

THE BOROUGH OF PENNINGTON

BOROUGH OF PENNINGTON
COUNTY OF MERCER

FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA AND INFORMATION
YEARS ENDED DECEMBER 31, 2018 AND 2017

WITH REPORT OF INDEPENDENT AUDITORS

HODULIK & MORRISON, P.A.

A division of



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**

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Pennington
Pennington, 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, Mercer County, New Jersey (the "Borough") as of and for the years ended December 31, 2018 and 2017, and the related statements of operations and changes in the fund balance-regulatory basis for the years then ended, and the related statements of revenues-regulatory basis and expenditures-regulatory basis for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility 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 (the "Division"). 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 fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States; and the audit requirements prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory-basis 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 Borough's preparation and fair 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 Borough'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 opinions.

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

As described in Note 2, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division to demonstrate compliance with Division's regulatory-basis of accounting, which is a 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Borough as of December 31, 2018 and 2017, the changes in 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 the above present fairly, in all material respects the respective financial position of the various funds and governmental fixed assets of the Borough as of December 31, 2018 and 2017, and the results of its operations and changes in fund balances for the years then ended, and revenues and expenditures of the various funds for the year ended December 31, 2018 in accordance with the financial reporting provisions of the Division as described in Note 2 of the financial statements.

Emphasis of Matter

As discussed in the notes to the financial statements, during the fiscal year ending December 31, 2018, the Borough of Pennington implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the Borough's proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. Our opinion is not modified with respect to this matter.

Report on Supplementary Information as Required by the Division in Accordance with Regulatory-Basis

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Borough. The information included in Part II – Supplementary Schedules and 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. The information included in Part II – the accompanying Supplemental Schedules and Supplementary Data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2019 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.




HODULIK & MORRISON, P.A.

A division of PKF O'Connor Davies, LLP

Certified Public Accountants

Registered Municipal Accountants



Robert S. Morrison, RMA

Registered Municipal Accountant

No. 412

Highland Park, NJ

August 14, 2019

**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, 2018, 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 August 14, 2019. 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.

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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.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants



Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
August 14, 2019

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	A-4	\$ 1,256,025.28	\$ 3,407,717.33	Liabilities:			
Change Funds	A-5	200.00	200.00	Appropriation Reserves	A-3, A-13	\$ 173,555.35	\$ 184,825.03
Due from State of NJ SC/Vet Deductio	A-7	<u>3,699.20</u>	<u>4,699.20</u>	Prepaid Property Taxes	A-14	142,900.38	1,506,743.56
		<u>1,259,924.48</u>	<u>3,412,616.53</u>	Tax Overpayments	A-15	8,699.81	5,506.57
Receivables and Other Assets With				Reserve for Encumbrances	A-3, A-13	163,377.36	70,779.67
Full Reserves:				Var. Reserves and Accts. Payable	A-16	52,337.04	66,657.81
Delinquent Prop. Taxes Receivable	A-6	120,010.12	122,956.60	Interfunds Payable	A-12	50,000.00	-
Tax Title Liens Receivable	A-9	7,885.51	7,883.64	Taxes Payable to Other Government	A-11	<u>70,417.48</u>	<u>814,865.49</u>
Property Acquired for Taxes (At						661,287.42	2,649,378.13
Assessed Valuation)	A-8	17,810.00	17,810.00				
Revenue Accounts Receivable	A-10	10,203.46	5,714.07	Reserve for Receivables	Reserve	158,507.92	159,045.85
Interfunds Receivable	A-12	<u>2,598.83</u>	<u>4,681.54</u>	Fund Balance	A-1	<u>598,637.06</u>	<u>763,238.40</u>
		<u>158,507.92</u>	<u>159,045.85</u>				
Total Current Fund		<u>1,418,432.40</u>	<u>3,571,662.38</u>	Total Current Fund		<u>1,418,432.40</u>	<u>3,571,662.38</u>
				Grant Fund:			
Grant Fund:				Reserve for Encumbrances	A-19	1,427.25	67,662.51
Cash And Investments	A-4	\$ 129,694.32	\$ 12,490.58	Interfunds Payable	A-18		22,000.00
State and Federal Grants Receivable	A-17	<u>2,243,504.00</u>	<u>1,425,037.31</u>	Reserve for State and Federal Grants:			
				Appropriated	A-19	2,371,771.06	1,339,437.78
Total Grant Fund		<u>2,373,198.32</u>	<u>1,437,527.89</u>	Unappropriated	A-20	<u>-</u>	<u>8,427.60</u>
				Total Grant Fund		<u>2,373,198.31</u>	<u>1,437,527.89</u>
		<u>\$ 3,791,630.72</u>	<u>\$ 5,009,190.27</u>			<u>\$ 3,791,630.71</u>	<u>\$ 5,009,190.27</u>

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, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Appropriated	A-1,A-2	\$ 621,072.09	\$ 573,617.91
Miscellaneous Revenues Anticipated	A-2	1,635,332.70	1,535,470.04
Receipts from Delinquent Taxes	A-2	122,956.60	149,769.22
Receipts from Current Taxes	A-2	13,265,703.44	13,293,177.17
Non-Budget Revenue	A-2	32,360.64	82,965.66
Other Credits to Income:			
Interfunds Returned(Net)	A-12	4,681.54	
Tax Overpayments Cancelled	A-12	3,678.72	
Unexpended Balance of Approp. Reserves	A-13	<u>188,914.75</u>	<u>271,390.81</u>
Total Revenues		<u>15,874,700.48</u>	<u>15,906,390.81</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,323,000.00	1,222,650.00
Other Expenses	A-3	2,535,152.14	2,501,744.65
Capital Improvements	A-3	15,000.00	65,000.00
Municipal Debt Service	A-3	206,226.26	206,626.26
Def. Charges and Statutory Expend.	A-3	314,184.00	222,585.00
Regional School Tax	A-11	7,596,431.96	7,716,988.00
County Tax	A-11	3,102,851.45	3,082,577.45
County Added Tax	A-11	18,816.82	5,520.61
Special District Tax	A-11	248,193.00	204,412.00
Local Open Space Tax	A-2,A-11	50,217.47	49,758.15
Refunds of Prior Year Revenues	A-4	<u>8,156.63</u>	
Total Expenditures		<u>15,418,229.73</u>	<u>15,277,862.12</u>
Excess (Deficit) in Revenue (Balance Forward)		456,470.75	628,528.69

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, 2018 AND 2017

	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Excess (Deficit) in Revenue (Balance Brought Forward)		\$ 456,470.75	\$ 628,528.69
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>763,238.40</u>	<u>708,327.62</u>
		1,219,709.15	1,336,856.31
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>621,072.09</u>	<u>573,617.91</u>
Balance - December 31	A	<u>\$ 598,637.06</u>	<u>\$ 763,238.40</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A-2
Page 1 of 2

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	REF.	ANTICIPATED 2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 621,072.09		\$ 621,072.09	0.00
Other					0.00
Fees and Permits	A-10	7,573.00		11,478.00	3,905.00
Fines and Costs:					-
Municipal Court	A-10	91,000.00		65,827.90	(25,172.10)
Interest and Costs on Taxes	A-10	46,500.00		46,606.79	106.79
Interest on Investments and Deposits	A-10	16,000.00		15,605.13	(394.87)
Trash Collection Fees	A-10	44,000.00		46,375.29	2,375.29
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		175,260.00	85,260.00
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	A-3	8,427.60		8,427.60	-
NJDOT Transportation Trust Fund	A-3	693,900.00		693,900.00	-
NJ Urban and Community Forestry	A-3		10,000.00	10,000.00	-
NJDEP Remediation Grant	A-3		301,604.00	301,604.00	-
Clean Communities Program	A-3		5,185.40	5,185.40	-
Other Special Items:					
Interlocal with Hopewell Township Senior Cen	A-10	5,969.00		5,969.00	-
Administrative Charge to Library	A-10	4,000.00		0.00	(4,000.00)
PSE&G Solar Lease	A-10	24,844.41		19,507.90	(5,336.51)
Verizon/Comcast Franchise Fee	A-10	42,004.69		42,004.69	-
Total Miscellaneous Revenues	A-1	1,261,799.70	316,789.40	1,635,332.70	56,743.60
Receipts from Delinquent Taxes	A-1, A-2, A-6	130,000.00		122,956.60	(7,043.40)
Subtotal General Revenues		2,012,871.79	316,789.40	2,379,361.39	49,700.20
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes		2,143,047.81			
Minimum Library Tax		166,627.14			
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,309,674.95	0.00	2,494,193.70	184,518.75
Budget Totals		4,322,546.74	316,789.40	4,873,555.09	234,218.95
Non-Budget Revenues	A-1, A-10			32,360.64	
		\$ 4,322,546.74	\$ 316,789.40	\$ 4,905,915.73	

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, 2018

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>	
<u>Allocation of Current Tax Collections:</u>		
2018 Collections	A-6	11,749,209.88
Prepaid Taxes Applied	A-6	1,506,743.56
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	<u>9,750.00</u>
	A-1	\$ 13,265,703.44
Allocated to:		
Regional School Tax	A-11	7,596,431.00
County Taxes	A-11	3,102,851.45
Added County Taxes	A-11	18,816.82
Special District Tax	A-11	248,193.00
Local Open Space Tax	A-1	<u>50,217.47</u>
		<u>11,016,509.74</u>
		2,249,193.70
Add: Reserve for Uncollected Taxes	A-3	<u>245,000.00</u>
Amount for Support of Municipal Budget	A-2	<u>\$ 2,494,193.70</u>
<u>Allocation of Delinquent Tax Collections:</u>		
Collections	A-6	\$ <u>122,956.60</u>
	A-2	<u>\$ 122,956.60</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Office of Business Administrator						
Salaries and Wages	\$ 52,500.00	\$ 52,500.00	\$ 52,251.35		\$ 248.65	\$
Other Expenses	34,700.00	28,700.00	25,320.38	3,362.34	17.28	
Elections		0.00			0.00	
Other Expenses	2,500.00	2,500.00	1,515.00		985.00	
Financial Administration		0.00			0.00	
Salaries and Wages	45,000.00	49,000.00	40,947.29		8,052.71	
Other Expenses	23,450.00	23,450.00	18,260.16	304.00	4,885.84	
Assessment of Taxes		0.00			0.00	
Salaries and Wages	13,000.00	13,000.00	12,989.20		10.80	
Other Expenses		0.00			0.00	
Maintenance of Tax Map	2,500.00	2,500.00		2,500.00	0.00	
Misc. Other Expenses	6,500.00	6,500.00	3,770.81	1,257.57	1,471.62	
Collection of Taxes		0.00			0.00	
Salaries and Wages	31,000.00	31,000.00	28,109.42		2,890.58	
Other Expenses	9,700.00	7,200.00	4,953.06	205.00	2,041.94	
Mayor & Council		0.00			0.00	
Other Expenses	1,000.00	1,000.00	748.12		251.88	
Office of the Borough Clerk		0.00			0.00	
Salaries and Wages	45,000.00	45,000.00	44,848.30		151.70	
Other Expenses	12,800.00	8,800.00	4,643.54		4,156.46	
Municipal Court					0.00	
Salaries and Wages	34,000.00	34,000.00	30,884.05		3,115.95	
Other Expenses	6,100.00	6,100.00	4,528.32	61.38	1,510.30	
Public Defender					0.00	
Other Expenses	1,700.00	1,700.00	936.00		764.00	
Legal Services and Costs		0.00			0.00	
Other Expenses	55,000.00	55,000.00	40,496.50	2,576.00	11,927.50	
Municipal Prosecutor		0.00			0.00	
Other Expenses	7,200.00	7,200.00	4,600.00	1,200.00	1,400.00	
Engineering Services and Costs		0.00			0.00	
Other Expenses	137,000.00	137,000.00	93,389.93	43,610.07	0.00	
Public Bldgs. and Grounds		0.00			0.00	
Other Expenses	74,750.00	59,750.00	46,698.06	1,026.99	12,024.95	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Municipal Land Use Act (N.J.S.A. 40:55D-1)		0.00			0.00	
Planning and Zoning		0.00			0.00	
Salaries and Wages	50,000.00	50,000.00	49,943.44		56.56	
Other Expenses	10,900.00	10,900.00	4,996.09	1,127.34	4,776.57	
Shade Tree		0.00			0.00	
Other Expenses	14,850.00	14,850.00	9,795.00	2,400.00	2,655.00	
Insurance		0.00			0.00	
Group Insurance	313,000.00	295,600.00	287,750.87		7,849.13	
Workers Compensation	37,000.00	52,000.00	51,250.16		749.84	
Liability and Other Insurance	44,000.00	43,000.00	42,550.19		449.81	
		0.00			0.00	
<u>PUBLIC SAFETY:</u>		0.00			0.00	
		0.00			0.00	
Police		0.00			0.00	
Salaries and Wages	547,000.00	592,000.00	561,682.60		30,317.40	
Other Expenses	90,500.00	80,500.00	54,954.23	6,958.21	18,587.56	
First Aid Organization - Contribution	15,000.00	0.00			0.00	
		0.00			0.00	
<u>STREETS AND ROADS:</u>		0.00			0.00	
		0.00			0.00	
Road Repairs and Maintenance		0.00			0.00	
Salaries and Wages	265,000.00	265,000.00	262,802.98		2,197.02	
Other Expenses	104,000.00	79,000.00	66,712.93	4,379.22	7,907.85	
Street Lighting		0.00			0.00	
Other Expenses	32,000.00	30,000.00	25,876.88		4,123.12	
Sanitation		0.00			0.00	
Garbage and Trash Removal		0.00			0.00	
Salaries and Wages	95,000.00	131,500.00	125,115.79		6,384.21	
Other Expenses	132,700.00	112,700.00	108,266.98	1,520.83	2,912.19	
		0.00			0.00	

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>		0.00			0.00	
		0.00			0.00	
Board of Health		0.00			0.00	
Other Expenses	\$ 500.00	\$ 500.00	95.00		\$ 405.00	
		0.00			0.00	
<u>RECREATION AND EDUCATION:</u>		0.00			0.00	
		0.00			0.00	
Recreation Committee		0.00			0.00	
Other Expenses	7,200.00	7,200.00	5,480.79		1,719.21	
Celebration of Public Event		0.00			0.00	
Other Expenses	1,500.00	1,500.00	1,127.94	300.00	72.06	
		0.00			0.00	
<u>OTHER BOARDS & COMMISSIONS</u>		0.00			0.00	
		0.00			0.00	
Environmental Commission		0.00			0.00	
Other Expenses	500.00	500.00	350.00		150.00	
Economic Development Commission		0.00			0.00	
Other Expenses	500.00	500.00	73.00	427.00	0.00	
Historic Preservation					0.00	
Other Expenses	500.00	500.00		236.00	264.00	
Uniform Construction Code - Appropriations		0.00			0.00	
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)		0.00			0.00	
State Uniform Construction Code		0.00			0.00	
(N.J.S.A. 52:27D-120 et seq.)		0.00			0.00	
Office of the Construction Code Official		0.00			0.00	
Salaries and Wages	60,000.00	60,000.00	56,935.84		3,064.16	
Other Expenses	3,300.00	3,300.00	1,597.00	275.00	1,428.00	
		0.00			0.00	
<u>UNCLASSIFIED:</u>		0.00			0.00	
Telephone	23,000.00	27,000.00	22,142.16	2,111.58	2,746.26	
Electricity	25,500.00	30,500.00	26,077.71		4,422.29	
Gasoline & Lubricants	25,000.00	26,500.00	24,527.40	1,391.87	580.73	
Natural Gas	12,000.00	12,000.00	6,331.49	1,771.22	3,897.29	
Salary & Wage Adjustment		0.00			0.00	
		0.00			0.00	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A-3
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STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	BUDGET AFTER	EXPENDED			UNEXPENDED
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
			<u>CHARGED</u>			<u>CANCELLED</u>
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	\$ 2,505,850.00	2,498,950.00	\$ 2,256,325.96	\$ 79,001.62	\$ 163,622.42	0.00
Total Operations Including Contingent Within "CAPS"	2,505,850.00	2,498,950.00	2,256,325.96	79,001.62	163,622.42	0.00
DETAIL:						
Salaries and Wages	1,237,500.00	1,323,000.00	1,266,510.26	0.00	56,489.74	0.00
Other Expenses	1,268,350.00	1,175,950.00	989,815.70	79,001.62	107,132.68	0.00
Deferred Charges and REGULATORY Expend. - Municipal Within "CAPS":						
Statutory Expenditures:					0.00	
Contribution to:					0.00	
Public Employees Retirement System	67,232.00	67,232.00	67,231.63		0.37	
Police and Firemen's Retirement	76,552.00	76,552.00	76,552.00		0.00	
Defined Contribution Retirement Plan	2,500.00	3,000.00	2,464.65		535.35	
Unemployment Insurance	2,500.00	2,500.00			2,500.00	
Social Security System (O.A.S.I.)	98,000.00	104,400.00	100,649.46	3,716.00	34.54	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	246,784.00	253,684.00	246,897.74	3,716.00	3,070.26	0.00
Total General Approp. for Municipal Purposes Within "CAPS"	2,752,634.00	2,752,634.00	2,503,223.70	82,717.62	166,692.68	0.00
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library	166,627.14	166,627.14	165,614.33	940.24	72.57	
L.O.S.A.P. Contribution:		0.00			0.00	
First aid Organization	12,000.00	12,000.00	7,000.30		4,999.70	
Interlocal Service Agreements:		0.00			0.00	
Emergency 911 and Dispatch	71,826.00	74,826.00	20,666.50	53,869.50	290.00	
Health Services	40,560.00	51,760.00	25,910.00	25,850.00	0.00	
Recycling Agreement	25,372.00	25,372.00	25,371.60		0.40	
Administration of Municipal Alliance Program	1,500.00	1,500.00			1,500.00	

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>OPERATIONS EXCLUDED FROM "CAPS" (Cont'd.)</u>						
Interlocal Service Agreements (Cont'd.):						
Animal Control	11,200.00	0.00			0.00	
Basic Life Support Services.	3,000.00	3,000.00	3,000.00		0.00	
Senior Services	5,000.00	5,000.00	5,000.00		0.00	
Mercer County EMS	3,000.00	0.00			0.00	
		0.00			0.00	
State and Federal Programs Offset by Revenues:		0.00			0.00	
Recycling Tonnage Grant	8,427.60	8,427.60	8,427.60		0.00	
Clean Communities Program		5,185.40	5,185.40		0.00	
NJ DOT Transportation Trust Fund	693,900.00	693,900.00	693,900.00		0.00	
NJ Urban & Community Forestry		10,000.00	10,000.00		0.00	
NJDEP Hazard Remediation		301,604.00	301,604.00		0.00	
Total Operations - Excluded from "CAPS"	1,042,412.74	1,359,202.14	1,271,679.73	80,659.74	6,862.67	0.00
<u>DETAIL:</u>						
Other Expenses	1,042,412.74	1,359,202.14	1,271,679.73	80,659.74	6,862.67	0.00
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	15,000.00	15,000.00	\$ 15,000.00		0.00	
	0.00	0.00			0.00	
Total Capital Improvements - Excluded from "CAPS"	15,000.00	15,000.00	15,000.00	0.00	0.00	0.00
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
					0	
Payment of Bond Principal	165,000.00	165,000.00	165,000.00		0.00	0.00
Interest on Bonds	42,000.00	42,000.00	41,226.26		0.00	773.74
Total Municipal Debt Service - Excluded from "CAPS"	207,000.00	207,000.00	206,226.26	0.00	0.00	773.74

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Deferred Charges and Statutory Expenditures- Municipal-Excluded from CAPS						
Deferred Charges to Future Taxation-Unfunded						
2017 Bond Ordinances	10,500.00	10,500.00	10,500.00			0.00
2018 Bond Ordinances	50,000.00	50,000.00	50,000.00			0.00
Total Deferred Charges-Excluded from CAPS	60,500.00	60,500.00	60,500.00	0.00	0.00	0.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,324,912.74	1,641,702.14	1,553,405.99	80,659.74	6,862.67	773.74
Subtotal General Appropriations	4,077,546.74	4,394,336.14	4,056,629.69	163,377.36	173,555.35	773.74
Reserve for Uncollected Taxes	245,000.00	245,000.00	245,000.00		0.00	
Total General Appropriations	\$ 4,322,546.74	\$ 4,639,336.14	\$ 4,301,629.69	\$ 163,377.36	\$ 173,555.35	773.74
	Ref.	A-2	A-1	A,A-1	A, A-1	
Adopted Budget	A-2	\$ 4,322,546.74				
Added by N.J.S.A. 40A:4-87	A-2	316,789.40				
		\$ 4,639,336.14				
Disbursed	A-4		\$ 2,987,512.69			
Reserve for Uncollected Taxes	A-2		245,000.00			
Public & Private Programs Approp.	A-2		1,019,117.00			
Due to General Capital Fund	A-12		50,000.00			
			\$ 4,301,629.69	0.00		

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Animal Control Fund:				Animal Control Fund:			
Cash - Treasurer	B-1	\$ 9,674.46	\$ 12,178.40	Due to Current Fund	B-1	\$ 2,597.86	\$ 4,681.54
				Due to State of NJ	B-1	4.20	
				Reserve to Pay Animal Control			
				Fund Expenditures	B-1	7,072.40	7,496.86
Total Animal Control Fund		9,674.46	12,178.40	Total Animal Control Fund		9,674.46	12,178.40
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-1	1,879,110.76	2,024,683.62	Reserve for:			
				Due to Current Fund	B-1	0.97	
				Unemployment Claims	B-1	29,475.61	27,523.10
				Affordable Housing (COAH)	B-1	404,115.14	391,064.21
				Recreation Funds	B-1	1,631.94	1,962.94
				Law Enforcement Trust	B-1	7,307.44	7,263.26
				Public Defender	B-1	450.00	264.00
				Shade Tree	B-1	1,163.00	823.00
				POAA	B-1	1,678.00	1,632.00
				Verizon	B-1	100.00	100.00
				Police Donations	B-1	11,746.52	8,496.52
				Tax Sale Premiums	B-1	40,100.00	31,800.00
				Open Space Reserves	B-1	691,131.03	637,064.55
				Escrow Funds	B-1	512,711.11	739,190.04
				Refundable Deposits	B-1	177,500.00	177,500.00
Total Trust-Other Fund		1,879,110.76	2,024,683.62	Total Trust-Other Fund		1,879,110.76	2,024,683.62
		\$ 1,888,785.22	\$ 2,036,862.02			\$ 1,888,785.22	\$ 2,036,862.02

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	C-2	\$ 337,325.32	\$ 49,509.61
Grants Receivable	C-4	271,347.00	75,000.00
Due from Grant Fund	C-5		22,000.00
Due from Current Fund	C-5	50,000.00	
Due from Water & Sewer Utility Capital Fund	C-5	15,703.00	
Deferred Charges to Future Taxation:			
Funded	C-6	953,000.00	1,118,000.00
Unfunded	C-7	<u>1,963,662.61</u>	<u>2,315,347.97</u>
		<u>\$ 3,591,037.93</u>	<u>\$ 3,579,857.58</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 953,000.00	\$ 1,118,000.00
Bond Anticipation Notes	C-10	324,000.00	
Improvement Authorizations:			
Funded	C-8	74,185.00	105,327.00
Unfunded	C-8	1,500,426.17	2,146,083.37
Capital Improv. Fund	C-11	32,433.45	37,068.45
Reserve for Debt Service	C-12	47,577.00	
Reserve for Encumbrances	C-8	289,690.55	
Reserve for Grants Receivable	Reserve	271,347.00	75,000.00
Fund Balance	C-1	<u>98,378.76</u>	<u>98,378.76</u>
		<u>\$ 3,591,037.93</u>	<u>\$ 3,579,857.58</u>

There were Bonds and Notes Authorized but not Issued on December 31, 2018 and 2017 in the amounts of \$1,639,612.61 and \$2,315,347.97, respectively (Exhibit C-13).

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, 2018

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 98,378.76
Balance - December 31, 2018	C	<u>\$ 98,378.76</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - D

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 735,067.24	\$ 434,214.49	Liabilities:			
		<u>735,067.24</u>	<u>434,214.49</u>	Appropriation Reserves	D-4, D-12	\$ 125,030.48	\$ 127,260.06
				Reserve for Encumbrances	D-4, D-12	24,109.40	13,169.07
				Rent Overpayments	D-8	3,583.15	23.90
				Accrued Interest on Bonds & Notes	D-13	<u>16,173.29</u>	<u>18,714.96</u>
						168,896.32	159,167.99
Receivables With Full Reserves:				Reserve for Receivables	Reserve	91,332.84	147,755.43
Consumer Accounts Receivable	D-7	<u>91,332.84</u>	<u>147,755.43</u>	Fund Balance	D-1	<u>566,170.92</u>	<u>275,046.50</u>
		<u>91,332.84</u>	<u>147,755.43</u>				
				Total Operating Fund		<u>826,400.08</u>	<u>581,969.92</u>
Total Operating Fund		<u>826,400.08</u>	<u>581,969.92</u>				
				Capital Fund:			
Capital Fund:				Serial Bonds Payable	D-18	996,000.00	1,196,000.00
Cash and Investments - Treasurer	D-5	91,466.79	165,645.33	Interfund Loan Payable	D-17	15,703.00	
Loan Proceeds Receivable	D-9	153,006.00		Reserve for Debt Service	D-19	9,897.42	
Fixed Capital	D-10	6,783,866.92	6,218,606.38	NJEIT Loans	D-20	684,053.63	383,200.25
Fixed Capital - Authorized and				Improvement Authorizations			
Uncompleted	D-11	<u>1,767,173.68</u>	<u>2,032,434.22</u>	Funded	D-14	252,648.23	262,545.65
				Unfunded	D-14	1,380,487.52	1,769,888.57
				Reserve for Encumbrances	D-14	124,140.51	
Total Capital Fund		<u>8,795,513.39</u>	<u>8,416,685.93</u>	Capital Improvement Fund	D-15	123.55	123.55
				Reserve for Amortization	D-16	5,299,612.33	4,772,080.71
				Fund Balance	D-2	<u>32,847.20</u>	<u>32,847.20</u>
				Total Capital Fund		<u>8,795,513.39</u>	<u>8,416,685.93</u>
		<u>\$ 9,621,913.47</u>	<u>\$ 8,998,655.85</u>			<u>\$ 9,621,913.47</u>	<u>\$ 8,998,655.85</u>

There were Bonds, Notes and Loan Agreements Authorized but not Issued at December 31, 2018 and 2017 in the amounts of \$1,571,374.64 and \$1,899,759.64, 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, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance	D-1, D-2	\$ 80,260.75	\$ 94,946.00
Water and Sewer Rents	D-3,D-7	1,275,183.71	1,234,147.97
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-3,D-5	11,908.87	11,821.32
Interest on Investments	D-3,D-5	4,719.85	2,485.82
Connection Fee	D-3,D-5	145,800.00	84,600.00
Refund of Prior Year Expenditure	D-5	1,138.04	
Rent Overpayments Cancelled	D-8	23.90	
Unexpended Balance of Approp. Reserves	D-11	<u>125,437.75</u>	<u>86,649.38</u>
Total Revenues		<u>1,644,472.87</u>	<u>1,514,650.49</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	205,000.00	190,000.00
Other Expenses	D-4	774,719.13	740,500.00
Debt Service	D-4	249,368.57	285,552.14
Statutory Expenditures	D-4	<u>44,000.00</u>	<u>41,794.00</u>
Total Expenditures		<u>1,273,087.70</u>	<u>1,257,846.14</u>
Excess in Revenues		371,385.17	256,804.35
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>275,046.50</u>	<u>113,188.15</u>
		646,431.67	369,992.50
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>80,260.75</u>	<u>94,946.00</u>
Balance - December 31	D	<u>\$ 566,170.92</u>	<u>\$ 275,046.50</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, 2018

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 32,847.20
Balance - December 31, 2018	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, 2018

	<u>REF.</u>	2018 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 80,260.75	\$ 80,260.75	\$
Water and Sewer Rents	D-1,D-7	1,210,000.00	1,275,183.71	65,183.71
Interest on Delinquencies	D-1,D-5	6,600.00	11,908.87	5,308.87
Interest on Investments	D-1,D-5		4,719.85	4,719.85
Connection Fee	D-1,D-5		145,800.00	145,800.00
		<u>\$ 1,296,860.75</u>	<u>\$ 1,517,873.18</u>	<u>\$ 221,012.43</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, 2018

	2018	BUDGET AFTER	EXPENDED			UNEXPENDED
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
			<u>CHARGED</u>			<u>CANCELLED</u>
Operating:						
Salaries and Wages	\$ 205,000.00	\$ 205,000.00	\$ 149,972.89	\$	\$ 55,027.11	\$
Other Expenses	285,200.00	285,200.00	202,661.99	24,109.04	58,428.97	
Sewer Service Fee	325,519.13	325,519.13	325,519.12		0.01	
Group Insurance	130,000.00	130,000.00	123,330.35		6,669.65	
Workers Compensation Insurance	16,000.00	16,000.00	15,682.95		317.05	
Liability Insurance	18,000.00	18,000.00	17,759.20		240.80	
Debt Service:						
Payment of Bond Principal	200,000.00	200,000.00	200,000.00			
Interest on Bonds	44,000.00	44,000.00	41,054.58			2,945.42
NJEIT Principal, Interest & Fee	29,141.62	29,141.62	8,313.63			20,827.99
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	29,000.00	29,000.00	28,813.55		186.45	
Social Security System (O.A.S.I.)	15,000.00	15,000.00	10,839.56		4,160.44	
Total Water & Sewer Utility Appropriations	\$ <u>1,296,860.75</u>	\$ <u>1,296,860.75</u>	\$ <u>1,123,947.82</u>	\$ <u>24,109.04</u>	\$ <u>125,030.48</u>	\$ <u>23,773.41</u>
	<u>Ref.</u>	D-3		D,D-1	D, D-1	
Disbursed	D-5		\$ 1,082,893.24			
Accrued Interest on Bonds and Notes	D-13		41,054.58			
			\$ <u>1,123,947.82</u>			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	E-1	\$ <u>14,624.26</u>	\$ <u>5,396.41</u>
		\$ <u><u>14,624.26</u></u>	\$ <u><u>5,396.41</u></u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Payroll Deductions Payable	E-1	\$ <u>14,624.26</u>	\$ <u>5,396.41</u>
		\$ <u><u>14,624.26</u></u>	\$ <u><u>5,396.41</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, 2018

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
Governmental Fixed Assets:				
Land/Buildings	\$ 8,959,300.00	\$ -	\$ -	\$ 8,959,300.00
Equipment	<u>2,345,251.15</u>	<u>60,419.64</u>	<u>-</u>	<u>2,405,670.79</u>
Total Governmental Fixed Assets	\$ <u>11,304,551.15</u>	\$ <u>60,419.64</u>	\$ <u>-</u>	\$ <u>11,364,970.79</u>
Investment in Governmental Fixed	\$ <u>11,304,551.15</u>	\$ <u>60,419.64</u>	\$ <u>-</u>	\$ <u>11,364,970.79</u>

Nots: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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 district. As noted below, the reporting entity as defined by New Jersey statutes does not conform to accounting principles generally accepted in the United States of America.

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)

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.)

Component Units – The regulatory basis for the establishment of the financial reporting entity is set forth in statute and does not include entities that may be considered to be component units under GAAP. GAAP requires the inclusion of component units in the financial reporting entity. The criteria for the inclusion of legally separate entities as component units of a primary government include the ability of the primary government to appoint a voting majority of the governing board of the entity, and the ability of the primary government to impose its will on the entity, the ability of the primary government to access the financial resources of the entity (or the responsibility of the primary government to assume obligations of the entity).

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.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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.

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.

Length of Service Awards Program (LOSAP)

Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Borough's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the volunteer first aid and rescue squad, is not reported as part of the Borough's basic financial statements. As the LOSAP Plan's assets remain the property of the Borough until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Borough's basic financial statements. See Note 13 regarding the availability of LOSAP Plan financial information.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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. 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.

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.

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

C. Basis of Accounting (Cont'd.)

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.

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.

GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 90 "Majority Equity Interests" in August 2018. This statement amends GASB Statements No. 14 and No. 61 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

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

	Beginning Balance	Increases	Decreases	Ending Balance
General:				
Bonds Payable	\$ 1,118,000.00	\$ -	\$ 165,000.00	\$ 953,000.00
Bond Anticipation Notes		324,000.00		324,000.00
Authorized But Not Issued	2,315,347.97	598,059.00	1,273,794.36	1,639,612.61
Total General	3,433,347.97	922,059.00	1,438,794.36	2,916,612.61
Water & Sewer Utility:				
Bonds Payable	1,196,000.00	-	200,000.00	996,000.00
Loans Payable	383,200.25	628,385.00	327,531.62	684,053.63
Authorized But Not Issued	1,899,759.64	300,000.00	628,385.00	1,571,374.64
Total Water & Sewer Utility	3,478,959.89	928,385.00	1,155,916.62	3,251,428.27
Grand Totals	\$ 6,912,307.86	\$ 1,850,444.00	\$ 2,594,710.98	\$ 6,168,040.88

B. Summary of Municipal Debt for Capital Projects

	YEAR 2018	YEAR 2017	YEAR 2016
<u>Issued:</u>			
General:			
Bonds & Notes	\$ 1,277,000.00	\$ 1,118,000.00	\$ 1,278,000.00
Water & Sewer Util:			
Bonds & Loans	1,680,053.63	1,579,200.25	2,246,305.00
Total Debt Issued	2,957,053.63	2,697,200.25	3,524,305.00
<u>Authorized but not Issued:</u>			
General:			
Bonds & Notes	1,639,612.61	2,315,347.97	1,118,097.97
Water & Sewer Util:			
Bonds & Notes	1,571,374.64	1,899,759.64	1,906,452.64
Total Authorized but not Issued	3,210,987.25	4,215,107.61	3,024,550.61
Net Bonds & Notes Issued and Authorized but not Issued	\$ 6,168,040.88	\$ 6,912,307.86	\$ 6,548,855.61

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, 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</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%	\$ 95,000.00	\$ 195,000.00	\$ 295,000.00
\$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%	858,000.00	923,000.00	983,000.00
\$324,000, Bond Anticipation Notes issued December 28 2018, due August 28, 2019 at interest of 2.60%. The notes were originally issued on December 28, 2018	324,000.00		
Total General Debt	<u>1,277,000.00</u>	<u>1,118,000.00</u>	<u>1,278,000.00</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%	90,000.00	190,000.00	290,000.00
\$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%	906,000.00	1,006,000.00	1,096,000.00
\$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	371,258.63	383,200.25	817,805.00
\$628,385 NJEIT Project Loans, consisting of \$628,385 Fund Loan at 0% interest, and \$155,000 Trust Loan bearing interest at 3.00 to 5.00%, due in semi-annual installments through 2048	312,795.00		
\$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
Total Utility Debt	<u>1,680,053.63</u>	<u>1,579,200.25</u>	<u>2,246,305.00</u>
Total Debt Issued and Outstanding	<u>\$ 2,957,053.63</u>	<u>\$ 2,697,200.25</u>	<u>\$ 3,524,305.00</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>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	3,433,347.97		3,433,347.97
	<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	498,096,115.00
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>

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>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$4,770,030.58	\$4,770,030.58	\$
Water & Sewer Utility Debt	3,251,428.27	3,251,428.27	
General Debt	2,916,612.61		2,916,612.61
	<u>\$10,938,071.46</u>	<u>\$8,021,458.85</u>	<u>\$2,916,612.61</u>

Net Debt \$2,916,612.61 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
 $\$502,184,231.33 = 0.581\%$.

2018 Equalized Valuation Basis

2016 Equalized Valuation Basis of Real Property	498,507,357.00
2017 Equalized Valuation Basis of Real Property	498,096,115.00
2018 Equalized Valuation Basis of Real Property	509,949,222.00
Average Equalized Valuation	<u>\$ 502,184,231.33</u>

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

3 1/2% of Equalized Valuation Basis Municipal	17,576,448.10
Net Debt	<u>2,916,612.61</u>
Remaining Borrowing Power	<u>\$ 14,659,835.49</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

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.	285,552.14
	<hr/>
Total Deductions	1,257,846.14
	<hr/>
Excess/(Deficit) in Revenues	\$ 170,154.97
	<hr/>

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	86,649.38
	<hr/>
Excess/ (Deficit) in Revenues	\$ 170,154.97
	<hr/>

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

2018

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	\$ 1,517,897.08
Deductions:	
Operating & Maintenance Cost	1,023,719.13
Debt Service Per Water & Sewer Acct.	249,368.57
	<hr/>
Total Deductions	1,273,087.70
	<hr/>
Excess/(Deficit) in Revenues	\$ 244,809.38
	<hr/>

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)	\$ 371,385.17
Less:	
Refunds of Prior Year Expended	1,138.04
Unexpended Balance of Appropriation Reserves	125,437.75
	<hr/>
Excess/ (Deficit) in Revenues	\$ 244,809.38
	<hr/>

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, 2018

Calendar Year	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
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
2023	65,000.00	23,051.25	65,000.00	22,193.13	175,244.38
Subtotal	420,000.00	140,156.25	455,000.00	136,765.63	1,151,921.88
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
2028	80,000.00	9,720.00	80,000.00	8,440.00	178,160.00
Subtotal	370,000.00	239,938.75	370,000.00	71,243.76	887,975.01
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					
2032					
Subtotal	163,000.00	259,498.75	171,000.00	6,860.00	350,700.00
	\$ 953,000.00	\$ 639,593.75	\$ 996,000.00	\$ 214,869.39	\$ 2,390,596.89

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 NJEIT Loans Outstanding at December 31, 2018

Calendar Year	Principal	Interest	Total
2019	\$ 15,487.57	\$ 14,650.00	\$ 30,137.57
2020	22,260.54	14,450.00	36,710.54
2021	22,260.54	14,050.00	36,310.54
2022	22,260.54	13,600.00	35,860.54
2023	22,260.54	13,100.00	35,360.54
Subtotal	104,529.73	69,850.00	174,379.73
2024	22,260.54	12,600.00	34,860.54
2025	22,260.54	12,100.00	34,360.54
2026	22,260.54	11,600.00	33,860.54
2027	22,260.54	11,100.00	33,360.54
2028	22,260.54	10,650.00	32,910.54
Subtotal	111,302.70	58,050.00	169,352.70
2029-2033	111,302.70	47,000.00	158,302.70
2034-2038	131,302.70	35,800.00	167,102.70
2039-2043	136,302.70	21,000	157,302.70
2044-2048	89,313.10	6,600	95,913.10
Subtotal	468,221.20	110,400.00	578,621.20
Totals	\$ 684,053.63	\$ 238,300.00	\$ 922,353.63

Note 4: GOVERNMENTAL FIXED ASSETS (UNAUDITED)

At December 31, 2017 and 2018, the Borough's governmental fixed assets consisted of:

	Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Land and Buildings	8,959,300.00	-	-	8,959,300.00
Equipment	2,345,251.15	60,419.64	-	2,405,670.79
	11,304,551.15	60,419.64	-	11,364,970.79

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 of the 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 2018 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2019 were as follows:

	<u>Balance December 31, 2017</u>	<u>Utilized in 2018 Budget</u>	<u>Balance December 31, 2018</u>	<u>Utilized in 2019 Budget</u>
Current Fund	\$763,238.40	\$621,072.09	\$598,637.06	\$475,000.00
Water and Sewer Operating Fund	275,046.50	80,260.75	566,170.92	138,540.00

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, 2018 and 2017, there were no deferred charges that were required to be raised in the budget of the succeeding year.

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, 2017 and 2018 were as follows:

	<u>Balance December 31, 2017</u>	<u>Increases</u>	<u>Balance December 31, 2018</u>
Land and Buildings	\$ 501,677.31	-	\$ 501,677.31
Water and Sewer Systems	5,643,337.25	565,260.54	6,208,597.79
Capitalized Interest	3,703.82	-	3,703.82
Vehicles	<u>69,888.00</u>	<u>-</u>	<u>69,888.00</u>
	<u>\$6,218,606.38</u>	<u>\$565,260.54</u>	<u>\$6,783,866.92</u>

NOTES TO FINANCIAL STATEMENTS

Note 8: UTILITY FIXED ASSETS (CONT'D)

Water & 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.

At December 31, 2017 and 2018, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2017</u>	<u>2018</u>
Cash (Demand Accts.)	\$6,360,358.04	\$4,754,285.68
Change Funds (On-Hand)	<u>200.00</u>	<u>200.00</u>
Total	<u>\$6,360,558.04</u>	<u>\$4,754,485.68</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 2017 and 2018 carrying amounts of the Borough's deposits were \$6,360,358.04 and \$4,754,485.68, respectively. The book balances were \$6,111,835.78 and \$4,452,988.43, respectively. Of the bank balance, \$250,000.00 was covered by Federal depository insurance for each year, was coverage under the provisions of NJGUDPA was \$6,110,358.04 for 2017 and \$4,504,485.68 for 2018.

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

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. Investments 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.
- (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, 2018 and 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.

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

Investments

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

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

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2018 and 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, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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, 2018:

Inactive plan members or beneficiaries currently receiving benefits	174,904
Inactive plan members entitled to but not yet receiving benefits	589
Active plan members	<u>254,780</u>
Total	<u>430,273</u>

Contributing Employers – 1,708

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.

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

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, 2018 the Borough's total payroll for all employees was \$1,562,203. Total PERS covered payroll was \$737,447. 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 \$54,325.85 for 2018.

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.

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 7.34% in State fiscal year 2018 and increased to 7.50 for State fiscal year 2019, commencing July 1, 2018. The most recent increase completed the phase-in referred to above. 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 2018 were \$91,885 and \$96,045, respectively. The Borough's contributions are due and payable on April 1st 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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$ 12,438	\$ 14,263
Amortization of Accrued Liability	<u>77,455</u>	<u>72,588</u>
Total Pension	89,893	86,851
NCGI Premiums	4,606	4,335
Long-Term Disability Expense	<u>1,546</u>	<u>699</u>
Total Regular Billing	<u>96,045</u>	<u>91,885</u>
Total PERS Payment	<u>\$96,045</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.

NOTES TO FINANCIAL STATEMENTS

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

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

Service retirement benefit of 1/55th 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 1/60th 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, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$2,114,429 or 0.0107389%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

NOTES TO FINANCIAL STATEMENTS

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

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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter. 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, 2017 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.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	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%

NOTES TO FINANCIAL STATEMENTS

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

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 5.66% as of June 30, 2018.

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, 2018, 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 (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$27,413,044,035	\$23,704,298,093	\$20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
PERS Plan Total	<u>\$52,170,323,599</u>	<u>\$43,393,799,632</u>	<u>\$36,035,282,132</u>
Pennington Share	<u>\$2,658,651</u>	<u>\$2,114,439</u>	<u>\$1,657,862</u>

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2018 is as follows:

	State	Local	Total
Total Pension Liability	\$30,434,600,657	\$42,431,573,511	\$72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,973</u>	<u>29,472,374,536</u>
Net Pension Liability	<u>\$23,704,298,093</u>	<u>\$19,689,501,539</u>	<u>\$43,393,799,632</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018 the Borough's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in Assumptions	\$ 348,423	\$ 676,082
Changes in Pension Proportion	160,976	11,527
Difference Projected vs. Actual Earnings	-	19,833
Difference Projected vs. Actual Experience	40,322	10,903
Borough contributions subsequent to the measurement date	<u>107,292</u>	<u> </u>
Total	<u>\$ 657,013</u>	<u>\$718,345</u>

NOTES TO FINANCIAL STATEMENTS

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

The \$107,292 of deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Borough's fiscal year ending year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$(24,849)
2020	(29,860)
2021	82,077
2022	108,067
2023	<u>30,189</u>
Total	<u>\$168,624</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 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2018, 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, 2018:

Inactive plan members or beneficiaries currently receiving benefits	43,755
Inactive plan members entitled to but not yet receiving benefits	39
Active plan members	<u>41,517</u>
Total	<u>85,311</u>

Contributing Employers – 586 (As of June 30, 2017)

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

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

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

For the year ended December 31, 2018 the Borough's total payroll for all employees was \$1,562,203. Total PFRS covered payroll was \$345,514. 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 \$34,551.40 for 2018.

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, 2018 and 2017 were \$76,552 and \$53,365, respectively. The Borough's contributions are due and payable on April 1st 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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$23,837	\$ 18,164
Amortization of Accrued Liability	<u>49,622</u>	<u>32,881</u>
Total Pension	73,459	51,045
NCGI Premiums	<u>3,093</u>	<u>2,320</u>
Total Regular Billing	<u>76,552</u>	<u>53,365</u>
Total PFRS Payment	<u>\$76,552</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

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

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

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.

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, 2018, the PFRS reported a net pension liability of \$15,369,699,278 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 \$1,195,215, or 0.007776%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

Preretirement 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 from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

NOTES TO FINANCIAL STATEMENTS

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

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

The actuarial assumptions used in the July 1, 2017 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, 2018) 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	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 6.51% as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

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

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

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2018, 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 (5.51%)	At current discount rate (6.51%)*	At 1% increase (7.51%)
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
PFRS Plan Total	<u>\$25,660,737,948</u>	<u>\$19,699,003,554</u>	<u>\$14,782,645,365</u>
Pennington Borough Share	<u>\$1,599,647</u>	<u>\$1,195,215</u>	<u>\$861,632</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, 2018 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,837,506,505	\$40,960,053,149	\$46,797,559,654
Plan Fiduciary Net Position	<u>1,508,202,229</u>	<u>25,590,343,871</u>	<u>27,098,556,100</u>
Net Pension Liability	\$ <u>4,329,304,276</u>	\$ <u>15,369,699,278</u>	\$ <u>19,699,003,554</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018 the Borough's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in Assumptions	\$ 102,583	\$ 306,313
Changes in Pension Proportion	241,786	86,751
Difference Projected vs. Actual Earnings	-	6,539
Difference Projected vs. Actual Experience	12,160	4,946
Borough contributions subsequent to the measurement date	<u>86,353</u>	
Total	\$ 442,892	\$404,549

NOTES TO FINANCIAL STATEMENTS

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

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

The \$86,353 of deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Borough's fiscal year ending year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$(19,305)
2020	13,560
2021	25,291
2022	12,099
2023	<u>16,365</u>
Total	<u>\$48,010</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 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Special Funding Situation

The Borough is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a "special funding situation", and the State of New Jersey is defined as a non-employer contributing entity.

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the Borough was \$9,615, or 0.0088327%. The June 30, 2018 State special funding situation pension expense of \$217,714,180 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Borough's allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$19,230 and \$162,350, respectively.

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

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.

For the year ended December 31, 2018 The Borough's total payroll for all employees was \$1,562,203. Total DCRP covered payroll was \$121,991. 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 DCRP contributions, net of life insurance premiums and pension loan repayments, were \$6,709.51 for 2018. The Borough contributed \$3,659.73 to the DCRP accounts of eligible employees.

NOTES TO FINANCIAL STATEMENTS

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

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

The Borough's combined, allocated shares of pensions systems Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Pension Resources and Pension Expense for the years ended June 30th are as follows:

<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>

<u>2018 Data</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$2,114,439	\$657,013	\$718,345	\$166,982
PFRS	<u>1,195,215</u>	<u>442,892</u>	<u>404,549</u>	<u>130,663</u>
Total	<u>\$3,309,654</u>	<u>\$1,099,905</u>	<u>\$1,122,894</u>	<u>\$297,645</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 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The 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 1st of the current tax year even though the amount due is not known.

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

Cost-Sharing, Multiple Employer, Defined Benefit Plan*Plan Description:*

Pennington contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. As Pennington is responsible for its share of the Plan's expense, the Plan is considered to be a "Non-special Funding Situation" as defined in GASB Statement No. 75.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. All active full time employees are covered by the SHBP.

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

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.

NOTES TO FINANCIAL STATEMENTS

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

Plan Description and Benefits Provided:

P.L. 1987, c.384 and P.L. 1990, c.6. required the Public Employees Retirement System (PERS) and Police and Firemen's Retirement System (PFRS) to fund post-retirement medical benefits for those members who retire after accumulating a minimum of 25 years of credited service or on a disability retirement. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

Coverage is provided at no cost to members of the PERS and PFRS that had retired on a disability retirement or retired after accumulating 25 years of creditable service prior to June 28, 2011 and to those who had a minimum of 20 years of creditable service on June 28, 2011 and who subsequently retire after accumulating 25 years of credited service or on a disability retirement. Employees who had less than 20 years of creditable service on June 28, 2011 and subsequently retire after accumulating a minimum of 25 years of creditable service are required by Chapter 78, P.L. 2011 to contribute a percentage of the cost of their health care coverage in retirement. The percentage of the premium that will be the responsibility of the retiree is determined based upon the retiree's annual retirement benefit and level of coverage. Chapter 78 retirees opting for single will make contributions that escalate from 4.5% for annual retirement allowance under \$20,000 to 35.0% for annual retirement allowances exceeding \$110,000 per annum. Chapter 78 retirees opting for family coverage will range from 3.43% for annual retirement allowances under \$25,000 per annum to 35.0% for annual retirement allowances exceeding \$110,000 per annum.

Components of Plan OPEB Liability:

The State of New Jersey's Total OPEB Liability and Net OPEB Liability for the Plan at June 30, 2018 and 2017, respectively, was as follows:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$15,981,103,227	\$20,629,044,656
Plan Fiduciary Net Position	<u>314,485,086</u>	<u>213,255,917</u>
Net OPEB Liability	<u>\$15,666,618,141</u>	<u>\$20,415,788,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%

NOTES TO FINANCIAL STATEMENTS

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

The Net OPEB Liability at June 30, 2018 and 2017 can be further broken down into its special funding and non-special funding components as follows:

	<u>2018</u>	<u>2017</u>
Special Funding Situation	\$6,213,844,492	\$ 8,695,413,135
Non-special Funding Situation	<u>9,452,773,649</u>	<u>11,720,375,604</u>
Total Net OPEB Liability	<u>\$15,666,618,141</u>	<u>\$20,415,788,739</u>

Pennington's Proportionate Shares of Nonspecial Funding Situation Net OPEB Liability:

	<u>2018</u>	<u>2017</u>
Nonspecial Funding Situation:		
Plan Net OPEB Liability	\$9,452,773,649	\$11,720,375,604
Princeton Allocations:		
Net OPEB Liability	\$3,781,922	\$4,475,519
Allocation Percentage	0.024140%	0.021922%
Pennington Plan Participants	25	23

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 and 2017 was determined by an actuarial valuation as of June 30, 2017 and 2016, which was rolled forward to June 30, 2018 and 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65%-8.98%
Thereafter	2.65%-9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

NOTES TO FINANCIAL STATEMENTS

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

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions:

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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:

	<u>1% Decrease</u> <u>(2.87%)</u>	<u>At Discount Rate</u> <u>(3.87%)</u>	<u>1% Increase</u> <u>(4.87%)</u>
Total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388
Pennington's Share (Nonspecial Funding Situation)	\$4,437,194	\$3,781,922	\$3,258,508

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trent Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023
Pennington's Share (Nonspecial Funding Situation)	\$2,896,140	\$3,471,922	\$4,217,070

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The Plan reported the following Deferred Inflows of Resources and Deferred Outflows of Resources at June 30, 2018 after any reductions due to fiscal year 2018 amortization:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings on Plan assets	\$ 1,999	\$ -0-
Change in proportion	441,210	547,698
Difference between expected and actual experience	-0-	767,865
Change in assumptions	-0-	959,334
Pennington's Share (Nonspecial Funding Situation)	\$443,209	\$2,274,897

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$(281,112)
2020	(281,112)
2021	(281,112)
2022	(281,304)
2023	(281,659)
Thereafter	<u>(425,389)</u>
Total	<u>(\$1,831,688)</u>

NOTES TO FINANCIAL STATEMENTS

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

Changes in Total and Net OPEB Liability

	<u>Total OPEB Liability</u>	
	<u>2018</u>	<u>2017</u>
Balance-Beginning of Year (June 30 measurement date)	\$20,629,044,656	\$21,867,849,603
Changes for Year:		
Service Cost	896,235,148	1,064,525,862
Interest	764,082,232	648,423,508
Difference between Actual and Expected Experience	(3,626,384,047)	
Changes in Assumptions	(2,314,240,675)	(2,587,850,974)
Contributions-Members	53,987,166	53,585,505
Benefit Payments	(421,621,253)	(417,488,848)
Net Change in Total OPEB Liability	(4,647,941,429)	(1,238,804,947)
Balance-End of Year	<u>\$15,981,103,227</u>	<u>\$20,629,044,656</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Net OPEB Liability</u>	
	<u>2018</u>	<u>2017</u>
Plan Fiduciary Net Position:		
Contributions: Employers	\$421,194,662	\$381,813,324
Contributions: Non-employer contributing entities	53,548,285	53,064,311
Contributions: Members	53,987,166	53,585,505
Net Investment Income	2,320,422	791,049
Gross Benefits Payments	(421,621,253)	(417,488,848)
Administrative Expenses	(8,200,113)	(8,894,576)
Net Change in Plan Fiduciary Net Position	\$101,229,109	\$62,870,765
Plan Fiduciary Net Position-Beginning	<u>213,255,917</u>	<u>150,385,152</u>
Plan Fiduciary Net Position-Ending	\$314,485,086	\$213,255,917
Net OPEB Liability-Ending	\$15,666,618,141	\$20,415,788,739
Plan Fiduciary Net Position as % of OPEB Liability	2.0%	1.0%
Covered Employee Payroll	\$4,646,915,753	\$4,336,016,376
Net OPEB Liability as a Percentage of Payroll	337%	471%

Note 13: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough has authorized a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The Program provides for fixed annual contributions to a deferred income account for volunteer first aid and rescue squad members who meet specified service criteria. The Borough sponsors the Program, which is administered by a private contractor. The LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements. LOSAP review reports are available in the office of the Borough Clerk during scheduled working hours.

Note 14: 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 \$16,500.00 at December 31, 2017 and 2018, respectively.

Note 15: 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 severably 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, 2018. 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, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

Note 16: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2018:

<u>Fund:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$2,598.83	\$50,000.00
Trust-Other Fund	-	0.97
Animal Control Fund	-	2,597.86
General Capital Fund	65,703.00	-
Water & Sewer Capital Fund	<u>-</u>	<u>15,703.00</u>
Totals	<u>\$68,301.83</u>	<u>\$68,301.83</u>

Note 17: 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, 2018 is as follows:

<u>Year</u>	<u>Total Payments</u>
2019	<u>\$1,529.40</u>
Total Payments	<u>\$1,529.40</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, 2018 is as follows:

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

NOTES TO FINANCIAL STATEMENTS

Note 18: 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 15). The Borough is also defending appeals of tax assessments on real properties within the Borough, and these matters are not believed to have the potential to materially impact the financial position of the Borough in the event of adverse judgments. 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.

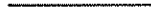
The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the Borough does not believe that any material liabilities will result from such audits, if conducted.

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 19: SUBSEQUENT EVENTS

No events have occurred during the period from December 31, 2018 through August 14, 2019 that would require additional disclosures following accounting principles generally accepted in the United States of America.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY



PART II
SUPPLEMENTARY SCHEDULES AND DATA

Current Fund

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	CURRENT FUND	GRANT FUND
Balance - December 31, 2017	A	\$3,407,717.33	\$ 12,490.59
Increased by Receipts:			
Ordinance Funding of Emergency Appopr.	A		
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	10,750.00	
Taxes Receivable	A-6	11,872,166.48	
Tax Overpayments	A-15	53,431.72	
Revenue Accounts Receivable	A-10	648,576.34	
Interfund Loans Received/Returned	A-18	4,681.54	1,000.00
Prepaid Property Taxes	A-14	142,900.38	
Various Payables and Reserves	A-16	60,456.32	
State and Federal Grants Receivable	A-17		182,222.71
Refunds-Contra	Contra	551,744.83	
		13,344,707.61	183,222.71
		\$16,752,424.94	\$195,713.30
Decreased by Disbursements:			
Refunds of Prior Year Revenues	A-1		
Budget Expenditures	A-3	2,987,512.69	
2017 Appropriation Reserves	A-13	66,689.95	
Prior Year Receipt due to Open Space	A-1		
Taxes Payable to Other Govts.	A-11	11,760,958.71	
Interfund Loans Disbursed/Returned	A-12,A-18		23,000.00
Refund of Prior Years Revenues	A-1	8,156.63	
Tax Overpayments	A-15	46,559.76	
Various Payables and Reserves	A-16	74,777.09	
Reserve for State and Federal Grants			
Appropriated	A-19		43,018.98
Refunds-Contra	Contra	551,744.83	
		15,496,399.66	66,018.98
Balance - December 31, 2018	A	\$1,256,025.28	\$ 129,694.32

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2018</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

Exhibit - A-6

YEAR	BALANCE DEC. 31, 2017	2018 LEVY	COLLECTIONS BY CASH		STATE SHARE OF SR. CIT & VET. DEDUCTIONS	ADJUSTED REMITTED OR CANCELLED	TRANSFER TO TTL	BALANCE DEC. 31, 2018
			2017	2018				
2,017.00	\$ 122,956.60	\$	\$	\$ 122,956.60	\$	\$	\$	\$ -
	122,956.60	-	-	122,956.60	-	-	-	-
2,018.00		13,388,465.81	1,506,743.56	11,749,209.88	9,750.00	2,750.38	1.87	120,010.12
	<u>\$ 122,956.60</u>	<u>\$ 13,388,465.81</u>	<u>\$ 1,506,743.56</u>	<u>\$ 11,872,166.48</u>	<u>\$ 9,750.00</u>	<u>\$ 2,750.38</u>	<u>\$ 1.87</u>	<u>\$ 120,010.12</u>
Ref.	A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A-9	A

Analysis of 2018 Property Tax Levy:

Tax Yield:

Ref.

General Purpose	\$ 13,140,272.81
Special District Taxes	248,193.00
	<u>\$ 13,388,465.81</u>

Tax Levy:

Regional School Tax (Abstract)	A-11	\$ 7,596,431.00
Special District Tax	A-11	248,193.00
County Tax (Abstract)	A-11	2,977,267.29
County Open Space Tax (Abstract)	A-11	125,584.16
Added County Tax	A-11	<u>18,816.82</u>
		10,966,292.27
Local Open Space Tax	A-2	50,217.47
Local Tax for Mun. Purposes (Abstract)	A-2	2,143,047.81
Minimum Library Tax	A-2	166,627.14
Add: Additional Tax Levied		<u>62,281.12</u>
		2,422,173.54
		<u>\$ 13,388,465.81</u>

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

REF.

Balance - December 31, 2017			
Due from State of New Jersey	A		\$4,699.20
Increased by:			
Deductions Allowed by Tax Billings	A-7	<u>\$10,500.00</u>	<u>10,500.00</u>
			15,199.20
Decreased by:			
Collection	A-4	10,750.00	
2018 Deductions Disallowed by Collector	A-7	<u>750.00</u>	<u>11,500.00</u>
Balance - December 31, 2018			
Due from State of New Jersey	A		<u><u>3,699.20</u></u>

Analysis of Realized Revenue for 2018:

Deductions Allowed Per Tax Billings	A-7	\$10,500.00	
2018 Deductions Disallowed by Collector	A-7	<u>(750.00)</u>	
			<u>\$9,750.00</u>
Realized as Revenue - 2018	A-6		<u><u>\$9,750.00</u></u>

Exhibit - A-8

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

	<u>REF.</u>	
Balance - December 31, 2017	A	\$17,810.00
Balance - December 31, 2018	A	<u>\$17,810.00</u>

Exhibit - A-9

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$7,883.64
Increased by:		
Interest and Costs	Reserve	
Transfer from Taxes Receivable	A - 6	<u>1.87</u>
		<u>1.87</u>
Balance - December 31, 2018	A	<u>\$7,885.51</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

<u>Anticipated Miscellaneous Revenues:</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>ACCRUED</u> <u>IN 2018</u>	<u>COLLECTED</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
Fees and Permits	A-2	\$ -	\$ 11,478.00	\$ 11,478.00	\$ -
Fines and Costs - Municipal Court	A-2	5,714.07	66,317.29	65,827.90	6,203.46
Interest and Costs on Taxes	A-2	-	46,606.79	46,606.79	-
Interest on Investments and Deposits	A-2	-	15,605.13	15,605.13	-
Trash Collection Fees	A-2	-	46,375.29	46,375.29	-
Energy Receipts Taxes	A-2	-	187,581.00	187,581.00	-
Uniform Construction Code Fees	A-2	-	175,260.00	175,260.00	-
Administrative Charge to Library	A-2	-	4,000.00	-	4,000.00
Verizon/Comcast Franchise Fee	A-2	-	42,004.69	42,004.69	-
PSE&G Solar Lease	A-2	-	19,507.90	19,507.90	-
Interlocal Agreement-Senior Center	A-2	-	5,969.00	5,969.00	-
Miscellaneous Revenue Not Anticipated	A-2	-	32,360.64	32,360.64	-
		<u>\$ 5,714.07</u>	<u>\$ 653,065.73</u>	<u>\$ 648,576.34</u>	<u>\$ 10,203.46</u>
	<u>Ref.</u>	A	Reserve	A- 4	A

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	BALANCE DEC. 31, 2017	TAXES LEVIED	TAXES PAID	ADJUSTMENTS	BALANCE DEC. 31, 2018
County - General	\$ 776,370.84	\$ 2,977,267.29	\$ (3,704,243.85)		\$ 49,394.28
County - Open Space	32,973.98	125,584.16	(156,351.82)		2,206.32
County - Added & Omitted	5,520.67	18,816.82	(5,520.61)		18,816.88
Regional School Taxes	-	7,596,431.00	(7,596,431.96)	0.96	-
Local Open Space	-	50,217.47	(50,217.47)		-
Fire Districts	-	248,193.00	(248,193.00)		-
Total	<u>\$ 814,865.49</u>	<u>\$ 11,016,509.74</u>	<u>\$ (11,760,958.71)</u>	<u>\$ 0.96</u>	<u>\$ 70,417.48</u>
<u>Ref.</u>	A	A-1,A-2,A-6	A-1, A-4	A-1	A

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ (PAYABLE)

		BALANCE DEC. 31, 2017	INCREASES	DECREASES	BALANCE DEC. 31, 2018
<hr/>					
Interfunds:					
Grant Fund		\$ -	\$ 1,009,117.00	\$ (1,009,117.00)	\$ -
Trust-Other Fund		-	0.97		0.97
General Capital Fund		-		(50,000.00)	(50,000.00)
Animal Control Trust Fund		4,681.54	2,597.86	(4,681.54)	2,597.86
Total		4,681.54	1,011,715.83	(1,063,798.54)	(47,401.17)
<hr/>					
Interfunds Receivable		4,681.54	1,009,117.00	(1,013,798.54)	2,598.83
Interfunds Payable		-	-	(50,000.00)	(50,000.00)
Total		4,681.54	1,009,117.00	(1,063,798.54)	(47,401.17)
<hr/>					
	Ref.	A	A-2, Reserve		A
2018 Budget Revenues	A-2		1,009,117.00		
Animal Control Statutory Excess	Reserve		2,598.83		
			<u>1,011,715.83</u>		
Charge to 2018 Appropriations	A-3			1,059,117.00	
Cash Receipts	A-4			<u>4,681.54</u>	
				<u>1,063,798.54</u>	

SCHEDULE OF 2017 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2017</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	\$ 273.19	\$	\$ 273.19	\$	\$ 273.19
Financial Administrator	6,000.03		6,000.03		6,000.03
Assessment of Taxes	765.58		765.58		765.58
Collection of Taxes	711.06		711.06		711.06
Borough Clerk	738.01		738.01		738.01
Public Buildings and Grounds	2,819.16		2,819.16		2,819.16
Planning and Zoning	476.89		476.89		476.89
Police	4,975.82		4,975.82		4,975.82
Road Repair and Maintenance	1,380.25		1,380.25		1,380.25
Garbage & Trash Removal	4,306.62		4,306.62		4,306.62
Construction Code Official	5,520.43		5,520.43		5,520.43
Municipal Court	1,201.54		1,201.54		1,201.54
Total Salaries and Wages	<u>29,168.58</u>		<u>29,168.58</u>		<u>29,168.58</u>
Other Expenses:					
Inside "CAPS":					
Administrative and Executive	3,784.96	1,060.45	4,845.41	1,060.45	3,784.96
Elections	975.00		975.00		975.00
Financial Administration	2,158.05	1,610.98	3,769.03	1,610.98	2,158.05
Revision of Tax Map		2,500.00	2,500.00	2,500.00	0.00
Assessment of Taxes	3,011.70		3,011.70	229.24	2,782.46
Collection of Taxes	2,292.03	39.90	2,331.93	39.90	2,292.03
Mayor and Council	633.93	37.23	671.16	37.23	633.93
Borough Clerk	7,614.77	240.97	7,855.74	2,310.97	5,544.77
Municipal Court	1,047.54	85.35	1,132.89	85.35	1,047.54
Public Defender	1,500.00		1,500.00		1,500.00
Legal Services & Costs	598.53	4,240.00	4,838.53	1,584.00	3,254.53
Municipal Prosecutor	1,800.00	300.00	2,100.00	300.00	1,800.00
Engineering Services and Costs	3,268.72	11,225.83	14,494.55	13,516.40	978.15
Public Buildings and Grounds	2,542.64	6,151.49	8,694.13	6,041.49	2,652.64
Planning and Zoning Board	8,430.88	273.57	8,704.45	316.17	8,388.28
Shade Tree	3,666.45	9,682.55	13,349.00	9,682.55	3,666.45
Police	31,504.76	7,203.45	38,708.21	6,992.51	31,715.70

SCHEDULE OF 2017 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2017</u>		<u>BALANCE</u>		<u>BALANCE</u>
	<u>RESERVED</u>	<u>ENCUMBERED</u>	<u>AFTER</u>	<u>PAID OR</u>	<u>LAPSED</u>
			<u>MODIFICATION</u>	<u>CHARGED</u>	
Other Expenses:					
Inside "CAPS":					
Road Repair and Maintenance	\$ 9,386.84	\$ 7,758.24	\$ 17,145.08	\$ 1,390.84	\$ 15,754.24
Street Lighting	3,464.48	2,810.93	6,275.41	2,810.93	3,464.48
Garbage & Trash Removal	18,150.92	7,403.96	25,554.88	7,209.96	18,344.92
Board of Health	88.36	316.64	405.00	288.70	116.30
Recreation	771.80	165.84	937.64	165.84	771.80
Celebration of Public Events	85.25		85.25		85.25
Environmental Commission	0.00	200.00	200.00	200.00	0.00
Economic Development Commission	38.79	625.00	663.79	463.90	199.89
Historic Preservation	135.00	125.00	260.00	120.00	140.00
Constr. Code Official	2,724.11		2,724.11		2,724.11
Telephone	2,937.06	1,943.67	4,880.73	1,943.67	2,937.06
Electricity	7,361.89	755.11	8,117.00	755.11	7,361.89
Gasoline & Lubricants	9,336.04	1,725.34	11,061.38	1,725.34	9,336.04
Natural Gas	76.03	1,755.21	1,831.24	1,755.21	76.03
Social Security	594.03		594.03		594.03
Group Plan for Employees	10,623.90		10,623.90		10,623.90
Liability and Other Insurance	2,393.80		2,393.80	1,010.25	1,383.55
Workers Compensation	406.45		406.45		406.45
Public Employees Retirement System	0.50		0.50		0.50
Defined Contribution Retirement Syst	1,012.68	56.28	1,068.96	56.28	1,012.68
			0.00		0.00
Other Expenses:			0.00		0.00
Out of "CAPS":			0.00		0.00
First Aid LOSAP Contribution	4,736.11		4,736.11		4,736.11
Emergency 911 Dispatch	1,410.00		1,410.00		1,410.00
Recycling Agreement	91.00		91.00		91.00
Senior Services	5,000.00		5,000.00		5,000.00
Free Public Library-Maintenance	1.45	486.68	488.13	486.68	1.45
Total Other Expenses	<u>155,656.45</u>	<u>70,779.67</u>	<u>226,436.12</u>	<u>66,689.95</u>	<u>159,746.17</u>
Total Operations	<u>\$ 184,825.03</u>	<u>\$ 70,779.67</u>	<u>\$ 255,604.70</u>	<u>\$ 66,689.95</u>	<u>188,914.75</u>
<u>Ref.</u>	<u>A</u>	<u>A</u>		<u>A-4</u>	<u>A-1</u>

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$1,506,743.56
Increased by:		
2018 Taxes Prepaid	A-4	<u>142,900.38</u>
		1,649,643.94
Decreased by:		
Applied to 2018 Taxes Receivable	A-6	<u>1,506,743.56</u>
Balance - December 31, 2018	A	<u><u>\$142,900.38</u></u>

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2017	A		\$5,506.57
Increased by:			
Cash Received	A-4		<u>53,431.72</u>
			58,938.29
Decreased by:			
Cancelled	A-1	3,678.72	
Refunded	A-4	<u>46,559.76</u>	
			<u>50,238.48</u>
Balance - December 31, 2018	A		<u><u>\$8,699.81</u></u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLE & RESERVES

	BALANCE DEC. 31, 2017	INCREASES	DECREASES	BALANCE DEC. 31, 2018
Accounts Payable:				
Vendor Accounts Payable	\$ 27,088.76		\$ (10,536.19)	\$ 16,552.57
Third Party Lien Redemptions	-	49,521.32	(49,521.32)	-
Marriage License Filing Fees	25.00	150.00	(175.00)	-
State Training Fees (Code)	4,337.00	9,654.00	(12,742.00)	1,249.00
Subtotal	31,450.76	59,325.32	(72,974.51)	17,801.57
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	2,111.55	1,131.00	(1,802.58)	1,439.97
Subtotal	35,207.05	1,131.00	(1,802.58)	34,535.47
Total	\$ 66,657.81	\$ 60,456.32	\$ (74,777.09)	\$ 52,337.04
<u>Ref.</u>	A	A-4	A-4	A

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-17

GRANT	BALANCE DEC. 31, 2017	2018 BUDGET REVENUE REALIZED	COLLECTED 2018	TRANS. FROM GRANTS UNAPPROP.	BALANCE DEC. 31, 2018
ANJEC Grant	\$ 500.00	\$	\$ 500.00	\$	
N.J.D.O.T. - Transportation Trust Fund - 2014	79,179.31		79,179.31		
N.J.D.O.T. - Transportation Trust Fund - 2015 (Park Ave.)	72,358.00		72,358.00		
N.J.D.O.T. - Transportation Trust Fund - 2016	240,000.00				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. - Transportation Trust Fund - 2018		693,900.00			693,900.00
N.J.D.O.T. -Streetscape Grant	580,000.00				580,000.00
N.J.D.E.P. Hazard Remediation		301,604.00			301,604.00
Community Stewardship Program- 2016	25,000.00		25,000.00		
Clean Communities	0.00	5,185.40	5,185.40		
Hazard Mitigation Grant	83,000.00				83,000.00
Recycling Tonnage Grants	0.00	8,427.60		8,427.60	
	<u>\$ 1,425,037.31</u>	<u>\$ 1,009,117.00</u>	<u>\$ 182,222.71</u>	<u>\$ 8,427.60</u>	<u>\$ 2,243,504.00</u>
Ref.	A	A-19	A-4	A-20	A

SCHEDULE OF INTERFUND LOANS PAYABLE
GRANT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$ 22,000.00
Increased by:		
Cash Receipts-Due to General Capital	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">1,000.00</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
		23,000.00
Decreased by:		
Cash Disbursed-Due to General Capital	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">23,000.00</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
		23,000.00
Balance - December 31, 2018	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ -</div> <div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px;"></div> </div>

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

GRANT/AID PROGRAM	BALANCE-DEC. 31, 2017		TRANSFERRED FROM 2018 BUDGET	PAID OR CHARGED	BALANCE-DEC. 31, 2018	
	ENCUMBERED	RESERVE			ENCUMBERED	RESERVE
N.J.D.O.T. - Transportation Trust Fund - 2014	\$ 40,662.01	\$ 3,436.44	\$	\$ 12,933.58	\$	\$ 31,164.87
N.J.D.O.T. - Transportation Trust Fund - 2016		240,000.00				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. - Transportation Trust Fund - 2018			693,900.00			693,900.00
N.J.D.O.T. - Streetscape Program		580,000.00				580,000.00
N.J.D.E.P. Hazard Remediation		0.00	301,604.00			301,604.00
Clean Communities Program		32,229.80	5,185.40			37,415.20
Comcast Grant		20,000.00				20,000.00
Body Armor Replacement Fund	0.00	5,298.63		834.90	0.00	4,463.73
Drunk Driving Enforcement Grant		204.92				204.92
ANJEC Grant		1,500.00		1,500.00		0.00
Solid Waste Recycling Grant-2003		21,672.29				21,672.29
Pennington Day Grant		905.05				905.05
Municipal Alcohol Ed.		985.89				985.89
Assoc. of NJ Environmental Commission		120.00				120.00
Community Stewardship Program	24,975.00	25.00		24,975.00		25.00
Hazard Mitigation Grant		83,000.00				83,000.00
Recycling Tonnage Grant	2,025.50	5,059.76	8,427.60	2,775.50	1,427.25	11,310.11
	<u>\$ 67,662.51</u>	<u>\$ 1,339,437.78</u>	<u>\$ 1,009,117.00</u>	<u>\$ 43,018.98</u>	<u>1,427.25</u>	<u>\$ 2,371,771.06</u>
<u>Ref.</u>	A	A	A-17	A-4	A	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	BALANCE DEC. 31, 2017	TRANSFER 2018 GRANTS <u>APPROPRIATED</u>
Recycling Tonnage Grant	<u>8,427.60</u>	<u>8,427.60</u>
	<u>\$ \$ 8,427.60</u>	<u>\$ \$ 8,427.60</u>
<u>Ref.</u>	A	A-17

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	BALANCE <u>DEC. 31, 2017</u>	<u>CASH TRANSACTIONS</u>		<u>ADJUSTMENTS</u>	BALANCE <u>DEC. 31, 2018</u>
		<u>RECEIPTS</u>	<u>DISBURSED</u>		
Animal Control:					
Due Current Fund	4,681.54		(4,681.54)	2,597.86	2,597.86
Due NJ - State License Fees	-	243.60	(239.40)		4.20
Animal Control Reserves	7,496.86	3,197.51	(1,024.11)	(2,597.86)	7,072.40
Total	12,178.40	3,441.11	(5,945.05)	-	9,674.46
Trust - Other Funds:					
Due from Current Fund	-	3,089.68	(3,088.71)		0.97
Unemployment Claims	27,523.10	2,537.29	(584.78)		29,475.61
Affordable Housing	391,064.21	13,050.93			404,115.14
Recreation Funds	1,962.94	126.00	(457.00)		1,631.94
Law Enforcement Trust	7,263.26	44.18			7,307.44
Public Defender	264.00	850.00	(664.00)		450.00
Shade Tree	823.00	565.00	(225.00)		1,163.00
POAA	1,632.00	46.00			1,678.00
Verizon	100.00				100.00
Tax Sale Premium	8,496.52	3,250.00			11,746.52
Police Donations	31,800.00	86,100.00	(77,800.00)		40,100.00
Open Space Preservation Fund	637,064.55	54,066.48			691,131.03
Developer Escrow Funds	739,190.04	162,555.06	(389,033.99)		512,711.11
Refundable Deposits	177,500.00				177,500.00
Total	2,024,683.62	326,280.62	(471,853.48)	-	1,879,110.76
Total	2,036,862.02	329,721.73	(477,798.53)	-	1,888,785.22

Ref.

B

B

General Capital Fund

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2017	C		\$49,509.61
Increased by:			
Interest Earned - Due Current	C-5	112.70	
Interfund - Grant Fund	C-5	22,000.00	
Funding for Ordinances Raised in 2018 Current Budget	C-8	10,500.00	
Bond Anticipation Notes	C-10	324,000.00	
Capital Improvement Fund	C-11	<u>15,000.00</u>	
			<u>371,612.70</u>
			\$421,122.31
Decreased by:			
Interfund - Current Fund	C-5	112.70	
Interfund - Water & Sewer Utility Capital Improvement Authorizations	C-5	15,703.00	
	C-8	<u>67,981.29</u>	
			<u>83,796.99</u>
Balance - December 31, 2018	C		<u><u>\$337,325.32</u></u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

	BALANCE <u>DEC. 31, 2017</u>	BALANCE <u>DEC. 31, 2018</u>
Fund Balance	\$ 98,378.76	\$ 98,378.76
Capital Improvement Fund	37,068.45	32,433.45
Reserve for Encumbrances		
State Grants Receivable		
Due to/from Grant Fund	(22,000.00)	
Due to/from Current Fund	-	(50,000.00)
Due to/from Water & Sewer Utility Capital Fund		(15,703.00)

IMPROVEMENT AUTHORIZATIONS:

Ord.			
No.	<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)	(39,111.35)
2017-4/			
2018-9	Redevelopment of Landfill Property	(16,055.28)	300,383.07
2017-7	Supplemental Approp.-Generator Acquisition	900.00	900.00
2017-14	Borough Hall Renovations	49,400.00	109,900.00
2017-15	Acquisition of Backhoe	3,250.00	(57,169.64)
2018-14	Upgrades to Reading St. Senior Center		19,635.00
		<u>\$49,509.61</u>	<u>\$337,325.32</u>
Ref.		C-2	C-2

SCHEDULE OF GRANTS RECEIVABLE
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$ 75,000.00
Increased by:		
Grant Award-Mercer County	Reserve	<u>196,347.00</u>
Balance - December 31, 2018	C	<u><u>\$ 271,347.00</u></u>

Analysis of Balance - December 31, 2018:

Ordinance No. 2016-03 FEMA Assistance	\$ 75,000.00
Ordinance No. 2018-14 Mercer County(Senior Center)	<u>196,347.00</u>
	<u><u>\$ 271,347.00</u></u>

SCHEDULE OF INTERFUND LOANS
GENERAL CAPITAL FUND

	BALANCE DEC. 31, 2017	INCREASES	DECREASES	BALANCE DEC. 31, 2018
Grant Fund	\$ (22,000.00)	\$ -	\$ 22,000.00	\$ -
Current Fund		50,112.70	112.70	50,000.00
Water & Sewer Utility Capital Fund		15,703.00		15,703.00
	<u>\$ (22,000.00)</u>	<u>\$ 65,815.70</u>	<u>\$ 22,112.70</u>	<u>\$ 65,703.00</u>
() Denotes Interfund Loan Payable				
	<u>Ref.</u>			
Budget Appropriation Funding		50,000.00		
Cash Receipts		112.70		
Cash Disbursed		15,703.00	22,112.70	
		<u>\$ 65,815.70</u>	<u>\$ 22,112.70</u>	

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

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$1,118,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-9	<u>165,000.00</u>
Balance - December 31, 2018	C	<u>\$953,000.00</u>

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

ORD. NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2017	2018 AUTHORIZED	OTHER FUNDING	CANCELLED	BALANCE DEC. 31, 2018	ANALYSIS OF BALANCE DEC. 31, 2018		
							BOND ANTIC. NOTES	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				
2014-13	Road Repairs/Radios/Vehicles	527,100.00			400,722.00	126,378.00	126,000.00		378.00
2015-7	Acquisition of Equipment	36,450.00			12,668.00	23,782.00		23,782.00	
2016-3/2017-7	Acquisition of a Generator	101,250.00				101,250.00			101,250.00
2017-1/	Funding of Emergency Appropriation								
2018-	Improv. To King George Rd.	40,000.00				40,000.00	39,000.00	111.35	888.65
2017-4	Preliminary Costs-Landfill Redevelopment	125,000.00	225,000.00	50,000.00		300,000.00		263,307.48	36,692.52
2017-14	Borough Hall Renovations	950,000.00				950,000.00	159,000.00		791,000.00
2017-15	Acquisition of a Backhoe	61,750.00		10,500.00	2,580.36	48,669.64		46,669.64	2,000.00
2018-14	Upgrades to Reading St. Senior Center		373,059.00			373,059.00			373,059.00
		<u>\$ 2,315,347.97</u>	<u>\$ 598,059.00</u>	<u>\$ 60,500.00</u>	<u>\$ 889,244.36</u>	<u>\$ 1,963,662.61</u>	<u>\$ 324,000.00</u>	<u>\$ 334,394.44</u>	<u>\$ 1,305,268.17</u>
Ref.		C	C-8	C-5	C-8	C			

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	AMOUNT	BALANCE DEC. 31, 2017		2018 AUTHORIZED	PAID OR CHARGED	CANCELLED	ENCUMBERED DEC. 31, 2018	BALANCE DEC. 31, 2018	
				FUNDED	UNFUNDED					FUNDED	UNFUNDED
General Improvements:											
2003-09	Var. Capital Improvements	8/4/2003	\$ 754,500.00	\$ 47,205.51	\$ 473,274.00	\$	\$	\$ 520,479.51	\$	\$	
2013-9	Renovations to Borough Hall	10/7/2013	15,000.00	321.49				321.49			
2014-13	Road Repairs/Radios/Vehicles	6/2/2014	598,000.00		437,308.00			400,772.00			36,536.00
2015-7	Acquisition of Equipment	5/15/2015	91,000.00		12,668.00			12,668.00			
2016-3	Acquisition of Generator	3/2/2016	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.	2/6/2017	40,000.00		888.65						888.65
2017-4	Redevelopment of Landfill Property	3/6/2017	125,000.00		108,944.72	225,000.00	7,561.65		289,690.55		36,692.52
2018-9	(Amended 7/2/18)		225,000.00								
2017-7	Supplemental Approp.-Generator Acquisition	4/3/2017	22,000.00	900.00	20,500.00					900.00	20,500.00
2017-14	Borough Hall Renovations	9/5/2017	1,000,000.00	49,400.00	950,000.00					49,400.00	950,000.00
2017-15	Acquisition of Backhoe	10/2/2017	65,000.00	3,250.00	61,750.00		60,419.64	2,580.36			2,000.00
2018-14	Upgrades to Reading St. Senior Center	10/1/2018				392,694.00				19,635.00	373,059.00
			\$ 105,327.00	\$ 2,146,083.37	\$ 617,694.00	\$ 67,981.29	\$ 936,821.36	\$ 289,690.55	\$ 74,185.00	\$ 1,500,426.17	
		Ref.		C	C		C-2		C	C	C
Deferred Charges to Future Taxation Unfunded			C-7			\$ 598,059.00		\$ 889,244.36			
Reserve for Debt Service			C-12					47,577.00			
Capital Improvement Fund			C-10			19,635.00					
						\$ 617,694.00		\$ 936,821.36			

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Exhibit - C-9

Purpose	MATURITIES OF BONDS								
	ORIGINAL ISSUE		OUTSTANDING		INTEREST	BALANCE			BALANCE
	DATE	AMOUNT	DATE	AMOUNT		DEC. 31, 2017	INCREASES	DECREASES	
2004 Refunding Bonds	2/1/2004	\$2,125,000	9/15/2019	95,000.00	4.000%	\$ 195,000.00	\$ -	\$ 100,000.00	\$ 95,000.00
2010 General Improv. Bonds	6/1/2010	\$1,148,000	7/15/2019	75,000.00	3.000%				
			7/15/2020	60,000.00	3.250%				
			7/15/2021	60,000.00	3.250%				
			7/15/2022	65,000.00	3.500%				
			7/15/2023	65,000.00	3.625%				
			7/15/2024	70,000.00	3.625%				
			7/15/2025	70,000.00	3.750%				
			7/15/2026	75,000.00	3.875%				
			7/15/2027	75,000.00	3.875%				
			7/15/2028	80,000.00	4.000%				
			7/15/2029	80,000.00	4.000%				
			7/15/1930	83,000.00	4.000%	923,000.00		65,000.00	858,000.00
					\$ 1,118,000.00	\$ -	\$ 165,000.00	\$ 953,000.00	
					C	C-2	C-6	C	

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit - C - 10

ORD NO.	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2017	B.A.N.S ISSUED	DECREASED	BALANCE DEC. 31, 2018
<u>General Improvements:</u>									
2014-13	Various Capital Improvements	12/28/2018	12/28/2018	08/28/19	2.600%	\$ -	\$ 126,000.00	\$ -	\$ 126,000.00
2017-01	Improvements to King George Road and Park Avenue	12/28/2018	12/28/2018	08/28/19	2.600%	-	39,000.00	-	39,000.00
2017-14	Borough Hall Renovations	12/28/2018	12/28/2018	08/29/19	2.600%	-	159,000.00	-	159,000.00
						\$ -	\$ 324,000.00	\$ -	\$ 324,000.00

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 37,068.45
Increased by:		
Budget Appropriation	C-2	<u>15,000.00</u>
		52,068.45
Decreased by:		
Improvement Authorizations	C-8	<u>19,635.00</u>
Balance - December 31, 2018	C	<u><u>\$ 32,433.45</u></u>

Exhibit - C-12

SCHEDULE OF RESERVE FOR DEBT SERVICE
GENERAL CAPITAL FUND

	<u>REF.</u>	
Increased by:		
Funded Improvement Authorizations Cancelled	C-8	<u>47,577.00</u>
Balance - December 31, 2018	C	<u><u>\$ 47,577.00</u></u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2017	2018 AUTHORIZED	BANs ISSUED	OTHER FUNDING	CANCELLED	BALANCE DEC. 31, 2018
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		126,000.00		400,772.00	328.00
2015-7	Acquisition of Equipment	36,450.00				12,668.00	23,782.00
2016-3/2017-7	Acquisition of a Generator	101,250.00					101,250.00
2017-1	Funding of Emergency Appropriation Improv. To King George Rd.	40,000.00		39,000.00			1,000.00
2017-4 2018-9	Preliminary Costs-Landfill Redevelopment (Amended 7/2/18)	125,000.00	225,000.00		50,000.00		300,000.00
2017-14	Borough Hall Renovations	950,000.00		159,000.00			791,000.00
2017-15	Acquisition of a Backhoe	61,750.00			10,500.00	2,580.36	48,669.64
2018-14	Upgrades to Reading St. Senior Center		373,059.00				373,059.00
		\$ 2,315,347.97	\$ 598,059.00	\$ 324,000.00	\$ 60,500.00	\$ 889,294.36	\$ 1,639,612.61

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, 2017	D	\$ 434,214.49	\$ 165,645.33
Increased by Receipts:			
Refund of Prior Year Expenditure	D-1	1,138.04	
Consumer Accounts Receivable	D-7	1,275,183.71	
Interfund Loans:			
Current Fund	D-17	23,661.29	
Interest on Investments	D-3	4,719.85	
Connection Fee	D-3	145,800.00	
Interest on Delinquencies	D-3	11,908.87	
Rent Overpayments	D-8	3,583.15	
NJEIT Loan Proceeds	D-9		475,379.00
		<u>1,465,994.91</u>	<u>475,379.00</u>
		1,900,209.40	641,024.33
Decreased by Disbursements:			
2018 Budget Expenditures	D-4	1,082,893.24	
2016 Appro. Reserve	D-12	14,991.38	
Accrued Interest on Bonds, Notes and Loans	D-13	43,596.25	
Interfund Returned	D-17	23,661.29	
Improvement Authorizations	D-14		549,557.54
		<u>1,165,142.16</u>	<u>549,557.54</u>
Balance - December 31, 2018	D	<u>\$ 735,067.24</u>	<u>\$ 91,466.79</u>

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, <u>2017</u>	BALANCE DEC. 31, <u>2018</u>
	Fund Balance	\$ 32,847.20	\$ 32,847.20
	Capital Improvement Fund	123.55	123.55
	Reserve for Debt Service	-	9,897.42
	Reserve for Encumbrances	-	124,140.51
	NJEIT Loan Proceeds Receivable	-	(153,006.00)
ORD.	IMPROVEMENT		
<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	-
2007-9	Var. Water/Sewer Improvements	(35,424.57)	(65,093.57)
2016-4	Water Main Replacement King George Rd./Park Ave.	187,780.10	187,780.10
2016-5	Water Main Replacement Curlis Ave./Weidel Dr.	<u>(18,907.73)</u>	<u>(34,551.78)</u>
		<u>\$ 165,645.33</u>	<u>\$ 91,466.79</u>
		D	D

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 147,755.43
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,218,761.12</u>
		1,366,516.55
Decreased by:		
Collected	D-5	<u>1,275,183.71</u>
Balance - December 31, 2018	D	<u><u>\$ 91,332.84</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 23.90
Increased by:		
Cash Receipts	D-5	<u>3,583.15</u>
		3,607.05
Decreased by:		
Cancelled	D-1	<u>23.90</u>
Balance - December 31, 2018	D	<u><u>\$ 3,583.15</u></u>

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

	<u>REF.</u>	
Increased by:		
Approved Loan Commitments	D-20	\$ 628,385.00
Decreased by:		
Collected	D-5	<u>475,379.00</u>
Balance - December 31, 2018	D	<u><u>\$ 153,006.00</u></u>

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

<u>ACCOUNT</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>FIXED CAPITAL</u> <u>AUTHORIZED AND</u> <u>UNCOMPLETED</u>	<u>BALANCE</u> <u>DEC. 31, 2018</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	3,304,577.71	549,557.54	3,854,135.25
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	15,703.00	101,154.51
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>\$ 6,218,606.38</u>	<u>\$ 565,260.54</u>	<u>\$ 6,783,866.92</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 DATE	AMOUNT	BALANCE DEC. 31, 2017	2018 AUTHOR.	TRANSFERRED TO FIXED CAPITAL	BALANCE DEC. 31, 2018
<u>General Improvements:</u>							
2003-08	Var. Improv. To Water/Sewer	10/6/2008	404,500.00	\$ 9,897.42		\$	\$ 9,897.42
2007-9	Var. Improv. To Water/Sewer	11/15/2007	1,200,000.00	559,975.43		23,930.00	536,045.43
2016-4	Water Mian Replacement for King George Rd./Park Ave.	3/2/2016	1,125,000.00	561,469.10			561,469.10
2016-5	Water Mian Replacement for East Curlis Ave./Weidel Dr.	3/2/2016	920,000.00	901,092.27		525,627.54	375,464.73
2018-15	Water System Asset Mgmt. Plan	10/1/2018	300,000.00		300,000.00	15,703.00	284,297.00
				\$ 2,032,434.22	\$ 300,000.00	\$ 565,260.54	\$ 1,767,173.68
				<u>Ref.</u>	D	D-14	D-10
							D

SCHEDULE OF 2017 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2017</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	\$ 26,288.54	\$	\$ 26,288.54	\$	\$ 26,288.54
Other Expenses	92,417.20	13,169.07	105,586.27	14,991.38	90,594.89
Sewer Service Fee	89.42		89.42		89.42
Group Insurance for Employees	6,454.54		6,454.54		6,454.54
Workers Compensation Insurance	317.05		317.05		317.05
Liability Insurance	25.92		25.92		25.92
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>1,667.39</u>		<u>1,667.39</u>		<u>1,667.39</u>
	\$ <u>127,260.06</u>	\$ <u>13,169.07</u>	\$ <u>140,429.13</u>	\$ <u>14,991.38</u>	\$ <u>125,437.75</u>
<u>Ref.</u>	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, 2017	D	\$ 18,714.96
Increased by:		
Accrued Interest Charged to:		
2018 Budget Appropriations	D-4	<u>41,054.57</u>
		59,769.53
Decreased by:		
Payment	D-5	<u>43,596.25</u>
Balance - December 31, 2018	D	<u><u>\$ 16,173.28</u></u>

Analysis of Balance - December 31, 2018:

<u>Principal Outstanding Dec. 31, 2018</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Bonds:					
90,000.00	4.000%	9/15/2016	12/31/2016	3.5 mos.	1,050.00
115,000.00	3.000%	7/15/2016	12/31/2016	5.5 mos.	1,581.25
60,000.00	3.250%	7/15/2016	12/31/2016	5.5 mos.	893.75
60,000.00	3.250%	7/15/2016	12/31/2016	5.5 mos.	893.75
65,000.00	3.500%	7/15/2016	12/31/2016	5.5 mos.	1,042.70
65,000.00	3.625%	7/15/2016	12/31/2016	5.5 mos.	1,079.95
70,000.00	3.625%	7/15/2016	12/31/2016	5.5 mos.	1,163.02
70,000.00	3.750%	7/15/2016	12/31/2016	5.5 mos.	1,203.13
75,000.00	3.875%	7/15/2016	12/31/2016	5.5 mos.	1,332.03
75,000.00	3.875%	7/15/2016	12/31/2016	5.5 mos.	1,332.03
80,000.00	4.000%	7/15/2016	12/31/2016	5.5 mos.	1,466.67
85,000.00	4.000%	7/15/2016	12/31/2016	5.5 mos.	1,558.33
<u>86,000.00</u>	4.000%	7/15/2016	12/31/2016	5.5 mos.	<u>1,576.69</u>
<u>\$ 996,000.00</u>					<u><u>\$ 16,173.29</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2017		2018 AUTHOR.	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2018	CANCELLED	BALANCE DEC. 31, 2018	
		DATE	AMOUNT	FUNDED	UNFUNDED					FUNDED	UNFUNDED
General Improvements:											
2003-8	Various Water & Sewer Utility Improvements		404,500.00	\$ 9,897.42	\$	\$	\$	\$	9,897.42	-	\$
2007-9	Various Water & Sewer Utility Improvements	11/15/2007	1,200,000.00		559,975.43		23,930.00	5,739.00			530,306.43
2016-4	Water Mian Replacement for King George Rd./Park Ave.	3/2/2016	1,125,000.00	252,648.23	308,820.87					252,648.23	308,820.87
2016-5	Water Mian Replacement for East Curlis Ave./Weidel Dr.	3/2/2016	920,000.00		901,092.27		525,627.54	118,401.51			257,063.22
2018-15	Water System Asset Management Plan	10/1/2018	300,000.00			300,000.00	15,703.00				284,297.00
				\$ 262,545.65	\$ 1,769,888.57	\$ 300,000.00	\$ 565,260.54	\$ 124,140.51	\$ 9,897.42	\$ 252,648.23	\$ 1,380,487.52
		Ref.		D	D	D-11	D-5	D	D-10	D	D
Disbursed			D-5				\$ 549,557.54				
Due to General Capital Fund			D-17				15,703.00				
							\$ 565,260.54				

SCHEDULE OF CAPITAL IMPROVEMENT FUND
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 123.55
Balance - December 31, 2018	D	\$ <u>123.55</u>

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 4,772,080.71
Increased by:		
Serial Bonds Paid	D-18	200,000.00
NJEIT Loan Principal Paid	D-20	6,941.62
NJEIT Deobligation	D-20	<u>320,590.00</u>
		<u>527,531.62</u>
Balance - December 31, 2018	D	\$ <u>5,299,612.33</u>

SCHEDULE OF INTERFUND LOANS
WATER AND SEWER UTILITY CAPITAL FUND

<u>FUND</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DEC.31, 2018</u>
Water and Sewer Operating	\$ 1,265.06	\$ 1,265.06	\$ -
General Capital		<u>15,703.00</u>	<u>(15,703.00)</u>
	<u>\$ 1,265.06</u>	<u>\$ 16,968.06</u>	<u>\$ (15,703.00)</u>
	Ref.	D-5	D
Cash Disbursed		D-5 1,265.06	
Expenditures paid by General Capital Fund		<u>15,703.00</u>	
		<u>\$ 16,968.06</u>	

() Denotes Interfund Payable

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 OUTSTANDING - DEC. 31, 2018</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2017</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
2004 Water & Sewer Refunding Bonds	2/1/2004	1,775,000	9/15/2019	90,000.00	4.000%	\$ 190,000.00	\$ 100,000.00	\$ 90,000.00
2010 Sewer Utility Bonds	6/1/2010	1,366,000	7/15/2019	115,000.00	3.000%			
			7/15/2020	60,000.00	3.250%			
			7/15/2021	60,000.00	3.250%			
			7/15/2022	65,000.00	3.500%			
			7/15/2023	65,000.00	3.625%			
			7/15/2024	70,000.00	3.625%			
			7/15/2025	70,000.00	3.750%			
			7/15/2026	75,000.00	3.875%			
			7/15/2027	75,000.00	3.875%			
			7/15/2028	80,000.00	4.000%			
			7/15/2029	85,000.00	4.000%			
			7/15/1930	86,000.00	4.000%			
						<u>1,006,000.00</u>	<u>100,000.00</u>	<u>906,000.00</u>
						\$ <u>1,196,000.00</u>	\$ <u>200,000.00</u>	\$ <u>996,000.00</u>
					<u>Ref.</u>	D	D-15	D

SCHEDULE OF RESERVE FOR DEBT SERVICE
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Increased by:		
Funded Improvement Authorizations		
Cancelled	D-14	<u>9,897.42</u>
Balance - December 31, 2018	D	<u>\$ 9,897.42</u>

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

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 383,200.25
Increased by:		
Project Financings Approved	D-9	628,385.00
		<u>1,011,585.25</u>
Decreased by:		
Paid by Budget Approp.	D-18	6,941.62
Forgiven by Lender	D-18	<u>320,590.00</u>
		<u>327,531.62</u>
Balance - December 31, 2018	D	<u>\$ 684,053.63</u>

Maturity Schedule (Principal Only):

Year	2016 Loan		2018 Loan		Total
	<u>Fund Loan</u>	<u>Trust Loan</u>	<u>Fund Loan</u>	<u>Trust Loan</u>	
2019	6,941.62	5,000.00	3,545.95		15,487.57
2020	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2021	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2022	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2023	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2024	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2025	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2026	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2027	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2028	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2029	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2030	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2031	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2032	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2033	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2034	6,941.62	5,000.00	5,318.92	5,000.00	22,260.54
2035	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2036	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2037	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2038	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2039	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2040	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2041	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2042	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2043	6,941.62	10,000.00	5,318.92	5,000.00	27,260.54
2044	2,718.13	10,000.00	5,318.92	5,000.00	23,037.05
2045		10,000.00	5,318.92	5,000.00	20,318.92
2046		5,000.00	5,318.92	5,000.00	15,318.92
2047			5,318.92	10,000.00	15,318.92
2048			5,319.29	10,000.00	15,319.29
	<u>\$ 176,258.63</u>	<u>\$ 195,000.00</u>	<u>\$ 157,795.00</u>	<u>\$ 155,000.00</u>	<u>\$ 684,053.63</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

<u>ORD.</u> <u>NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>2018</u> <u>AUTHORIZED</u>	<u>2018 LOAN</u> <u>AGREEMENTS</u>	<u>BALANCE</u> <u>DEC. 31, 2018</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	373,689.00			373,689.00
2016-5	East Curlis Avenue/Weidel Drive Water Main Replacement	920,000.00		628,385.00	291,615.00
2018-15	Water System Asset Management Plan		300,000.00		300,000.00
		<u>\$1,899,759.64</u>	<u>\$300,000.00</u>	<u>\$628,385.00</u>	<u>\$1,571,374.64</u>

Ref.

Footnote D

Payroll Fund

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2018 AND 2017

<u>AGENCY/CATEGORY</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Pension Annual Liability	\$ 30.00	\$ 30.00
FICA/Medicare-Employee	(148.82)	-
Health Benefits	5,029.60	5,470.32
PERS	4,958.52	(545.04)
PFRS	4,458.14	(146.45)
DCRP	157.11	260.81
PW Union Dues	-	191.54
FOP Union Dues	186.48	-
Colonial Penn Disability	(46.77)	135.23
	<u>\$ 14,624.26</u>	<u>\$ 5,396.41</u>
Ref.	E	E

Other Supplementary Data

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2017
Cash and Investments	\$ 1,385,919.60	\$ 1,888,785.22	\$ 337,325.32	\$ 826,534.03	\$ 14,624.26		\$ 4,453,188.43	\$ 6,112,035.77
Accounts Receivable:								
State & Federal Grants Receivable	2,243,504.00		271,347.00				2,514,851.00	1,500,037.31
Taxes, Assessments, Liens & Utility Charges	127,895.63			91,332.84			219,228.47	278,595.67
Interfund Loans	2,598.83		65,703.00				68,301.83	26,681.54
Other Accounts Receivable	7,699.20			153,006.00			160,705.20	10,413.27
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						11,364,970.79	11,364,970.79	11,304,551.15
Fixed Capital - Utility				6,783,866.92			6,783,866.92	6,218,606.38
Fixed Capital - Authorized and Uncompleted - Utility				1,767,173.68			1,767,173.68	2,032,434.22
Deferred Charges to Revenue of Succeeding Years								
Deferred Charges to Future Taxation:								
General Capital Fund			2,916,662.61				2,916,662.61	3,433,347.97
	<u>\$ 3,785,427.26</u>	<u>\$ 1,888,785.22</u>	<u>\$ 3,591,037.93</u>	<u>\$ 9,621,913.47</u>	<u>\$ 14,624.26</u>	<u>\$ 11,364,970.79</u>	<u>\$ 30,266,758.93</u>	<u>\$ 30,934,513.28</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2017
Bonds, Notes & Loans Payable \$	\$		\$ 1,277,000.00	\$ 1,680,053.63	\$	\$	\$ 2,957,053.63	\$ 2,697,200.25
Prepaid Taxes, Assessments, Utility Charges and Licenses	142,900.38						142,900.38	1,506,743.56
Tax, Assessment, Lien, License and Utility Charge Overpayments	8,699.81			3,583.15			12,282.96	5,530.47
Appropriation Reserves	173,555.35			125,030.48			298,585.83	312,085.09
Reserve for Encumbrances/ Accounts Payable	164,804.61	4.20	289,690.55	148,249.91			602,749.27	183,062.01
Other Liabilities	122,754.52	40,100.00		16,173.29	14,624.26		193,652.07	838,976.86
Amts. Pledged to Specific Purpos	2,371,771.07	1,155,871.08	80,010.45	10,020.97			3,617,673.57	3,388,994.33
Escrow Funds		690,211.11					690,211.11	948,490.04
Improvement Authorizations			1,574,611.17	1,633,135.75			3,207,746.92	3,398,805.13
Interfund Loans	50,000.00	2,598.83		15,703.00			68,301.83	26,681.54
Investments in General Fixed Assets						11,364,970.79	11,364,970.79	11,304,551.15
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				5,299,612.33			5,299,612.33	4,772,080.71
Reserve for Certain Assets Acquired or Receivables & Inventories	152,304.46		271,347.00	91,332.84			514,984.30	381,801.28
Fund Balance	598,637.06		98,378.76	599,018.12			1,296,033.94	1,169,510.86
	<u>\$ 3,785,427.26</u>	<u>\$ 1,888,785.22</u>	<u>\$ 3,591,037.93</u>	<u>\$ 9,621,913.47</u>	<u>\$ 14,624.26</u>	<u>\$ 11,364,970.79</u>	<u>\$ 30,266,758.93</u>	<u>\$ 30,934,513.28</u>

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

Revenue and Other Income Realized	Year 2018		Year 2017	
	Amount	%	Amount	%
Fund Balance Utilized	\$621,072.09	3.91	\$573,617.91	3.61
Miscellaneous - From Other Than				
Local Property Tax Levies	1,864,968.35	11.75	1,889,826.51	11.88
Collection of Delinquent Taxes and Tax Title Liens	122,956.60	0.77	149,769.22	0.94
Collection of Current Tax Levy	13,265,703.44	83.57	13,293,177.17	83.57
Total Income	15,874,700.48	100.00	15,906,390.81	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	4,393,562.40	28.50	4,218,605.91	27.61
County Taxes	3,121,668.27	20.25	3,088,098.06	20.21
Regional School Taxes	7,596,431.96	49.27	7,716,988.00	50.51
Fire District Taxes	248,193.00	1.61	204,412.00	1.34
Other Expenditures	58,374.10	0.38	49,758.15	0.33
Total Expenditures	15,418,229.73	100.00	15,277,862.12	100.00
Excess in Revenue	456,470.75		628,528.69	
Adj. to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year Emergency Appropriation				
Fund Balance January 1	763,238.40		708,327.62	
	1,219,709.15		1,336,856.31	
Less:				
Utilization as Anticipated Revenue	621,072.09		573,617.91	
Fund Balance December 31	\$598,637.06		\$763,238.40	

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

Revenue and Other <u>Income Realized</u>	Year 2018		Year 2017	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$80,260.75	4.88	\$94,946.00	6.27
Collection of Water and Sewer Rents	1,275,183.71	77.54	1,234,147.67	81.48
Miscellaneous - From Other Than Water and Sewer Rents	<u>289,028.41</u>	<u>17.58</u>	<u>185,556.52</u>	<u>12.25</u>
Total Income	<u>1,644,472.87</u>	<u>100.00</u>	<u>1,514,650.19</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	979,719.13	76.96	930,500.00	73.98
Debt Service	249,368.57	19.59	285,552.14	22.70
Deferred Charges and Statutory Expenditures	<u>44,000.00</u>	<u>3.46</u>	<u>41,794.00</u>	<u>3.32</u>
Total Expenditures	<u>1,273,087.70</u>	<u>100.00</u>	<u>1,257,846.14</u>	<u>100.00</u>
Statutory Excess to Fund Balance	371,385.17		256,804.05	
Fund Balance January 1	<u>275,046.20</u>		<u>113,188.15</u>	
	646,431.37		369,992.20	
Less:				
Utilization as Anticipated Revenue	<u>80,260.75</u>		<u>94,946.00</u>	
Fund Balance December 31	<u>\$566,170.62</u>		<u>\$275,046.20</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>\$2.628</u>	<u>\$2.650</u>	<u>\$2.655</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.431</u>	<u>0.431</u>	<u>0.425</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>0.624</u>	<u>0.621</u>	<u>0.632</u>
Regional School	<u>1.529</u>	<u>1.554</u>	<u>1.554</u>

Assessed Valuation (Taxable):

2018	<u>\$496,927,100.00</u>	
2017		<u>\$496,694,101.00</u>
2016		<u>\$496,369,730.00</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 \$10,500.00 for the year 2018.

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>CURRENTLY</u>	
<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$13,388,465.81	\$13,265,703.44	99.08%
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%

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</u> <u>Year</u>	<u>Amount of</u> <u>Tax Title Liens</u>	<u>Amount of</u> <u>Delinquent Taxes</u>	<u>Total</u> <u>Delinquent</u>	<u>Percentage of</u> <u>Tax Levy</u>
2018	\$7,885.51	\$120,010.12	\$127,895.63	0.96%
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%

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>
2018	\$17,810.00
2017	17,810.00
2016	17,810.00
2015	17,810.00
2014	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2018	\$1,218,761.12	\$1,275,183.71
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	2018	\$598,637.06	\$475,000.00
	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
Water and Sewer Utility			
Operating Fund	2018	\$566,170.92	\$138,540.00
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

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2018:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE SURETY</u>
Joseph Lawver	Mayor		
Catherine Chandler	Councilperson		
Deborah Gnatt	Councilperson		
Glen Griffiths	Councilperson		
Charles Marciante	Councilperson		
Beverly Mills	Councilperson		
Eileen Heinzl	Borough Administrator		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer		
Sandra Webb	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		
Norman Nelson	Borough Engineer (Van Note Harvey)		
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



PART III
GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2018**

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, 2018, 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, 2018, 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, 2016 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 8, 2018 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 8, 2018 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	\$ 2,598.83	\$50,000.00
Trust-Other Fund	-	0.97
Animal Control Fund	-	2,597.86
General Capital Fund	65,703.00	-
General Capital Fund	<u>-</u>	<u>15,703.00</u>
Total	<u>\$68,301.83</u>	<u>\$68,301.83</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, 2018 and 2017.

All cash and investments held by the Borough were directly confirmed as of December 31, 2018.

Condition of Records – Payrolls

During 2018 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, 2018. A review of surety bond coverage as of December 31, 2018, 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 2018, 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 2018 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. This potential problem had no effect on the Borough's cash surplus at December 31, 2018.

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 and other income amounted to \$1,644,472.87 and expenditures amounted to \$1,273,087.70 resulting in excess revenues of \$371,385.17. 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 \$244,809.38. 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

The Certifying Agent conducted a full review of the pension status of every employee of the Borough and confirmed that enrollments into the appropriate pension systems were effected as required. In a 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 2018 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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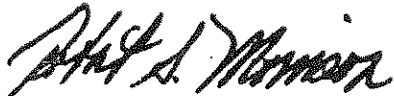
ACKNOWLEDGMENT

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". The signature is fluid and cursive, with the first name "Robert" and last name "Morrison" clearly distinguishable.

Robert S. Morrison
Registered Municipal Accountant
No. 412