 1.46%. The notes were originally issued on September 30, 2013			
Total General Debt	<u>1,118,000.00</u>	<u>1,278,000.00</u>	<u>1,433,000.00</u>
<u>Utility Debt:</u>			
\$1,775,000 Water & Sewer Utility Bonds Series 2004, due in annual installments of \$180,000 to \$90,000 through September 15, 2019, interest at 3.00% to 4.00%	190,000.00	290,000.00	395,000.00
\$1,366,000 Water & Sewer Utility Bonds Series 2010, due in annual installments of \$55,000 to \$86,000 through July 15, 2030, interest at 2.25% to 4.00%	1,006,000.00	1,096,000.00	1,176,000.00
\$817,805 NJEIT Project Loans, consisting of \$617,805 Fund Loan at 0% interest, and \$200,000 Trust Loan bearing interest at 3.00 to 5.00%, due in semi-annual installments through 2046	383,200.25	817,805.00	-
\$135,000, Bond Anticipation Notes issued December 31, 2016, due December. 31, 2017 at interest of 1.25%. The notes were originally issued on December 31, 2014.	-	42,500.00	85,000.00
Total Utility Debt	<u>1,579,200.25</u>	<u>2,246,305.00</u>	<u>1,656,000.00</u>
Total Debt Issued and Outstanding	<u>\$2,697,200.25</u>	<u>\$3,524,305.00</u>	<u>\$ 3,089,000.00</u>

# NOTES TO FINANCIAL STATEMENTS

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

### B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$1,911,503.56	\$1,911,503.56	\$
Water & Sewer Utility Debt	4,152,757.64	3,553,454.04	599,303.60
General Debt	<u>2,396,097.97</u>		<u>2,396,097.97</u>
	<u>\$8,460,359.17</u>	<u>\$5,464,957.60</u>	<u>\$2,995,401.57</u>

Net Debt \$2,995,401.57 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
 $\$502,599,290.67 = 0.595\%$ .

#### 2016 Equalized Valuation Basis

2014 Equalized Valuation Basis of Real Property	500,840,746.00
2015 Equalized Valuation Basis of Real Property	508,449,769.00
2016 Equalized Valuation Basis of Real Property	<u>498,507,357.00</u>
Average Equalized Valuation	<u>\$ 502,599,290.67</u>

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

3 1/2% of Equalized Valuation Basis Municipal	17,590,975.17
Net Debt	<u>2,995,401.57</u>
Remaining Borrowing Power	<u>\$ 14,595,573.60</u>

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$5,233,800.66	\$5,233,800.66	\$
Water & Sewer Utility Debt	3,478,959.89	3,478,959.89	
General Debt	<u>3,433,347.97</u>		<u>3,433,347.97</u>
	<u>\$12,146,108.52</u>	<u>\$8,712,760.55</u>	<u>\$3,433,347.97</u>

Net Debt \$3,433,347.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
\$501,684,413.67 = 0.684%.

2017

Equalized Valuation Basis

2015 Equalized Valuation Basis of Real Property	508,449,769.00
2016 Equalized Valuation Basis of Real Property	498,507,357.00
2017 Equalized Valuation Basis of Real Property	<u>498,096,115.00</u>
Average Equalized Valuation	\$ <u>501,684,413.67</u>

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

3 1/2% of Equalized Valuation Basis Municipal	17,558,954.48
Net Debt	<u>3,433,347.97</u>
Remaining Borrowing Power	\$ <u>14,125,606.51</u>

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

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

Calculation of "Self-Liquidating Purpose"  
Water and Sewer Utility Per N.J.S.A. 40A:2-45

2017

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,428,001.11
Deductions:	
Operating & Maintenance Cost	972,294.00
Debt Service Per Water & Sewer Acct.	<u>285,552.14</u>
Total Deductions	<u>1,257,846.14</u>
Excess/(Deficit) in Revenues	<u>\$ 170,154.97</u>

Deduction of Self-Liquidating Utility Debt for Statutory Net Debt (N.J.S.A. 40A:2-45)

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

Excess/ (Deficit) in Revenues - Cash Basis (D-1)	\$ 256,804.35
Less:	
Unexpended Balance of Appropriation Reserves	<u>86,649.38</u>
Excess/ (Deficit) in Revenues	<u>\$ 170,154.97</u>

# NOTES TO FINANCIAL STATEMENTS

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

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

Calculation of "Self-Liquidating Purpose"  
Water and Sewer Utility Per N.J.S.A. 40A:2-45

2016

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,256,157.84
Deductions:	
Operating & Maintenance Cost	1,003,971.00
Debt Service Per Water & Sewer Acct.	<u>282,152.02</u>
Total Deductions	<u>1,286,123.02</u>
Excess/(Deficit) in Revenues	<u>\$ (29,965.18)</u>

### Deduction of Self-Liquidating Utility Debt for Statutory Net Debt (N.J.S.A. 40A:2-45)

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

Excess/ (Deficit) in Revenues - Cash Basis (D-1)	\$ 51,809.88
Less:	
Unexpended Balance of Appropriation Reserves	<u>81,775.06</u>
Excess/ (Deficit) in Revenues	<u>\$ (29,965.18)</u>

NOTES TO FINANCIAL STATEMENTS

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

C. Schedule of Annual Debt Service for Principal and Interest  
for Bonded Debt Issued and Outstanding at December 31, 2016

Calendar Year	General		Water and Sewer Utility		Total
	Principle	Interest	Principle	Interest	
2018	\$ 165,000.00	\$ 41,226.25	\$ 200,000.00	\$ 42,096.25	\$ 448,322.50
2019	170,000.00	35,276.25	205,000.00	34,871.25	445,147.50
2020	60,000.00	29,226.25	60,000.00	28,571.25	177,797.50
2021	60,000.00	27,276.25	60,000.00	26,621.25	173,897.50
2022	65,000.00	25,326.25	65,000.00	24,508.75	179,835.00
Subtotal	520,000.00	158,331.25	590,000.00	156,668.75	1,425,000.00
2023	65,000.00	23,051.25	65,000.00	22,193.13	175,244.38
2024	70,000.00	20,695.00	70,000.00	19,746.25	180,441.25
2025	70,000.00	18,157.50	70,000.00	17,165.00	175,322.50
2026	75,000.00	15,532.50	75,000.00	14,399.38	179,931.88
2027	75,000.00	12,626.25	75,000.00	11,493.13	174,119.38
Subtotal	355,000.00	90,062.50	355,000.00	84,996.89	885,059.39
2028	80,000.00	9,720.00	80,000.00	8,440.00	178,160.00
2029	80,000.00	6,520.00	85,000.00	5,140.00	176,660.00
2030	83,000.00	3,320.00	86,000.00	1,720.00	174,040.00
2031					
Subtotal	243,000.00	19,560.00	251,000.00	15,300.00	528,860.00
	\$ 1,118,000.00	\$ 267,953.75	\$ 1,196,000.00	\$ 256,965.64	\$ 2,838,919.39

Note 4: GOVERNMENTAL FIXED ASSETS (UNAUDITED)

At December 31, 2016 and 2017, the Borough's governmental fixed assets consisted of:

	Balance Dec. 31, 2016	Additions	Deletions	Balance Dec. 31, 2017
Land and Buildings	8,959,300.00			8,959,300.00
Equipment	2,411,847.15	218,601.00	285,197.00	2,345,251.15
	11,371,147.15	218,601.00	285,197.00	11,304,551.15

## NOTES TO FINANCIAL STATEMENTS

### Note 5: DEFERRED COMPENSATION

The Borough of Pennington Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and the provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

The Borough adopted resolutions amending its plan in accordance with the amendments to Section 457 of the Code included in the Small Business Job Protection Act of 1996. This legislation eliminated provisions of the law that required compensation, which was deferred under the Plan to remain assets of the employer. The Plan amendment specifies that Plan assets are held "for the exclusive benefit of Plan participants and their beneficiaries". Accordingly, the financial statements of the Plan are not included in the Borough's financial statements.

### Note 6: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2017 and 2016 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 were as follows:

	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>Utilized in</u> <u>2018 Budget</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Utilized in</u> <u>2017 Budget</u>
Current Fund	\$763,238.40	\$621,072.09	\$708,327.62	\$573,617.91
Water and Sewer				
Operating	275,046.50	80,260.75	113,188.15	94,946.00
Fund				

### Note 7: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the various funds. The Borough adopted an emergency appropriation to fund the local share of a state road aid project in the amount of \$38,511.35. As permitted by statute, the Borough subsequently refunded this emergency appropriation by authorizing bonds or notes to finance the Borough's share of the state road aid program. There were no deferred charges at December 31, 2017 that were required to be raised in the 2018 Budget.



## NOTES TO FINANCIAL STATEMENTS

### Note 8: UTILITY FIXED ASSETS

Changes in the carrying values of The Borough's Water & Sewer Utility fixed assets for the year ended December 31, 2016 and 2017 were as follows:

	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Increases</u>	<u>Balance</u> <u>December 31, 2017</u>
Land and Buildings	\$ 501,677.31		\$ 501,677.31
Water and Sewer Systems	5,616,113.34	27,223.91	5,643,337.25
Capitalized Interest	3,703.82		3,703.82
Vehicles	<u>69,888.00</u>	<u>None</u>	<u>69,888.00</u>
	<u>\$6,191,382.47</u>	<u>\$27,223.91</u>	<u>\$6,218,606.38</u>

Sewer Utility assets acquired or constructed are valued at cost. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. No depreciation is recorded on general fixed assets.

### Note 9: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

#### Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 9: DEPOSITS AND INVESTMENTS (CONT'D.)

At December 31, 2017 and 2016, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash (Demand Accts.)	\$6,360,358.04	\$3,147,667.82
Change Funds (On-Hand)	<u>200.00</u>	<u>200.00</u>
Total	<u>\$6,360,558.04</u>	<u>\$3,147,887.82</u>

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was \$6,360,358.04 and the book balance was \$6,111,835.78. Of the bank balance, \$250,000.00 was covered by Federal depository insurance and \$6,110,358.04 was covered under the provisions of NJGUDPA.

The Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.

## NOTES TO FINANCIAL STATEMENTS

### Note 9: DEPOSITS AND INVESTMENTS (CONT'D.)

- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2017, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough's bank balance was considered exposed to custodial credit risk.

#### Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

## NOTES TO FINANCIAL STATEMENTS

### Note 9: DEPOSITS AND INVESTMENTS (CONT'D.)

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2017, the Borough had no funds on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments.

### Note 10: PENSION AND RETIREMENT PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

## NOTES TO FINANCIAL STATEMENTS

### Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705

#### *Significant Legislation:*

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016 the Borough's total payroll for all employees was \$1,378,839. Total PERS covered payroll was \$710,871. Covered payroll refers to pensionable compensation, rather than total compensation, paid by The Borough to active employees covered by the Plan. Employee payroll deductions for PERS contributions, net of life insurance premiums and pension loan repayments, were \$50,688.62 for 2016.

For the year ended December 31, 2017, the Borough's total payroll for all employees was \$1,472,865. Total PERS covered payroll was \$720,014. Covered payroll refers to pensionable compensation, rather than total compensation, paid by The Borough to active employees covered by the Plan. Employee payroll deductions for PERS contributions, net of life insurance premiums and pension loan repayments, were \$52,337.58 for 2017.

## NOTES TO FINANCIAL STATEMENTS

### Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016 and increased to 7.20 for State fiscal year 2017, commencing July 1, 2017. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employer contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The Borough's cash basis contributions to the Plan for the years ended December 31, 2017 and 2016 were \$91,885 and \$85,128, respectively. The Borough's contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Borough's payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$ 14,412	\$ 14,263
Amortization of Accrued Liability	<u>66,390</u>	<u>72,588</u>
Total Pension	80,802	86,851
NCGI Premiums	4,326	4,335
Long-Term Disability Expense	<u>-0-</u>	<u>699</u>
Total Regular Billing	<u>85,128</u>	<u>91,885</u>
Total PERS Payment	<u>\$85,128</u>	<u>\$91,885</u>

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

## NOTES TO FINANCIAL STATEMENTS

### Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

Service retirement benefit of  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is the basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, The Borough does not recognize pension liabilities, deferred inflows of resources, or deferred outflows of resources for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$2,374,570 or 0.0102007%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$3,039,972 or 0.010264%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases (2012-2021)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 201 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	2.50%	6.61%
Private Real Asset	1.00%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 5.00% as of June 30, 2017.

*Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate* – the following presents the collective net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
Pennington Borough Share	<u>\$2,775,857</u>	<u>\$2,237,570</u>	<u>\$1,789,109</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (CONT'D.):

*Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:*

	State	Local	Total
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in allocated pension expense by the Plan as follows:*

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$59,535
2019	59,536
2020	81,737
2021	45,509
2022	(49,386)
2023	<u>(45,249)</u>
Total	<u>\$151,682</u>

#### *Changes in Proportion*

The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

*Plan Membership and Contributing Employers-* Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
Total	<u>83,847</u>

Contributing Employers – 586

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (CONT'D.):

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

*Significant Legislation* – Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2017 The Borough's total payroll for all employees was \$1,472,865. Total PFRS covered payroll was \$317,038. Covered payroll refers to pensionable compensation, rather than total compensation, paid by The Borough to active employees covered by the Plan. Employee payroll deductions for PFRS contributions, net of life insurance premiums and pension loan repayments, were \$31,703.80 for 2017.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$64,084 and \$53,365, respectively. The Borough's contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Borough's payments to PFRS made in the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$27,473	\$ 18,164
Amortization of Accrued Liability	<u>33,301</u>	<u>32,881</u>
Total Pension	60,774	51,045
NCGI Premiums	<u>3,310</u>	<u>2,320</u>
Total Regular Billing	<u>64,084</u>	<u>53,365</u>
Total PFRS Payment	<u>\$64,084</u>	<u>\$53,365</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

## NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is the basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, The Borough does not recognize pension liabilities, deferred inflows of resources, or deferred outflows of resources for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260,198 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$1,335,356, or 0.007778%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$1,250,285, or 0.006545%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary's modified 2014 projection scales, and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# NOTES TO FINANCIAL STATEMENTS

## NOTE 10. PENSION PLANS (CONT'D.):

### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	2.50%	6.61%
Private Real Asset	1.00%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

*Discount Rate* – The discount rate used to measure the pension liabilities of PFRS was 6.14%.

*Sensitivity of Net Pension Liability* – The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (5.14%)	At current discount rate (6.14%)*	At 1% increase (7.14%)
State	\$ 5,202,348,756	\$ 4,935,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>
Pennington Borough Share	<u>\$1,759,442</u>	<u>\$1,335,356</u>	<u>\$986,922</u>

\*- Local Share includes \$1,729,193,907 of Special Funding Situation allocated to the State of NJ as a non-employer.

*Components of Net Pension Liability* – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (CONT'D.):

#### B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$41,621
2019	41,621
2020	41,621
2021	14,431
2022	(12,000)
2023	<u>9,149</u>
Total	<u>\$136,443</u>

#### *Changes in Proportion*

The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

#### C: DEFINED CONTRIBUTION RETIREMENT PLAN

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (CONT'D.):

#### C: DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D.)

For the year ended December 31, 2016 The Borough's total payroll for all employees was \$1,472,865. Total DCRP covered payroll was \$117,872. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan. Employee payroll deductions for PFRS contributions, net of life insurance premiums and pension loan repayments, were \$3,536.06 for 2017. The Borough contributed \$6,482.88 to the DCRP accounts of eligible employees.

#### D. COMBINED ALLOCATED PENSION INFORMATION FOR PERS AND PFRS PENSION SYSTEMS:

<u>2017 Data</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$2,237,570	\$643,966	\$492,284	\$91,885
PFRS	<u>1,335,356</u>	<u>483,347</u>	<u>364,904</u>	<u>53,365</u>
Total	<u>\$3,572,926</u>	<u>\$1,127,313</u>	<u>\$857,188</u>	<u>\$145,250</u>

### Note 11: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Regional School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed or previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection for foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1<sup>st</sup> of the current tax year even though the amount due is not known.

## NOTES TO FINANCIAL STATEMENTS

### Note 12: POST RETIREMENT BENEFITS OTHER THAN PENSIONS-HEALTH BENEFITS

The Borough of Pennington contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On July 1, 1965, the Borough of Pennington authorized participation in the SHBP's post-retirement benefit program through a resolution approved by the Council. The Borough of Pennington covers all retirees with the following requirements: fifteen years of service and the age of sixty-two, and twenty-five years of service or a disability retirement. All active full-time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

**Funding Policy:** Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994.

Cost sharing requirements for retirees are as follows:

1. Any eligible employee who was retired as of June 28, 2011 (the effective date of Ch. 78, P.L. 2011) is not required to contribute to the cost of benefits.
2. Active employees who had accrued 25 years of service at June 28, 2011 will not be required to contribute to the costs of benefits upon retirement.
3. Active employees who had accrued 20 years of service at June 28, 2011 will be required to contribute 1.5% of their retirement benefit towards the cost of post-retirement health benefits.
4. Active employees who had not accrued 20 years of service at June 28, 2011 will, upon retirement continue to pay the applicable percentage of health care costs as set forth in the law. However, retiree contributions will be based upon the retirement benefit rather than the final active salary.

The Borough of Pennington contributions to SHBP for the years ended December 31, 2017 and 2016 for retiree health insurance premiums were \$95,974.67 and \$122,037.48 respectively, which equaled the required contributions for each year.

### Note 13: ACCRUED SICK AND VACATION BENEFITS

The code of the Borough of Pennington sets forth the terms under which an employee may accumulate unused benefits. The amount of vacation time that may be accrued and carried forward is generally limited to a single year's benefit. Sick time may be accumulated for use at a later date. Upon separation from service in good standing, employees are entitled to payment for accumulated but unused vacation pay. Accumulated sick pay is not compensable upon separation of service. The value of all earned but unused vacation pay that would be compensable upon separation from service in good standing was \$16,180.80 and \$8,666.40 at December 31, 2017 and 2016, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 14: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Mid Jersey Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severally obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, law enforcement liability and workers compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2017. The Fund will be self-sustaining through member premiums, reported as an expenditure in the Borough's financial statements. The Fund contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, law enforcement liability and workers' compensation. The Borough continues to carry commercial insurance for other risks of loss, principally employee health insurance.

For the year ending December 31, 2017, the fund provided coverage for Property, Boiler & Machinery, Auto Physical Damage, Blanket Bond, Auto Liability, General Liability, Excess Liability, Workers Compensation, Public Official Liability and Employers Liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees

The Mid Jersey Joint Insurance Fund, issues publicly available financial reports that include the financial statements and required supplementary information for insurance. The financial reports may be obtained by writing to the Mid Jersey Municipal JIF, c/o Risk and Loss Managers, 51 Everett Dr. Suite B-40, West Windsor, NJ 08550-5374.

### Note 15: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2017:

<u>Fund:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$4,681.54	\$0.00
Grant Fund	0.00	22,000.00
Animal Control Fund	0.00	4,681.54
General Capital Fund	<u>22,000.00</u>	<u>0.00</u>
Totals	<u>\$26,681.54</u>	<u>\$26,681.54</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 16: LEASE OBLIGATIONS

The Borough is obligated under a lease agreement with the then state contract vendor for copiers under a cost per copy plan. The plan includes copier, installation and all necessary supplies and service. There is an annual lease payment for each copier with an additional charge for overage on the number of copies permitted based on a monthly minimum for each copier. The contract is for a maximum of forty-eight months. The Borough does not have the option to purchase the copier. The total amount of lease payments remaining at December 31, 2017 is as follows:

<u>Year</u>	<u>Total Payments</u>
2018	3,058.80
2019	<u>1,529.40</u>
Total Payments	<u>\$4,588.20</u>

During 2017, the Borough entered into a lease financing agreement with Ford Motor Credit Co. for the acquisition of a 2017 Police Vehicle. The agreement calls for three annual lease payments, commencing on January 18, 2017, with interest accruing on the unpaid balance at the rate of 6.00% per annum. The original amount of the lease, including a \$545 underwriting fee, was \$36,346. The total amount of lease payments remaining at December 31, 2017 is as follows:

<u>Year</u>	<u>Total Payments</u>
2018	12,827.74
2019	<u>12,827.74</u>
Total Payments	<u>\$25,655.48</u>

### Note 17: COMMITMENTS AND CONTINGENCIES

As at the date of this report the Borough had litigation pending or threatened. The inventory of cases includes claims, which are covered and defended through the Mid Jersey Municipal Joint Insurance Fund (Note 14). Other claims remain unfiled or are in discovery, and neither the likelihood nor the financial impact of adverse results can be assessed at this time.

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, the Borough does not believe that any material liabilities will result from such audits.

As of the date of this report the Borough was not involved in any pending or threatened litigation nor any unasserted claims or assessments that would be of a material nature.

### Note 18: SUBSEQUENT EVENTS

No events have occurred during the period from December 31, 2017 through June 5, 2018 that would require additional disclosures following accounting principles generally accepted in the United States of America.

**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART II**  
**REQUIRED SUPPLEMENTARY INFORMATION**

BOROUGH OF PENNINGTON  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Borough's Proportion of the Net Pension Liability	0.000092953	0.000099490	0.000099017	0.000102642	0.000102007
Borough's Proportionate Share of the Net Pension Liability	\$1,776,512	\$1,862,722	\$2,222,732	\$3,039,972	\$2,374,570
Borough's Covered-Employee Payroll	\$664,027	\$675,511	\$697,842	\$710,871	\$720,014
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	267.54%	275.75%	318.52%	427.64%	329.79%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	55.99%	40.14%	48.10%

\* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF PENNINGTON  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 70,038	\$ 82,018	\$ 85,128	\$ 91,885
Contribution in Relation to Contractually Required Contribution	<u>\$ (70,038)</u>	<u>\$ (82,018)</u>	<u>\$ (85,128)</u>	<u>\$ (91,885)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 675,511	\$ 697,842	\$ 710,871	\$ 720,014
Contributions as a percentage of Covered Employee Payroll	10.37%	11.75%	11.98%	12.76%

\* Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

BOROUGH OF PENNINGTON  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the Borough	0.00007476	0.00007743	0.00007884	0.00006545	0.00007779
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$993,881	\$973,972	\$1,313,176	\$1,250,285	\$1,335,356
Borough's Covered-Employee Payroll	\$179,356	\$186,289	\$198,399	\$283,539	317038
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the Borough's Covered-Employee Payroll	554.14%	522.83%	661.89%	440.96%	421.20%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	55.71%	58.86%	58.09%	52.01%	58.60%

\* Amounts presented for each fiscal year were determined as of June 30.  
 Note: Due to limitations within the system, payroll for Covered Employees as reported reflects  
 "Pensionable Salaries" only. Specifically not included are overtime pay and special duty  
 pay funded by third parties.

BOROUGH OF PENNINGTON  
 SCHEDULE OF THE BOROUGH'S CONTRIBUTIONS  
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 54,544	\$ 59,470	\$ 64,084	\$ 53,365
Contribution in Relation to Contractually Required Contribution	<u>\$ (54,544)</u>	<u>\$ (59,470)</u>	<u>\$ (64,084)</u>	<u>\$ (53,365)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 192,050	\$ 198,399	\$ 283,539	\$ 317,038
Contributions as a percentage of Covered Employee Payroll	28.40%	29.97%	22.60%	16.83%

\* Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

Note: Contractually required contributions include mandated annual payments resulting from the Borough's participation in authorized ERI and pension deferral programs.  
 See Note 9.

**BOROUGH OF PENNINGTON**  
**COUNTY OF MERCER, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2017**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

Changes in benefit terms: None

Changes in assumptions:

For 2017, the discount rate changed to 5.00% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%. Demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

**PFRS**

Changes in benefit terms: None

Changes in assumptions:

For 2017, the discount rate changed to 6.14% and the long-term expected rate of return changed to 7.00% For 2016, the discount rate change to 5.55%, the long-term expected rate of return changed to 7.65% and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 – June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART III**  
**SUPPLEMENTARY SCHEDULES**



**Current Fund**

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	CURRENT FUND	GRANT FUND
Balance - December 31, 2016	A	\$1,239,153.42	\$ 89,381.92
Increased by Receipts:			
Ordinance Funding of Emergency Appropri.	A	38,511.35	
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	11,250.00	
Taxes Receivable	A-6	13,328,134.91	
Tax Overpayments	A-15	53,049.79	
Revenue Accounts Receivable	A-10	656,800.06	
Interfund Loans Received/Returned	A-18		22,000.00
Prepaid Property Taxes	A-14	1,506,743.56	
Various Payables and Reserves	A-16	97,080.93	
State and Federal Grants Receivable	A-17		437,529.81
State and Federal Grants - Unappropriated	A-20		8,427.60
		<u>15,691,570.60</u>	<u>467,957.41</u>
		\$16,930,724.02	\$557,339.33
Decreased by Disbursements:			
Refunds of Prior Year Revenues	A-1		
Budget Expenditures	A-3	3,001,366.09	
2016 Appropriation Reserves	A-13	88,357.09	
Prior Year Receipt due to Open Space	A-1		
Taxes Payable to Other Govts.	A-11	10,250,922.75	
Interfund Loans Disbursed/Returned	A-12,A-18	41,000.00	
Refund of Prior Years Revenues	A-1		
Tax Overpayments	A-15	47,558.83	
Various Payables and Reserves	A-16	93,801.93	
Reserve for State and Federal Grants			
Appropriated	A-19		544,848.74
		<u>13,523,006.69</u>	<u>544,848.74</u>
Balance - December 31, 2017	A	<u>\$3,407,717.33</u>	<u>\$ 12,490.59</u>

SCHEDULE OF CHANGE FUNDS  
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Tax Collector	<u>\$200.00</u>	<u>\$200.00</u>
	<u>\$200.00</u>	<u>\$200.00</u>
<u>Ref.</u>	A	A

## SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

## CURRENT FUND

YEAR	BALANCE DEC. 31, 2016	2017 LEVY	COLLECTIONS BY CASH 2016	2017	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	ADJUSTED REMITTED OR CANCELLED	TRANSFER TO IIL	BALANCE DEC. 31, 2017
2016	\$ 141,981.44	\$	\$	\$ 149,769.22	\$	14,428.66	\$ 6,640.88	\$ -
	141,981.44			149,769.22		14,428.66	6,640.88	
2017		13,386,327.82	103,561.48	13,178,365.69	11,250.00	29,805.95		122,956.60
	\$ 141,981.44	\$ 13,386,327.82	\$ 103,561.48	\$ 13,328,134.91	\$ 11,250.00	\$ 44,234.61	\$ 6,640.88	\$ 122,956.60
	Ref. A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A-9	A

## Analysis of 2017 Property Tax Levy:

Ref.

## Tax Yield:

General Purpose \$ 13,185,923.82  
 Special District Taxes 200,404.00

\$ 13,386,327.82

## Tax Levy:

Regional School Tax (Abstract) A-11 \$ 7,716,988.00  
 Special District Tax A-11 204,412.00  
 County Tax (Abstract) A-11 2,957,300.49  
 County Open Space Tax (Abstract) A-11 125,276.96  
 Added County Tax A-11 5,520.61

11,009,498.06

## Local Open Space Tax

A-2 49,758.15

## Local Tax for Mun. Purposes (Abstract)

A-2 2,308,795.51

## Add: Additional Tax Levied

18,364.84

2,376,918.50

\$ 13,386,416.56

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

	<u>REF.</u>		
Balance - December 31, 2016			
Due from State of New Jersey	A		\$4,699.20
Increased by:			
Deductions Allowed by Tax Billings	A-6	<u>\$11,250.00</u>	
			<u>11,250.00</u>
			15,949.20
Decreased by:			
Collection	A-4	<u>11,250.00</u>	
			<u>11,250.00</u>
Balance - December 31, 2017			
Due from State of New Jersey	A		<u><u>4,699.20</u></u>
 <u>Analysis of Realized Revenue for 2017:</u>			
Deductions Allowed Per Tax Billings	A-7	\$11,250.00	
2017 Deductions Allowed by Collector	A-7	<u>-</u>	
			<u>\$11,250.00</u>
Realized as Revenue - 2017	A-6		<u><u>\$11,250.00</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2016	A	\$17,810.00
Balance - December 31, 2017	A	<u>\$17,810.00</u>

SCHEDULE OF TAX TITLE LIENS  
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2016	A		\$1,933.84
Increased by:			
Interest and Costs	Reserve	\$1,242.76	
Transfer from Taxes Receivable	A - 6	<u>6,640.88</u>	
			<u>7,883.64</u>
			9,817.48
Decreased by:			
Cancelled	Reserve	<u>1,933.84</u>	
			<u>1,933.84</u>
Balance - December 31, 2017	A		<u>\$7,883.64</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

<u>Anticipated Miscellaneous Revenues:</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>ACCRUED IN 2017</u>	<u>COLLECTED</u>	<u>BALANCE DEC. 31, 2017</u>
Fees and Permits	A-2	\$	12,448.00	\$ 12,448.00	\$
Fines and Costs - Municipal Court	A-2	5,329.57	96,860.72	96,476.22	5,714.07
Interest and Costs on Taxes	A-2		46,791.66	46,791.66	
Interest on Investments and Deposits	A-2		16,527.91	16,527.91	
Trash Collection Fees	A-2		44,945.03	44,945.03	
Energy Receipts Taxes	A-2		187,581.00	187,581.00	
Uniform Construction Code Fees	A-2		122,715.00	122,715.00	
Administrative Charge to Library	A-2		4,000.00	4,000.00	
Verizon/Comcast Franchise Fee	A-2		42,350.10	42,350.10	
Miscellaneous Revenue Not Anticipated	A-2		82,965.14	82,965.14	
		<u>\$ 5,329.57</u>	<u>\$ 657,184.56</u>	<u>\$ 656,800.06</u>	<u>\$ 5,714.07</u>
	<u>Ref.</u>	A	Reserve	A-4	A

CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

	BALANCE DEC. 31, 2016	TAXES LEVIED	TAXES PAID	ADJUSTMENTS	BALANCE DEC. 31, 2017
County - General	\$ -	\$ 2,957,300.49	\$ (2,180,929.65)	\$	\$ 776,370.84
County - Open Space	-	125,276.96	(92,302.98)		32,973.98
County - Added & Omitted	6,532.55	5,520.61	(6,532.49)		5,520.67
Regional School Taxes	-	7,716,988.00	(7,716,987.48)	(0.52)	-
Local Open Space	-	49,758.15	(49,758.15)		-
Fire Districts	-	204,412.00	(204,412.00)		-
Total	\$ 6,532.55	\$ 11,059,256.21	\$ (10,250,922.75)	\$ (0.52)	\$ 814,865.49
Ref.	A	A-1,A-2,A-6	A-4	A-1	A



CURRENT FUND  
STATEMENT OF INTERFUNDS RECEIVABLE/ (PAYABLE)

	BALANCE DEC. 31, 2016	INCREASES	DECREASES	BALANCE DEC. 31, 2017
<hr/>				
Interfunds:				
Grant Fund	\$ -	\$ 961,635.12	\$ (961,635.12)	\$ -
General Capital Fund	(41,000.00)		(41,000.00)	-
Animal Control Trust Fund		4,681.54		4,681.54
				<hr/>
Total	(41,000.00)	966,316.66	(1,002,635.12)	4,681.54
				<hr/>
<u>Ref.</u>	A	A-3, Reserve	A-2, A-4	A

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2016</u>		<u>BALANCE</u>		<u>PAID OR</u>	<u>BALANCE</u>
	<u>RESERVED</u>	<u>ENCUMBERED</u>	<u>AFTER</u>		<u>CHARGED</u>	<u>LAPSED</u>
Salaries and Wages:						
Inside "CAPS":						
Administrative & Executive	\$ 777.59	\$	777.59	\$		777.59
Financial Administrator	6,695.31		6,695.31			6,695.31
Assessment of Taxes	15.20		15.20			15.20
Collection of Taxes	554.50		554.50			554.50
Borough Clerk	1,570.15		1,570.15			1,570.15
Public Buildings and Grounds	618.13		618.13			618.13
Planning and Zoning	909.81		909.81			909.81
Police	38,347.13		38,347.13	2,054.08		36,293.05
Road Repair and Maintenance	1,828.54		1,828.54			1,828.54
Garbage & Trash Removal	456.13		456.13			456.13
Construction Code Official	7,701.38		7,701.38			7,701.38
Municipal Court	1,790.69		1,790.69			1,790.69
Total Salaries and Wages	61,264.56		61,264.56	2,054.08		59,210.48
Other Expenses:						
Inside "CAPS":						
Administrative and Executive		3,803.91	3,817.27	2,718.91		1,098.36
Elections	13.36		825.00			825.00
Financial Administration	5,768.90		5,768.90	490.12		5,278.78
Revision of Tax Map		2,500.00	2,500.00	2,480.20		19.80
Assessment of Taxes	1,578.32	294.95	1,873.27	291.06		1,582.21
Collection of Taxes	238.76	100.00	338.76	184.23		154.53
Mayor and Council	296.68	30.55	327.23	30.55		296.68
Borough Clerk	4,354.78	2,181.32	6,536.10	2,159.72		4,376.38
Municipal Court	21.55	219.76	241.31	219.76		21.55
Public Defender	511.00		511.00			511.00
Legal Services & Costs	14,410.90	2,976.00	17,386.90	2,976.00		14,410.90
Municipal Prosecutor	1,500.00	1,500.00	3,000.00	1,500.00		1,500.00
Engineering Services and Costs	43,641.25	23,065.00	66,706.25	1,083.50		65,622.75
Public Buildings and Grounds	6,576.44	9,716.35	16,292.79	9,707.82		6,584.97
Planning and Zoning Board	3,110.22	724.20	3,834.42	927.70		2,906.72
Shade Tree	8,468.10		8,468.10			8,468.10
Police	482.86	20,786.11	21,268.97	21,264.64		4.33

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2016</u>		<u>BALANCE</u>		<u>PAYD OR</u>	<u>BALANCE</u>
	<u>RESERVED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>AFTER</u>		
				<u>MODIFICATION</u>	<u>CHARGED</u>	<u>LAPSED</u>
Other Expenses:						
Inside "CAPS":						
Road Repair and Maintenance	\$ 46,102.48	\$ 1,306.53	\$ 47,409.01	\$	1,630.93	45,778.08
Street Lighting	3,303.65	80.50	3,384.15		2,842.77	541.38
Garbage & Trash Removal	1,961.29	7,511.22	9,472.51		7,610.22	1,862.29
Board of Health	405.00		405.00			405.00
Recreation	1,291.00		1,291.00			1,291.00
Celebration of Public Events	1,465.00		1,465.00			1,465.00
Environmental Commission	200.00		200.00			200.00
Economic Development Commission	45.47		45.47			45.47
Constr. Code Official	2,316.03		2,316.03			2,316.03
Telephone	286.26	1,438.47	1,724.73		1,438.47	286.26
Electricity	5,155.77	1,051.37	6,207.14		1,078.50	5,128.64
Gasoline & Lubricants	9,188.07	1,392.33	10,580.40		1,392.33	9,188.07
Natural Gas	4,567.94	1,093.21	5,661.15		1,093.21	4,567.94
Social Security	4,320.55		4,320.55		2,517.60	1,802.95
Group Plan for Employees	14,940.32		14,940.32			14,940.32
Liability and Other Insurance	143.18		143.18			143.18
Workers Compensation	301.08		301.08			301.08
Public Employees Retirement System	18.83		18.83			18.83
Police & Firemen's Retirement System	18.89		18.89			18.89
Other Expenses:						
Out of "CAPS":						
First Aid LOSAP Contribution	3,757.04		3,757.04			3,757.04
Road Program Local Share	396.00	38,115.35	38,511.35		38,115.35	396.00
Mercer County-EMS	1,140.00	2,860.00	4,000.00			4,000.00
Free Public Library-Maintenance	3,516.51	6,186.49	9,703.00		9,638.18	64.82
Total Other Expenses	196,638.48	128,933.62	325,572.10		113,391.77	212,180.33
Total Operations	\$ 257,903.04	\$ 128,933.62	\$ 386,836.66	\$	115,445.85	271,390.81
Disbursed	Ref.	A	A		A-4	A-1
Accounts Payable	A-4				\$88,357.09	
	A-16				27,088.76	
					\$115,445.85	

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$103,561.48
Increased by:		
2018 Taxes Prepaid	A-4	<u>1,506,743.56</u>
		1,610,305.04
Decreased by:		
Applied to 2017 Taxes Receivable	A-6	<u>103,561.48</u>
Balance - December 31, 2017	A	<u><u>\$1,506,743.56</u></u>

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$15.61
Increased by:		
Cash Received	A-4	<u>53,049.79</u>
		53,065.40
Decreased by:		
Refunded	A-4	<u>47,558.83</u>
Balance - December 31, 2017	A	<u><u>\$5,506.57</u></u>

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLE & RESERVES

	BALANCE DEC. 31, 2016	INCREASES	DECREASES	BALANCE DEC. 31, 2017
Accounts Payable:				
Vendor Accounts Payable	\$ -	\$ 27,088.76	\$ -	\$ 27,088.76
Third Party Lien Redemptions	-	87,954.93	(87,954.93)	-
Marriage License Filing Fees	50.00	275.00	(300.00)	25.00
State Training Fees (Code)	1,482.00	8,402.00	(5,547.00)	4,337.00
Subtotal	1,532.00	123,720.69	(93,801.93)	31,450.76
Reserve for:				
Master Plan	593.75			593.75
Property Revaluation	7,629.50			7,629.50
Sale of Municipal Assets	24,872.25			24,872.25
State Library Aid	1,662.55	449.00		2,111.55
Subtotal	34,758.05	449.00	-	35,207.05
Total	\$ 36,290.05	\$ 124,169.69	\$ (93,801.93)	\$ 66,657.81
	Ref. A	A-4, A-13	A-4	A

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

Exhibit - A-17

GRANT	BALANCE DEC. 31, 2016	2017 BUDGET REVENUE REALIZED	COLLECTED 2017	TRANS. FROM GRANTS UNAPPROP.	BALANCE DEC. 31, 2017
Comcast Grant		20,000.00		20,000.00	
Pennington Day Grant		500.00	500.00		
ANJEC Grant		1,500.00	1,000.00		500.00
N.J.D.O.T. - Transportation Trust Fund - 2014	283,500.00				79,179.31
N.J.D.O.T. - Transportation Trust Fund - 2015 (Park Ave.)	289,432.00		204,320.69		72,358.00
N.J.D.O.T. - Transportation Trust Fund - 2016	240,000.00		217,074.00		240,000.00
N.J.D.O.T. - Transportation Trust Fund - 2017 (Burd Ave.)		345,000.00			345,000.00
N.J.D.O.T. - Streetscape Grant		580,000.00			580,000.00
Community Stewardship Program- 2016	25,000.00	5,419.29	5,419.29		25,000.00
Clean Communities					
Hazard Mitigation Grant	83,000.00	901.73	901.73		83,000.00
Body Armor Replacement Grant		8,314.10	8,314.10		
Recycling Tonnage Grants					
	<u>\$ 920,932.00</u>	<u>\$ 961,635.12</u>	<u>\$ 437,529.81</u>	<u>\$ 20,000.00</u>	<u>\$ 1,425,037.31</u>
Ref.	A	A-19	A-4	A-18	A

SCHEDULE OF INTERFUND LOANS PAYABLE  
GRANT FUND

REF.

Increased by:	
2017 Receipts-Due to General Capital	<u>\$ 22,000.00</u>
Balance - December 31, 2017	<u><u>\$ 22,000.00</u></u>

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

GRANT/AID PROGRAM	BALANCE-DEC. 31, 2016		TRANSFERRED FROM 2017		CHAPTER 159S	PAID OR CHARGED	BALANCE-DEC. 31, 2017	
	ENCUMBERED	RESERVE	BUDGET				ENCUMBERED	RESERVE
N.J.D.O.T. - Streetscape	\$	\$	\$	\$			\$	\$
N.J.D.O.T. - Transportation Trust Fund - 2014	272,427.58	11,072.42				239,401.55	40,662.01	580,000.00
N.J.D.O.T. - Transportation Trust Fund - 2015 (Park Ave.)	289,432.00					289,432.00		3,436.44
N.J.D.O.T. - Transportation Trust Fund - 2016 (Curlis, Weidel)		240,000.00						240,000.00
N.J.D.O.T. - Transportation Trust Fund - 2017 (Burd St.)								345,000.00
Clean Communities Program		32,092.47				5,281.96		32,229.80
Body Armor Replacement Fund	834.90	4,396.90				834.90		5,298.63
Drunk Driving Enforcement Grant		204.92						204.92
Mercer County Body Camera Grant		2,500.00				2,500.00		
Solid Waste Recycling Grant-2003		21,672.29						21,672.29
Pennington Day Grant		405.05						905.05
Municipal Alcohol Ed.		985.89						985.89
Assoc. of NJ Environmental Commission		120.00						1,620.00
Community Stewardship Program		25,000.00					24,975.00	25.00
Comcast Grant			20,000.00					20,000.00
Hazard Mitigation Grant		83,000.00						83,000.00
Recycling Tonnage Grant	1,673.25	4,496.24	8,314.10			7,398.33	2,025.50	5,059.76
	\$	\$	\$	\$		\$	\$	\$
	564,367.73	425,946.18	28,314.10	933,321.02		544,848.74	67,662.51	1,339,437.78
Ref.	A	A	A-17	A-17		A-4	A	A



SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS  
UNAPPROPRIATED  
GRANT FUND

<u>GRANTS</u>	BALANCE <u>DEC. 31, 2016</u>	COLLECTED <u>2017</u>	2017 GRANTS <u>APPROPRIATED</u>	BALANCE <u>DEC. 31, 2017</u>
Recycling Tonnage Grant		8,427.60		8,427.60
Comcast Technology Grant	<u>20,000.00</u>		<u>20,000.00</u>	
	\$ <u>\$20,000.00</u>	\$ <u>\$8,427.60</u>	\$ <u>\$20,000.00</u>	\$ <u>\$8,427.60</u>
<u>Ref.</u>	A	A-4	A-17	A

**Trust Fund**

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

	BALANCE DEC. 31, 2016	CASH TRANSACTIONS		ADJUSTMENTS	BALANCE DEC. 31, 2017
		RECEIPTS	DISBURSED		
Animal Control:					
Due Current Fund	-			4,681.54	4,681.54
Due NJ - State License Fees	5.40	261.60	(267.00)		-
Animal Control Reserves	9,594.80	3,635.49	(1,051.89)	(4,681.54)	7,496.86
<b>Total</b>	<b>9,600.20</b>	<b>3,897.09</b>	<b>(1,318.89)</b>	<b>-</b>	<b>12,178.40</b>
Trust - Other Funds:					
Due from Current Fund	-				-
Unemployment Claims	20,665.24	7,355.02	(497.16)		27,523.10
Affordable Housing	373,518.21	18,810.17	(1,264.17)		391,064.21
Recreation Funds	2,198.74	350.22	(586.02)		1,962.94
Law Enforcement Trust	7,219.70	43.56	-		7,263.26
Public Defender	125.00	539.00	(400.00)		264.00
Shade Tree	758.00	180.00	(115.00)		823.00
POAA	1,544.00	88.00	-		1,632.00
Verizon	100.00	-	-		100.00
Tax Sale Premium	10,330.27	6,350.00	(8,183.75)		8,496.52
Police Donations	12,000.00	31,800.00	(12,000.00)		31,800.00
Open Space Preservation Fund	583,803.71	53,260.84	-		637,064.55
Developer Escrow Funds	336,820.15	647,377.34	(245,007.45)		739,190.04
Refundable Deposits	2,500.00	175,000.00	-		177,500.00
L.O.S.A.P. Plan Balance	735,975.26	150,939.20	(1,875.00)		885,039.46
<b>Total</b>	<b>2,087,558.28</b>	<b>1,092,093.35</b>	<b>(269,928.55)</b>	<b>-</b>	<b>2,909,723.08</b>
<b>Total</b>	<b>2,097,158.48</b>	<b>1,095,990.44</b>	<b>(271,247.44)</b>	<b>-</b>	<b>2,921,901.48</b>

Ref.

B

B

**General Capital Fund**

SCHEDULE OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2016	C		\$21,876.24
Increased by:			
Interest Earned - Due Current	C-5	116.52	
Interfund - Current Fund	C-5	41,000.00	
Funding for Ordinance 2017-14 Raised in 2017 Current Budget	C-8	50,000.00	
Grants Receivable	C-4		
Capital Improvement Fund	C-10	<u>15,000.00</u>	
			<u>106,116.52</u>
			\$127,992.76
Decreased by:			
Interfund - Current Fund	C-5	116.52	
Interfund - Grant Fund	C-5	22,000.00	
Improvement Authorizations	C-10	<u>56,366.63</u>	
			<u>78,483.15</u>
Balance - December 31, 2017	C		<u><u>\$49,509.61</u></u>

ANALYSIS OF GENERAL CAPITAL FUND  
CASH AND INVESTMENTS

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Fund Balance	\$ 98,378.76	\$ 98,378.76
Capital Improvement Fund	26,818.45	37,068.45
Due to/from Grant Fund		(22,000.00)
Due to/from Current Fund	(41,000.00)	(0.00)
 <u>IMPROVEMENT AUTHORIZATIONS:</u>		
Ord.		
<u>No.</u> <u>General Improvements:</u>		
1994-9    Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
2003-9    Var. Capital Improvements	47,205.51	47,205.51
2013-09   Renovations to Borough Hall	321.49	321.49
2014-13   Road Repairs/Raidos/Vehicles	(89,792.00)	(89,792.00)
2015-07   Acquisition of Equipment	(23,782.00)	(23,782.00)
2016-03   Acquisition of Generator	4,250.00	4,250.00
2017-1    Funding of Emergency Approp.: King George Rd./Park Ave.		(39,111.35)
2017-4    Redevelopment of Landfill Property		(16,055.28)
2017-7    Supplemental Approp.-Generator Acquisition		900.00
2017-14   Borough Hall Renovations		49,400.00
2017-15   Acquisition of Backhoe		3,250.00
	<u>\$21,876.24</u>	<u>\$49,509.61</u>
 <u>Ref.</u>	 C-2	 C-2

SCHEDULE OF GRANTS RECEIVABLE  
GENERAL CAPITAL FUND

Ref.

Balance - December 31, 2016	C	\$ 75,000.00
Balance - December 31, 2017	C	<u>\$ 75,000.00</u>
Analysis of Balance - December 31, 2017:		
Ordinance No. 2016-03 FEMA Assistance		<u>\$ 75,000.00</u>

SCHEDULE OF INTERFUND LOANS RECEIVABLE  
GENERAL CAPITAL FUND

	<u>Ref.</u>	<u>CURRENT FUND</u>	<u>GENERAL CAPITAL</u>
Balance - December 31, 2016	C	\$ -	\$ 41,000.00
Increased by:			
Cash Disbursements	C-2	<u>22,000.00</u>	<u>116.52</u>
		22,000.00	41,116.52
Decreased by:			
Interest Earned - Due Current			116.52
Interfund - Current Fund			<u>41,000.00</u>
Balance - December 31, 2017	C	<u>\$ 22,000.00</u>	<u>\$ -</u>

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

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$1,278,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-9	<u>160,000.00</u>
Balance - December 31, 2017	C	<u>\$1,118,000.00</u>



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

ORD. NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2016	2017 AUTHORIZED	BALANCE DEC. 31, 2017	ANALYSIS OF BALANCE DEC. 31, 2017	
					EXPEND- ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System	\$523.97		\$523.97	\$523.97	
2003-09	Var. Capital Improvements	473,274.00		473,274.00		473,274.00
2014-13	Road Repairs/Radios/Vehicles	527,100.00		527,100.00	89,792.00	437,308.00
2015-7	Acquisition of Equipment	36,450.00		36,450.00	23,782.00	12,668.00
2016-3/2017-7	Acquisition of a Generator	80,750.00	20,500.00	101,250.00		101,250.00
2017-1	Funding of Emergency Appropriation Improv. To King George Rd.		40,000.00	40,000.00	39,111.35	888.65
2017-4	Preliminary Costs-Landfill Redevelopment		125,000.00	125,000.00	16,055.28	108,944.72
2017-14	Borough Hall Renovations		950,000.00	950,000.00		950,000.00
2017-15	Acquisition of a Backhoe		61,750.00	61,750.00		61,750.00
	Ref.	<u>\$1,118,097.97</u>	<u>\$1,197,250.00</u>	<u>\$2,315,347.97</u>	<u>\$169,264.60</u>	<u>\$2,146,083.37</u>
		C	C-10	C		

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	AMOUNT	BALANCE DEC. 31, 2016		2017 AUTHORIZED	PAID OR CHARGED	BALANCE DEC. 31, 2017	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED
General Improvements:									
2003-09	Var. Capital Improvements	8/4/03	\$ 754,500.00	\$ 47,205.51	\$ 473,274.00	\$	\$	47,205.51	\$ 473,274.00
2013-9	Renovations to Borough Hall	10/7/13	15,000.00	321.49				321.49	
2014-13	Road Repairs/Radios/Vehicles	6/2/14	598,000.00		437,308.00				437,308.00
2015-7	Acquisition of Equipment	5/15/15	91,000.00		12,668.00				12,668.00
2016-3	Acquisition of Generator	3/2/16	85,000.00	4,250.00	80,750.00			4,250.00	80,750.00
2017-1	Funding of Emergency Approp.: King George Rd./Park Ave.	2/6/17	40,000.00			40,000.00	39,111.35		888.65
2017-4	Redevelopment of Landfill Property	3/6/17	125,000.00			125,000.00	16,055.28		108,944.72
2017-7	Supplemental Approp.-Generator Acquisition	4/3/17	22,000.00			22,000.00	600.00	900.00	20,500.00
2017-14	Borough Hall Renovations	9/5/17	1,000,000.00			1,000,000.00	600.00	49,400.00	950,000.00
2017-15	Acquisition of Backhoe	10/2/17	65,000.00			65,000.00		3,250.00	61,750.00
				\$ 51,777.00	\$ 1,004,000.00	\$ 1,252,000.00	\$ 56,366.63	\$ 105,327.00	\$ 2,146,083.37
				C	C		C-2	C	C
				Ref.					
Deferred Charges to Future Taxation Unfunded						\$ 1,197,250.00			
Funding Provided in 2017 Budget						50,000.00			
Capital Improvement Fund						4,750.00			
						\$ 1,252,000.00			

SCHEDULE OF SERIAL BONDS PAYABLE  
GENERAL CAPITAL FUND

Purpose	MATURITIES OF BONDS					
	OUTSTANDING					
	<u>ORIGINAL ISSUE</u> <u>DATE</u> <u>AMOUNT</u>	<u>DECEMBER 31, 2017</u> <u>DATE</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
2004 Refunding Bonds	2/1/04   \$2,125,000	9/15/18   100,000.00	4.000%			
		9/15/19   95,000.00	4.000%	\$295,000.00	\$ 100,000.00	\$ 195,000.00
2010 General Improv. Bonds	6/1/10   \$1,148,000	7/15/18   65,000.00	3.000%			
		7/15/19   75,000.00	3.000%			
		7/15/20   60,000.00	3.250%			
		7/15/21   60,000.00	3.250%			
		7/15/22   65,000.00	3.500%			
		7/15/23   65,000.00	3.625%			
		7/15/24   70,000.00	3.625%			
		7/15/25   70,000.00	3.750%			
		7/15/26   75,000.00	3.875%			
		7/15/27   75,000.00	3.875%			
		7/15/28   80,000.00	4.000%			
		7/15/29   80,000.00	4.000%			
		7/15/30   83,000.00	4.000%	983,000.00	60,000.00	923,000.00
				<u>\$ 1,278,000.00</u>	<u>\$ 160,000.00</u>	<u>\$ 1,118,000.00</u>

Ref.

C

C-6

C

SCHEDULE OF CAPITAL IMPROVEMENT FUND  
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	C	\$26,818.45
Increased by:		
Budget Appropriation	C-2	<u>15,000.00</u>
		41,818.45
Decreased by:		
Improvement Authorizations	C-8	<u>4,750.00</u>
Balance - December 31, 2017	C	<u><u>\$37,068.45</u></u>

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

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2016</u>	<u>2017 AUTHORIZED</u>	<u>BALANCE DEC. 31, 2017</u>
276	Constr. Of Sanitary Sewer System	\$ 523.97	\$	523.97
2003-09	Various Capital Improvements	473,274.00		473,274.00
2014-13	Road Repairs/Radios/Vehicles	527,100.00		527,100.00
2015-7	Acquisition of Equipment	36,450.00		36,450.00
2016-3/2017-7	Acquisition of a Generator	80,750.00	20,500.00	101,250.00
2017-1	Funding of Emergency Appropriation Improv. To King George Rd.		40,000.00	40,000.00
2017-4	Preliminary Costs-Landfill Redevelopment		125,000.00	125,000.00
2017-14	Borough Hall Renovations		950,000.00	950,000.00
2017-15	Acquisition of a Backhoe		61,750.00	61,750.00
		<u>\$ 1,118,097.97</u>	<u>\$ 1,197,250.00</u>	<u>\$ 2,315,347.97</u>

Ref.

Footnote C

**Water and Sewer Utility Fund**

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2016	D	\$ 234,566.84	\$ 186,176.24
Increased by Receipts:			
Consumer Accounts Receivable	D-7	1,234,147.97	
Interfund Loans:			
Current Fund	D-17		1,153.69
Interest on Investments	D-3	2,485.82	
Connection Fee	D-3	84,600.00	
Interest on Delinquencies	D-3	11,821.32	
NJEIT Loan Proceeds	D-5		6,693.00
		<u>1,333,055.11</u>	<u>7,846.69</u>
Decreased by Disbursements:			
2017 Budget Expenditures	D-4	1,069,823.87	
2016 Appro. Reserve	D-12	13,762.34	
Accrued Interest on Bonds, Notes and Loans	D-13	49,821.25	
Interfund Returned	D-17		1,153.69
Improvement Authorizations	D-14		27,223.91
		<u>1,133,407.46</u>	<u>28,377.60</u>
Balance - December 31, 2017	D	<u>\$ 434,214.49</u>	<u>\$ 165,645.33</u>

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, <u>2016</u>	BALANCE DEC. 31, <u>2017</u>
	Fund Balance	\$ 32,847.20	\$ 32,847.20
	Capital Improvement Fund	123.55	123.55
<u>ORD.</u>	<u>IMPROVEMENT</u>		
<u>NO.</u>	<u>AUTHORIZATIONS</u>		
	Tank and Appurtenances, Replacement of Water Mains	(10,670.64)	(10,670.64)
2003-8	Var. Water/Sewer Improv.	9,897.42	9,897.42
2007-9	Var. Water/Sewer Improvements	(33,801.16)	(35,424.57)
2016-4	Water Main Replacement King George Rd./Park Ave.	187,779.87	187,780.10
2016-5	Water Main Replacement Curlis Ave./Weidel Dr.	<u>-</u>	<u>(18,907.73)</u>
		\$ <u>186,176.24</u>	\$ <u>165,645.33</u>
		D	D

( ) Denotes Deficit or Deduction



SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$124,762.66
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,257,140.74</u>
		1,381,903.40
Decreased by:		
Collected	D-5	<u>1,234,147.97</u>
Balance - December 31, 2017	D	<u><u>\$147,755.43</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2016	D	\$23.90
Balance - December 31, 2017	D	<u><u>\$23.90</u></u>

SCHEDULE OF NJEIT LOAN PROCEEDS RECEIVABLE  
WATER AND SEWER UTILITY CAPITAL FUND

REF.

Balance - December 31, 2016			\$73,187.00
Decreased by:			
Collected	D-5	6,693.00	
Deobligated Funding	D-20	<u>66,494.00</u>	
			<u>73,187.00</u>
Balance - December 31, 2017	D		<u><u>\$0.00</u></u>

SCHEDULE OF FIXED CAPITAL  
WATER AND SEWER UTILITY CAPITAL FUND

<u>ACCOUNT</u>	FIXED CAPITAL	
	BALANCE <u>DEC. 31, 2016</u>	AUTHORIZED AND <u>UNCOMPLETED</u> BALANCE <u>DEC. 31, 2017</u>
Reservation Land	\$1,677.31	\$1,677.31
Other Source-of-Supply Land	2,158.32	2,158.32
Springs & Wells	22,288.98	22,288.98
Collecting Reservoirs	13,791.27	13,791.27
Chemical Treatment Plant	8,509.32	8,509.32
Pumping Station Structures	28,208.02	28,208.02
Electric Power Pumping Equipment	42,477.53	42,477.53
Other Power Pumping Equipment	2,723.03	2,723.03
Miscellaneous Pumping Equipment	3,481.77	3,481.77
Transmission Mains & Accessories	14,990.47	14,990.47
Storage Reservoirs, Tanks & Standpipes	194,194.00	194,194.00
Distribution Mains & Accessories	3,277,353.80	27,223.91 3,304,577.71
Service Pipes & Stops	6,419.97	6,419.97
Meters, Boxes and Vaults, etc.	17,627.11	17,627.11
Fire Hydrants & Cisterns	7,438.34	7,438.34
General Equipment	940.20	940.20
Engineering & Superintendence	581,439.09	581,439.09
Legal Expense	10,200.35	10,200.35
Interest During Construction	3,703.82	3,703.82
Miscellaneous	85,451.51	85,451.51
Water Wells	1,296,420.26	1,296,420.26
Buildings & Improvements	500,000.00	500,000.00
Vehicles	69,888.00	69,888.00
	<u>\$6,191,382.47</u>	<u>27,223.91</u> <u>\$6,218,606.38</u>
<u>Ref.</u>	D	D-11 D

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

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

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2016	TRANSFERRED TO FIXED CAPITAL		BALANCE DEC. 31, 2017
		DATE	AMOUNT				
<u>General Improvements:</u>							
2003-08	Var. Improv. To Water/Sewer	10/6/08	404,500.00	\$ 9,897.42	\$		9,897.42
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	561,598.84		1,623.41	559,975.43
2016-4	Water Main Replacement for King George Rd./Park Ave.	3/2/16	1,125,000.00	568,161.87		6,692.77	561,469.10
2016-5	Water Main Replacement for East Curlis Ave./Weidel Dr.	3/2/16	920,000.00	920,000.00		18,907.73	901,092.27
				<u>\$ 2,059,658.13</u>	\$	<u>27,223.91</u>	<u>2,032,434.22</u>
	<u>Ref.</u>			D		D-10	D

SCHEDULE OF 2016 APPROPRIATION RESERVES  
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operating:					
Salaries and Wages	\$ 10,130.51	\$	10,130.51	\$	10,130.51
Other Expenses	61,500.18	16,259.25	77,759.43	13,762.34	63,997.09
Sewer Service Fee	0.37		0.37		0.37
Group Insurance for Employees	11,260.19		11,260.19		11,260.19
Workers Compensation Insurance	143.32		143.32		143.32
Liability Insurance	44.22		44.22		44.22
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	26.35		26.35		26.35
Social Security System (O.A.S.I.)	1,047.33		1,047.33		1,047.33
	<u>\$ 84,152.47</u>	<u>\$ 16,259.25</u>	<u>\$ 100,411.72</u>	<u>\$ 13,762.34</u>	<u>\$ 86,649.38</u>

Ref.

D

D

D-5

D-1

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

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 20,943.07
Increased by:		
Accrued Interest Charged to:		
2017 Budget Appropriations	D-4	<u>47,593.14</u>
		68,536.21
Decreased by:		
Payment	D-5	<u>49,821.25</u>
Balance - December 31, 2017	D	<u><u>\$ 18,714.96</u></u>

Analysis of Balance - December 31, 2017:

<u>Principal Outstanding Dec. 31, 2016</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Bonds:					
100,000.00	4.000%	9/15/16	12/31/16	3.5 mos.	1,166.67
90,000.00	4.000%	9/15/16	12/31/16	3.5 mos.	1,050.00
100,000.00	3.000%	7/15/16	12/31/16	5.5 mos.	1,375.00
115,000.00	3.000%	7/15/16	12/31/16	5.5 mos.	1,581.25
60,000.00	3.250%	7/15/16	12/31/16	5.5 mos.	893.75
60,000.00	3.250%	7/15/16	12/31/16	5.5 mos.	893.75
65,000.00	3.500%	7/15/16	12/31/16	5.5 mos.	1,042.70
65,000.00	3.625%	7/15/16	12/31/16	5.5 mos.	1,079.95
70,000.00	3.625%	7/15/16	12/31/16	5.5 mos.	1,163.02
70,000.00	3.750%	7/15/16	12/31/16	5.5 mos.	1,203.13
75,000.00	3.875%	7/15/16	12/31/16	5.5 mos.	1,332.03
75,000.00	3.875%	7/15/16	12/31/16	5.5 mos.	1,332.03
80,000.00	4.000%	7/15/16	12/31/16	5.5 mos.	1,466.67
85,000.00	4.000%	7/15/16	12/31/16	5.5 mos.	1,558.33
<u>86,000.00</u>	4.000%	7/15/16	12/31/16	5.5 mos.	<u>1,576.69</u>
<u><u>\$1,196,000.00</u></u>					<u><u>\$18,714.96</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
WATER & SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		AMOUNT	BALANCE DEC. 31, 2016		PAID OR CHARGED	BALANCE DEC. 31, 2017	
		DATE			FUNDED	UNFUNDED		FUNDED	UNFUNDED
<u>General Improvements:</u>									
2003-8	Various Water & Sewer Utility Improvements			404,500.00	\$	9,897.42	\$	9,897.42	\$
2007-9	Various Water & Sewer Utility Improvements	11/15/07		1,200,000.00					559,975.43
2016-4	Water Main Replacement for King George Rd./Park Ave.	3/2/16		1,125,000.00		259,341.00		252,648.23	308,820.87
2016-5	Water Main Replacement for East Curlis Ave./Weidel Dr.	3/2/16		920,000.00			18,907.73		901,092.27
					\$	<u>269,238.42</u>	\$	<u>262,545.65</u>	\$ <u>1,769,888.57</u>
			<u>Ref.</u>		D	D	D-5	D	D

SCHEDULE OF CAPITAL IMPROVEMENT FUND  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 123.55
Balance - December 31, 2017	D	<u>\$ 123.55</u>

SCHEDULE OF RESERVE FOR AMORTIZATION  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 4,171,469.96
Increased by:		
Serial Bonds Paid	D-18	190,000.00
NJEIT Loan Principal Paid	D-20	4,627.75
NJEIT Deobligation	D-20	363,483.00
BAN Paydowns	D-19	<u>42,500.00</u>
		<u>600,610.75</u>
Balance - December 31, 2017	D	<u>\$ 4,772,080.71</u>

SCHEDULE OF DUE TO CURRENT FUND  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Increased by:		
Interfund Advanced	D-5	\$ 1,153.69
Decreased by:		
Interfund Returned	D-5	<u>\$ 1,153.69</u>



**SCHEDULE OF SERIAL BONDS PAYABLE  
WATER AND SEWER UTILITY CAPITAL FUND**

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>			<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2017</u>
			<u>OUTSTANDING - DEC. 31, 2017</u>	<u>DATE</u>	<u>AMOUNT</u>				
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000	100,000.00	9/15/18		4.000%			
			90,000.00	9/15/19		4.000%	\$ 290,000.00	\$ 100,000.00	\$ 190,000.00
2010 Sewer Utility Bonds	6/1/10	1,366,000	100,000.00	7/15/18		3.000%			
			115,000.00	7/15/19		3.000%			
			60,000.00	7/15/20		3.250%			
			60,000.00	7/15/21		3.250%			
			65,000.00	7/15/22		3.500%			
			65,000.00	7/15/23		3.625%			
			70,000.00	7/15/24		3.625%			
			70,000.00	7/15/25		3.750%			
			75,000.00	7/15/26		3.875%			
			75,000.00	7/15/27		3.875%			
			80,000.00	7/15/28		4.000%			
			85,000.00	7/15/29		4.000%			
			86,000.00	7/15/30		4.000%			
							<u>1,096,000.00</u>	<u>90,000.00</u>	<u>1,006,000.00</u>
							<u>\$ 1,386,000.00</u>	<u>\$ 190,000.00</u>	<u>\$ 1,196,000.00</u>
						<u>Ref.</u>	<u>D</u>	<u>D-15</u>	<u>D</u>

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>B.A.N.S REDEEMED</u>	<u>BALANCE DEC. 31, 2017</u>
<u>General Improvements:</u>								
2007-9	Various Water & Sewer Utility Improvements	12/31/14	12/30/16	12/30/17	1.25%	\$ 42,500.00	\$ 42,500.00	\$ -
						\$ 42,500.00	\$ 42,500.00	\$ -
					<u>Ref:</u>	D	D-15	D

SCHEDULE OF NEW JERSEY ENVIRONMENTAL  
INFRASTRUCTURE TRUST LOANS PAYABLE  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$817,805.00
Decreased by:		
Paid by Budget Approp.	D-18	4,627.75
Forgiven by Lender		<u>429,977.00</u>
		<u>434,604.75</u>
Balance - December 31, 2017	D	<u>\$383,200.25</u>

Maturity Schedule (Principal Only):

<u>Year</u>	<u>Fund Loan</u>	<u>Trust Loan</u>	<u>Total</u>
2018	6,941.62	5,000.00	11,941.62
2019	6,941.62	5,000.00	11,941.62
2020	6,941.62	5,000.00	11,941.62
2021	6,941.62	5,000.00	11,941.62
2022	6,941.62	5,000.00	11,941.62
2023	6,941.62	5,000.00	11,941.62
2024	6,941.62	5,000.00	11,941.62
2025	6,941.62	5,000.00	11,941.62
2026	6,941.62	5,000.00	11,941.62
2027	6,941.62	5,000.00	11,941.62
2028	6,941.62	5,000.00	11,941.62
2029	6,941.62	5,000.00	11,941.62
2030	6,941.62	5,000.00	11,941.62
2031	6,941.62	5,000.00	11,941.62
2032	6,941.62	5,000.00	11,941.62
2033	6,941.62	5,000.00	11,941.62
2034	6,941.62	5,000.00	11,941.62
2035	6,941.62	10,000.00	16,941.62
2036	6,941.62	10,000.00	16,941.62
2037	6,941.62	10,000.00	16,941.62
2038	6,941.62	10,000.00	16,941.62
2039	6,941.62	10,000.00	16,941.62
2040	6,941.62	10,000.00	16,941.62
2041	6,941.62	10,000.00	16,941.62
2042	6,941.62	10,000.00	16,941.62
2043	6,941.62	10,000.00	16,941.62
2044	2,718.13	10,000.00	12,718.13
2045		10,000.00	10,000.00
2046		5,000.00	5,000.00
	<u>\$183,200.25</u>	<u>\$200,000.00</u>	<u>\$383,200.25</u>

SCHEDULE OF BONDS AND NOTES  
AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2016</u>	<u>2017 LOAN PROCEEDS</u>	<u>BALANCE DEC. 31, 2017</u>
	Tank and Appurtenances, Replacement of Water Mains	\$10,670.64		\$10,670.64
2007-9	Various Water & Sewer Utility Improvements	595,400.00		595,400.00
2016-4	King George Rd./Park Avenue Water Main Replacement	380,382.00	6,693.00	373,689.00
2016-5	East Curlis Avenue/Weidel Drive Water Main Replacement	920,000.00		920,000.00
		<u>\$606,070.64</u>	<u>\$6,693.00</u>	<u>\$1,899,759.64</u>
	<u>Ref.</u>			Footnote D

**Payroll Fund**

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE  
PAYROLL FUND - DECEMBER 31, 2017 AND 2016

<u>AGENCY/CATEGORY</u>	<u>BALANCE DEC. 31, 2017</u>	<u>BALANCE DEC. 31, 2016</u>
Pension Annual Liability	30.00	30.00
NJ State Unemployment		(8.51)
Health Benefits	5,470.32	5,556.56
PERS	(545.04)	5,469.15
PFRS	(146.45)	4,225.97
DCRP	260.81	
PW Union Dues	191.54	191.54
FOP Union Dues		(250.00)
Colonial Penn Disability	135.23	135.23
	<u>\$ 5,396.41</u>	<u>\$ 15,349.94</u>
Ref.	E	E

**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART IV**  
**OTHER REPORTING REQUIRED BY REGULATION**

**Length of Service Award Program (LOSAP) (Unaudited)**



**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
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ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**


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

We have reviewed the accompanying statement of assets, liabilities and plan balance of the Borough of Pennington Length of Service Award Program (LOSAP) as of December 31, 2017, and the related statement of changes in plan balance for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in Note 1.

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

Highland Park, New Jersey  
June 5, 2018

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

L.O.S.A.P. ASSETS, LIABILITIES AND PLAN BALANCE  
REGULATORY BASIS (UNAUDITED)  
DECEMBER 31, 2017

ASSETS

Plan Assets Held by Trustee	<u><u>\$885,039.46</u></u>
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LIABILITIES AND PLAN BALANCE

LOSAP Plan Balance	<u><u>\$885,039.46</u></u>
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See Accountant's Review report

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

STATEMENT OF CHANGES IN L.O.S.A.P. PLAN BALANCE  
REGULATORY BASIS(UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2017

INCREASES TO PLAN BALANCE:

Contributions	\$ 29,055.24
Appreciation (Losses)	<u>121,883.96</u>
TOTAL PLAN INCREASES	<u>150,939.20</u>

DECREASES TO PLAN BALANCE:

Administrative Expenses	<u>1,875.00</u>
TOTAL PLAN DECREASES	<u>1,875.00</u>

TOTAL INCREASE (DECREASE)	149,064.20
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PLAN BALANCE

Balance - December 31, 2016	<u>\$735,975.26</u>
Balance - December 31, 2017	<u><u>\$885,039.46</u></u>

See Accountant's Review report

BOROUGH OF PENNINGTON  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Pennington Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The Borough established the LOSAP Program to reward members of the Pennington First Aid Squad on August 13, 1999 through Ordinance #99-9. LOSAP provides for fixed annual contributions to a deferred income account for volunteer first aid and rescue squad members who meet specified service criteria. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Pennington sponsors LOSAP through an annual award appropriated through the municipal budget.

B. Basis of Presentation

The accounting policies of the Borough of Pennington (the "Borough"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the Department of Local Government Services, Division of Community Affairs, State of New Jersey.

C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the Borough to the participants through Lincoln Financial Group.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

## NOTES TO UNAUDITED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

In accordance with standards established by the Governmental Accounting standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is tax exempt in Internal revenue Code Section 457.

#### D. Amount of Contribution

The LOSAP shall provide for annual contributions of a minimum of \$500.00 and a maximum of \$1,150.00 to each eligible member. The amount of the contribution for any year is provided 25% by the Borough of Pennington and 75% by the Township of Hopewell.

### NOTE 2: QUALIFICATIONS

The LOSAP shall provide for annual contributions for each eligible member who meets the criteria as follows:

Shall provide for annual contributions of \$1,000.00 to each eligible member who shall be within the top 50% of responders in each volunteer organization.

The estimated cost of the program has been calculated to be \$100,000.00 for regular annual services.

Eligible members will be ranked annually on an organizational list based upon the number of calls responded to. The LOSAP shall provide for annual contributions of \$500.00 to each eligible member who shall be within the top 50% of responders in each volunteer organization. Eligible members shall be those who:

- a) Provide services on an ambulance at least one night a week or an equivalent forty (40) hours a month during weekdays or weekends;
- b) Attend at least fifty (50) percent of all regularly scheduled and special drills/training exercises (not less than twelve (12) a year) averaging two hours each;
- c) Recertify every other year for CPR;
- d) Complete forty-eight (48) hours of New Jersey State approved continuing education credits every three years;
- e) Attend annual refresher courses in hazardous material, infectious disease control and ambulance safety;
- f) Attend annually an EMT-D refresher course;
- g) Attend at least twenty-five (25) percent of all regularly scheduled and special meetings of the squad, missing no more than three in a row.

**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART V**  
**SUPPLEMENTARY DATA**

**Other Supplementary Data**

BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY	
							TOTALS	
							DEC. 31, 2017	DEC. 31, 2016
Cash and Investments	\$ 3,420,407.91	\$ 2,036,862.02	\$ 49,509.61	\$ 599,859.82	\$ 5,396.41	\$	\$ 6,112,035.77	\$ 3,147,887.82
Amounts Held by Plan Admin.		885,039.46					885,039.46	735,975.26
Accounts Receivable:								
State & Federal Grants Receivable	1,425,037.31		75,000.00				1,500,037.31	995,932.00
Taxes, Assessments, Liens & Utility Charges	130,840.24			147,755.43			278,595.67	268,677.94
Interfund Loans	4,681.54		22,000.00				26,681.54	41,000.00
Other Accounts Receivable	10,413.27			66,494.00			76,907.27	83,215.76
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						11,304,551.15	11,304,551.15	11,371,147.15
Fixed Capital - Utility				6,218,606.38			6,218,606.38	6,191,382.47
Fixed Capital - Authorized and Uncompleted - Utility				2,032,434.22			2,032,434.22	2,059,658.13
Deferred Charges to Revenue of Succeeding Years								38,511.35
Deferred Charges to Future Taxation:								
General Capital Fund			3,433,347.97				3,433,347.97	2,396,097.97
	\$ 5,009,190.27	\$ 2,921,901.48	\$ 3,579,857.58	\$ 9,065,149.85	\$ 5,396.41	\$ 11,304,551.15	\$ 31,886,046.74	\$ 27,347,295.85



BOROUGH OF PENNINGTON  
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY	
							TOTALS	
							DEC. 31, 2017	DEC. 31, 2016
Bonds, Notes & Loans Payable	\$	\$	\$ 1,118,000.00	\$ 1,999,921.75	\$	\$	\$ 3,117,921.75	\$ 3,524,305.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	1,506,743.56						1,506,743.56	103,561.48
Tax, Assessment, Lien, License and Utility Charge Overpayments	5,506.57			23.90			5,530.47	39.51
Appropriation Reserves	184,825.03			127,260.06			312,085.09	342,055.51
Reserve for Encumbrances/ Accounts Payable	169,892.94			13,169.07			183,062.01	709,560.60
Other Liabilities	814,865.49			18,714.96	5,396.41		838,976.86	44,362.96
Amts. Pledged to Specific Purposes	1,383,072.43	1,968,729.90	37,068.45	123.55			3,388,994.33	2,265,479.16
Escrow Funds		948,490.04					948,490.04	339,320.15
Improvement Authorizations			2,251,410.37	2,032,434.22			4,283,844.59	3,115,435.13
Interfund Loans	22,000.00	4,681.54				11,304,551.15	26,681.54	41,000.00
Investments in General Fixed Assets							11,304,551.15	11,371,147.15
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				4,417,853.21			4,417,853.21	4,171,469.96
Reserve for Certain Assets Acquired or Receivables & Inventories	159,045.85		75,000.00	147,755.43			381,801.28	366,817.51
Fund Balance	763,238.40		98,378.76	307,893.70			1,169,510.86	952,741.73
	\$ 5,009,190.27	\$ 2,921,901.48	\$ 3,579,857.58	\$ 9,065,149.85	\$ 5,396.41	\$ 11,304,551.15	\$ 31,886,046.74	\$ 27,347,295.85

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

Revenue and Other Income Realized	Year 2017		Year 2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$573,617.91	3.61	\$581,611.11	3.87
Miscellaneous - From Other Than Local Property Tax Levies	1,889,826.51	11.88	1,047,109.64	6.96
Collection of Delinquent Taxes and Tax Title Liens	149,769.22	0.94	149,817.30	1.00
Collection of Current Tax Levy	13,293,177.17	83.57	13,260,779.06	88.17
Total Income	15,906,390.81	100.00	15,039,317.11	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	4,218,605.91	27.61	3,535,454.24	24.15
County Taxes	3,088,098.06	20.21	3,140,710.62	21.45
Regional School Taxes	7,716,988.00	50.51	7,712,057.00	52.67
Fire District Taxes	204,412.00	1.34	200,404.00	1.37
Other Expenditures	49,758.15	0.33	52,469.31	0.36
Total Expenditures	15,277,862.12	100.00	14,641,095.17	100.00
Excess in Revenue	628,528.69		398,221.94	
Adj. to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year Emergency Appropriation			38,511.35	
Fund Balance January 1	708,327.62		853,205.44	
	1,336,856.31		1,289,938.73	
Less:				
Utilization as Anticipated Revenue	573,617.91		581,611.11	
Fund Balance December 31	\$763,238.40		\$708,327.62	

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

Revenue and Other Income Realized	Year 2017		Year 2016	
	Amount	%	Amount	%
Fund Balance Utilized	\$94,946.00	6.27	\$94,946.00	7.10
Collection of Water and Sewer Rents	1,234,147.67	81.48	1,136,147.13	84.92
Miscellaneous - From Other Than Water and Sewer Rents	185,556.52	12.25	106,839.77	7.99
Total Income	1,514,650.19	100.00	1,337,932.90	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Operating	930,500.00	73.98	964,582.00	75.00
Debt Service	285,552.14	22.70	282,152.02	21.94
Deferred Charges and Statutory Expenditures	41,794.00	3.32	39,389.00	3.06
Total Expenditures	1,257,846.14	100.00	1,286,123.02	100.00
Statutory Excess to Fund Balance	256,804.05		51,809.88	
Fund Balance January 1	113,188.15		156,324.27	
	369,992.20		208,134.15	
Less:				
Utilization as Anticipated Revenue	94,946.00		94,946.00	
Fund Balance December 31	\$275,046.20		\$113,188.15	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate:</u>	<u>\$2.650</u>	<u>\$2.655</u>	<u>\$2.617</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.431</u>	<u>0.425</u>	<u>0.417</u>
Local Libraray	<u>0.034</u>	<u>0.034</u>	<u>0.034</u>
Local Open Space	<u>0.010</u>	<u>0.010</u>	<u>0.010</u>
County	<u>0.621</u>	<u>0.632</u>	<u>0.608</u>
Regional School	<u>1.554</u>	<u>1.554</u>	<u>1.548</u>

Assessed Valuation (Taxable):

2017	<u>\$496,694,101.00</u>	
2016		<u>\$496,369,730.00</u>
2015		<u>\$496,068,718.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Mercer County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$11,250.00 for the year 2017.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	<u>Percentage of Collection</u>
		<u>Cash Collections</u>	
2017	\$13,386,327.82	\$13,293,177.17	99.30%
2016	13,402,760.50	13,260,779.06	98.94%
2015	13,219,792.63	13,052,821.56	98.74%
2014	12,977,526.20	12,789,152.61	98.55%
2013	12,423,056.63	12,217,810.74	98.35%

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>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$7,883.64	\$122,956.60	\$130,840.24	0.98%
2016	1,933.84	141,981.44	143,915.28	1.07%
2015	1,933.84	149,406.87	151,340.71	1.14%
2014	1,654.74	172,487.03	174,141.77	1.34%
2013	1,103.12	151,137.73	152,240.85	1.23%

### PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2017	\$17,810.00
2016	17,810.00
2015	17,810.00
2014	17,810.00
2013	17,810.00

### COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2017	\$1,257,140.74	\$1,234,140.74
2016	1,188,773.05	1,136,147.13
2015	1,178,862.31	1,180,359.20
2014	1,096,366.99	1,104,471.63
2013	1,117,229.93	1,110,126.10

\*Includes collections of prior unpaid balances.

### COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2017	\$763,238.40	\$621,072.09
	2016	708,327.62	573,617.91
	2015	853,205.44	581,611.11
	2014	828,833.07	435,000.00
	2013	876,087.83	506,082.09
Water and Sewer Utility Operating Fund	2017	\$275,046.50	\$80,260.75
	2016	113,188.15	94,946.00
	2015	156,324.27	94,946.00
	2014	111,077.95	66,191.50
	2013	110,703.23	100,045.28

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2017:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE SURETY</u>
Anthony Persichilli	Mayor		
Joseph Lawver	President of Council		
Catherine Chandler	Councilperson		
Deborah Gnatt	Councilperson		
Glen Griffiths	Councilperson		
Charles Marciano	Councilperson		
Beverly Mills	Councilperson		
Eileen Heinzel	Borough Administrator		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer		
Wayne Blauth	Tax Collector, Tax Search Officer	\$1,000,000.00	Mid Jersey JIF
Marianne Busher	Tax Assessor		
Elizabeth Sterling	Registrar of Vital Statistics		
Eric Perkins	Borough Magistrate	\$1,000,000.00	Mid Jersey JIF
Nancy Griffin	Court Administrator	\$1,000,000.00	Mid Jersey JIF
Walter R. Bliss	Borough Attorney		
Richard Smith	Superintendent of Water and Sewer Department/ Department of Public Works		
Van Note Harvey	Borough Engineer (Roberts Engineering Group)		
William Meytrott	Public Safety Director		
Craig Hubert	Boro Prosecutor		

All of the above bonds were examined and properly executed.

**BOROUGH OF PENNINGTON**  
**MERCER COUNTY, NEW JERSEY**

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**PART VI**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF PENNINGTON  
COUNTY OF MERCER, NEW JERSEY  
FOR YEAR ENDED DECEMBER 31, 2016**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Borough of Pennington, County of Mercer, New Jersey, for the year ended December 31, 2017, has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Pennington, County of Mercer, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been established, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

**Compliance Matters**

As part of obtaining reasonable assurance about whether the Borough of Pennington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Borough of Pennington, County of Mercer, New Jersey as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness to the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.



## GENERAL COMMENTS

### Internal Control Matters (Cont'd)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

### Control Deficiencies

#### A. Segregation of Duties

##### Tax/Utility Collector's Office

Individuals that have the responsibilities and function of cash collections are responsible for the Tax/Water and Sewer Utility receivable subsidiary ledgers.

##### Other Offices and Officials Collecting Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts in or for the following offices/departments: Construction Code, Clerk, Police, Recreation, Court and Registrar of Vital Statistics/Board of Health.

The deficiency in internal control was not considered by us to be a significant deficiency. While basic internal control design objectives include the limiting of any individual's control over a transaction from start to finish, the volume of transactions in the various offices does not justify the hiring of additional staff solely to improve internal control. Decisions relating to the modification of existing internal control policies and procedures should be based upon a cost versus benefit analysis, i.e., will the estimated value of the benefits derived from an expanded internal control exceed the cost of implementing this new or expanded control? In instances where expanded or improved controls are perceived to be more costly than beneficial, we suggest that monitoring procedures, including analytical procedures and intra-period comparisons, be utilized to identify unexpected changes in transactional levels for further review.

## GENERAL COMMENTS

### Internal Control Matters (Cont'd)

#### B. Transaction Posting

The computerized data processing system allows for the back dated posting of transactions for those individuals with security rights in the system.

The ability to back post transactions can limit the effectiveness of the data processing system.

#### Contracts and Agreements Required to be advertised Per N.J.S.A. 40A: 11-4

N.J.S.A. 40A: 11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided other wise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.00 except by contract or agreement."

On September 28, 2015, the Local Public Contracts Law was amended, effective for periods beginning on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount to \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent. The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent. As of December 31, 2017, the Borough does not have a qualified purchasing agent.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for various items and contracts were awarded based on public bidding pursuant to resolutions adopted by the Mayor and Borough Council.

Purchases were also made through state approved vendors for various items available which were permitted under the statutes. The Borough has also utilized interlocal service agreements with the County of Mercer, Hopewell Township, the Hopewell Valley Regional School District and the City of Trenton for various services required by the Borough.

## GENERAL COMMENTS

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500.00 "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement.

Upon inquiry of the various officials responsible for the purchases of materials, supplies, equipment, etc. for the Borough in relation to the Local Public Contracts Laws and Borough policies regarding the solicitation of quotations when the cost is \$2,625.00 or more, monitoring of change orders, quantities and unit prices of contracts, procedures presently in place were found to be good.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A: 11-5, however, maximum amounts were not always designated.

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

### Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 9, 2017 adopted a resolution increasing interest to be charged on delinquent taxes. The resolution provides for interest to be charged at the rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum to be charged on any amount in excess of \$1,500. No interest shall be charged if payment is made within ten days after the date upon which the same becomes payable.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

During 1991, legislation which permits the charging of a 6% penalty on any delinquency in excess of \$10,000, if not paid by the end of the fiscal year, was enacted and codified as an amendment to N.J.S.A. 54:4-67. On January 9, 2017 the Borough passed a resolution requiring charging a 6% penalty for delinquent accounts in excess of \$10,000.

## GENERAL COMMENTS

### Interfund Balances

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 4,681.54	\$0.00
Grant Fund	0.00	22,000.00
Animal Control Fund	0.00	4,681.54
General Capital Fund	<u>22,000.00</u>	<u>0.00</u>
Total	<u>\$26,681.54</u>	<u>\$26,681.54</u>

Transactions invariably occur in one fund, which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets shows the interfund balances remaining at year-end. As a general rule all interfund balances should be closed at the end of the year. However, our examination of the interfund balances at year end indicated that the balances exist as a matter of convenience for transactional processing, and do not indicate any underlying problems relating to cash flows or operating results.

### Cash Management/Investment of Idle Funds

The Chief Financial Officer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2017 and 2016.

All cash and investments held by the Borough were directly confirmed as of December 31, 2017.

### Condition of Records – Payrolls

During 2017 the payroll records were in good condition. Entries made in the Net Payroll and Deductions Ledger were referenced to their sources. A tracking was maintained of all void and/or reissued check which provided assurance that adjustments are made on the computerized record of earnings and deductions.

### Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in good order.

## GENERAL COMMENTS

### Purchase Order and Encumbrance System

The Borough's budgetary operation is on a full encumbrance system with the exception of payrolls and other direct costs. The existing accounting software package provides for a full interface between the budget appropriations/miscellaneous disbursements subsidiary record and the general ledger.

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting systems during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. Purchase orders were available for all cash disbursement transactions selected by us for testing. Our review of the items selected by us for testing based upon "materiality", which represent transactions which, if improperly authorized, processed or recorded would result in a misstatement of the financial statements, disclosed no exceptions. However, additional testing of random samples of purchase orders that fell below the materiality threshold disclosed a significant error rate relating to the timely encumbrance of funds. Generally, the purchase orders were for small amounts, indicating that there was no need for formal authorization and approval procedures at the departmental level. Management should review existing policies and determine if an exception to the requisition/encumbrance system is appropriate for small purchases or emergency/repair services. If such a policy is not indicated, we believe that the existing policies relating to the timely encumbrance of funds before purchase commitments are made should be enforced. The Mayor and Borough Council could establish a means of monitoring the prevalence of confirming orders by having a list of "confirming orders", or purchases for which the vendor invoice is dated prior to the Borough's purchase order, be presented with the monthly bill lists for review.

### Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees, which were designed to determine that minimum levels of internal controls and accountability were met, that cash receipts were deposited or turned over to the Treasurer's accounts within a 48-hour period as required by N.J.S.A. 40A: 5-15, that amounts charged were in accordance with the provisions of the Borough Code and that monthly financial reports are being submitted to the Finance Department timely.

### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2017. A review of surety bond coverage as of December 31, 2017, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Collector.

During July, 1998 the Local Finance Board completed a readoption of the Board's general rules in the New Jersey Administrative Code. Based upon the new provisions of N.J.A.C. 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. The Bond the Borough has in force for the Municipal Court meets these suggested amounts.

## GENERAL COMMENTS

### Municipal Court

The financial records maintained by the Municipal Court during the period under review were found to be in good condition. The examination of the general account indicated that deposits were properly recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis. The examination of the bail account's financial and supporting records maintained by the Municipal Court were found to be in good condition.

The processing of traffic and criminal cases entered on the State's on-line computer system was found to be good.

### Condition of Records - Finance Office

The condition of the records maintained by the Finance Office were found to be in good condition. General ledgers were maintained for all funds as required by N.J.A.C. 5-30- 5.7.

### Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2017, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process, matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for the separate recording of grant activity. The examination of these grant programs indicated that the Borough of Pennington had expended grant funds during 2017 for the purpose authorized and monitoring procedures appeared adequate to assure that grant objectives were met.

As several large grants for capital projects were awarded to the Borough, and as these grants are usually collected on a "reimbursement" basis, i.e., after the Borough has utilized other available cash balances to pay project costs, close scrutiny must be paid to the Borough's cash flows during the coming years. In the event that unreimbursed grant expenditures at year-end are significant, they could result in a diminution of the Borough's cash surplus that would be available to balance future budgets.

### Condition of Records - Tax Office

The condition of the records maintained by the Tax Collector were found to be in good condition. Computerized real estate tax billings and billing adjustments were found to be in good order, with only minor reclassification and timing adjustments necessary. Cash collections were in proof with deposit totals as presented. Similarly, computerized records of utility billings and collections were found to be in good order.

## GENERAL COMMENTS

### Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to \$1,514,650.49 and expenditures amounted to \$1,257,846.14 resulting in excess revenues of \$256,804.35. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in an excess for debt statement purposes of \$170,154.97. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

### Deferred Compensation Retirement Plan

During the current period, the Certifying Agent conducted a full review of the pension status of every employee of the Borough and enrollments into the appropriate pension systems were effected as required. In our previous report, we recommended that an annual review be conducted to assure that any employee not enrolled in one of the state's three pension systems is properly excluded. We continue to believe that an annual review is a reasonable means to limit any liability exposure of the Borough for failing to enroll eligible employees timely. Our testing indicated that the 2017 review was complete in all respects, and that all eligible employees had been enrolled in the appropriate pension system.

### Compliance with Technical Accounting Directives

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

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

N.J.A.C. 5:30 – 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough of Pennington is in compliance with this directive.

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

### Compliance with Local Finance Notices

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

RECOMMENDATIONS

None

REVIEW OF PRIOR YEAR CORRECTIVE ACTIONS

Not Applicable

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ACKNOWLEDGMENT

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

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

Respectfully submitted,

HODULIK & MORRISON, P.A. ,

A handwritten signature in black ink, appearing to read "Robert S. Morrison", written in a cursive style.

Robert S. Morrison  
Registered Municipal Accountant  
No. 412