



BOROUGH OF PENNINGTON
COUNTY OF MERCER

FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA
AND INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

WITH REPORT OF INDEPENDENT AUDITORS'

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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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
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 and 2019



Independent Auditors' Report

**The Honorable Mayor and Members
of the Borough Council
Borough of Pennington
Pennington, New Jersey**

Report on the Regulatory Basis Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds and the governmental fixed assets of the Borough of Pennington, Mercer County, New Jersey (the "Borough") which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2020, 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") as described in Note 2. 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 General of the United States and the requirements as 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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.

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Basis for Adverse Opinions 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.

The effects on the financial statements of the variances between the basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions 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 the Borough as of December 31, 2020 and 2019, the changes in its financial position, and, where applicable, its cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the various funds and the governmental fixed assets of the Borough of Pennington, County of Mercer, New Jersey, as of December 31, 2020 and 2019, and the respective results of its operations and changes in fund balance for the years then ended and statements of change in fund balance, the statements of revenues and statements of expenditures of the various funds for the year ended December 31, 2020 and the related notes to the financial statements in accordance with the financial reporting provisions of the Division, as described in Note 2 to the financial statements.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough's basic financial statements. The information included in Part II – Supplementary Data and Part IV – General Comments (collectively, the "Supplementary Information"), as listed in the table of contents, is presented for purposes of additional analysis as required by the Division and is not a required part of the 2020 financial statements of the Borough. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 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 solely 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* in considering the Borough's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

September 15, 2021



Andrew G. Hodulik
Registered Municipal Accountant, No. 406

**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 Auditors' Report

**The Honorable Mayor and Members
of the Borough Council
Borough of Pennington
Pennington, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the regulatory basis financial statements of the various funds and the governmental fixed assets of the Borough of Pennington, Mercer County, New Jersey (the "Borough"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated September 15, 2021, in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**The Honorable Mayor and Members
of the Borough Council
Borough of Pennington**
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Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

September 15, 2021



Andrew G. Hodulik
Licensed Registered Municipal Accountant, No. 406

FINANCIAL STATEMENTS – REGULATORY BASIS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET- REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Cash and Investments - Treasurer	A-4	\$ 1,259,609.36	\$ 989,459.03	Liabilities:			
Change Funds	A-5	200.00	200.00	Appropriation Reserves	A-3, A-13	\$ 296,595.40	\$ 163,795.73
Due from State of NJ SC/Vet Deductions	A-7	3,949.20	3,949.20	Prepaid Property Taxes	A-14	103,531.52	98,792.03
				Tax Overpayments	A-15	15,796.23	
		<u>1,263,758.56</u>	<u>993,608.23</u>	Reserve for Encumbrances	A-3, A-13	84,112.52	91,626.98
Receivables and Other Assets With				Var. Reserves and Accts. Payable	A-16	49,369.47	52,291.04
Full Reserves:				Taxes Payable to Other Governments	A-11	14,734.30	48,300.27
Delinquent Prop. Taxes Receivable	A-6	152,427.89	199,974.40				
Tax Title Liens Receivable	A-9	7,943.05	7,943.05			564,139.44	454,806.05
Property Acquired for Taxes (At				Reserve for Receivables	Reserve	180,565.32	286,068.84
Assessed Valuation)	A-8	17,810.00	17,810.00	Fund Balance	A-1	722,919.12	538,802.18
Revenue Accounts Receivable	A-10	2,384.38	7,739.33				
Interfunds Receivable	A-12	-	52,602.06				
		<u>180,565.32</u>	<u>286,068.84</u>				
Emergency Authorization	A-3	23,300.00	-				
Total Current Fund		<u>1,467,623.88</u>	<u>1,279,677.07</u>	Total Current Fund		<u>1,467,623.88</u>	<u>1,279,677.07</u>
Grant Fund:				Grant Fund:			
Cash and Investments	A-4	784,550.30	305,123.94	Reserve for Encumbrances	A-19	6,457.05	858,861.72
Interfunds Receivable	A-18	35,163.13	131,000.00	Reserve for State and Federal Grants:			
State and Federal Grants Receivable	A-17	2,056,255.65	2,940,049.00	Appropriated	A-19	2,864,178.95	2,509,358.43
				Unappropriated	A-20	5,333.08	7,952.79
Total Grant Fund		<u>2,875,969.08</u>	<u>3,376,172.94</u>	Total Grant Fund		<u>2,875,969.08</u>	<u>3,376,172.94</u>
		<u>\$ 4,343,592.96</u>	<u>\$ 4,655,850.01</u>			<u>\$ 4,343,592.96</u>	<u>\$ 4,655,850.01</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Fund Balance Appropriated	A-1,A-2	\$ 366,915.00	\$ 475,000.00
Miscellaneous Revenues Anticipated	A-2	723,236.80	1,802,838.17
Receipts from Delinquent Taxes	A-2	200,164.45	119,256.83
Receipts from Current Taxes	A-2	14,170,769.95	13,801,387.25
CARES Act Reimbursement Revenue	A-4	42,120.00	-
Non-Budget Revenue	A-2	40,843.73	43,388.94
Other Credits to Income:			
Prior Year County Tax Cancelled			51,600.61
Interfunds Returned	A-12	52,602.06	2,598.83
Accounts Payable Cancelled	A-16	16,572.57	
Unexpended Balance of Approp. Reserves	A-13	188,159.88	163,918.82
		<u>15,801,384.44</u>	<u>16,459,989.45</u>
Total Revenues			
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,433,300.00	1,354,450.00
Other Expenses	A-3	1,547,108.12	2,644,736.15
Capital Improvements	A-3	38,300.00	15,000.00
Municipal Debt Service	A-3	273,757.18	310,892.26
Def. Charges and Statutory Expend.	A-3	276,803.00	303,761.01
Regional School Tax	A-2,A-11	8,289,804.00	7,869,205.00
County Tax	A-2,A-11	3,131,588.45	3,184,657.69
County Added Tax	A-2,A-11	14,734.30	48,300.27
Special District Tax	A-2,A-11	216,923.00	212,670.00
Local Open Space Tax	A-2,A-11	51,334.45	51,151.95
Interfunds Advanced			50,000.00
		<u>15,273,652.50</u>	<u>16,044,824.33</u>
Total Expenditures			
Excess in Revenue (Balance Forward)		527,731.94	415,165.12

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Excess in Revenue (Balance Brought Forward)		\$ 527,731.94	\$ 415,165.12
Adjust. to Income Before Fund Balance:			
Expenditures Included Above Which			
are by Statutes Deferred Charges			
to Budget of Succeeding Years			
Emergency Appropriation	A-3	<u>23,300.00</u>	<u> </u>
Statutory Excess to Fund Balance		551,031.94	415,165.12
Balance - January 1	A	<u>538,802.18</u>	<u>598,637.06</u>
		1,089,834.12	1,013,802.18
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>366,915.00</u>	<u>475,000.00</u>
Balance - December 31	A	<u><u>\$ 722,919.12</u></u>	<u><u>\$ 538,802.18</u></u>

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	REF.	ANTICIPATED 2020 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 366,915.00		\$ 366,915.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Other					
Fees and Permits	A-10	9,900.00		3,457.00	\$ (6,443.00)
Fines and Costs:					
Municipal Court	A-10	73,000.00		38,221.06	(34,778.94)
Interest and Costs on Taxes	A-10	34,400.00		43,158.52	8,758.52
Interest on Investments and Deposits	A-10	11,900.00		13,029.73	1,129.73
Trash Collection Fees	A-10	49,900.00		42,679.00	(7,221.00)
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	89,000.00		177,802.00	88,802.00
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	A-3	7,952.79		7,952.79	
Body Armor Fund	A-3	919.67		919.67	
NJDOT Streetscape	A-3		\$ 133,119.35	133,119.35	
Other Special Items:					
Reserve for Debt Service					
Interlocal with Hopewell Township Senior Center	A-10	6,210.00		6,211.00	1.00
Administrative Charge to Library	A-10	4,000.00		4,000.00	
PSE&G Solar Lease	A-10	22,426.68		22,426.68	
Verizon/Comcast Franchise Fee	A-10	38,795.20		42,679.00	3,883.80
Total Miscellaneous Revenues	A-1	535,985.34	133,119.35	723,236.80	54,132.11
Receipts from Delinquent Taxes	A-1, A-2, A-6	192,763.82		200,164.45	7,400.63
Subtotal General Revenues		1,095,664.16	133,119.35	1,290,316.25	61,532.74
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including					
Reserve for Uncollected Taxes		2,401,628.07		2,545,586.21	143,958.14
Minimum Library Tax		170,799.54		170,799.54	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,572,427.61		2,716,385.75	143,958.14
Budget Totals		3,668,091.77	133,119.35	4,006,702.00	\$ 205,490.88
Non-Budget Revenues	A-1			40,843.73	
		<u>\$ 3,668,091.77</u>	<u>\$ 133,119.35</u>	<u>\$ 4,047,545.73</u>	
	Ref.	A-3	A-3		

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See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2020 Collections	A-6	\$ 14,062,977.92	
Prepaid Taxes Applied	A-6	98,792.03	
Veteran's Deductions Allowed	A-6	<u>9,000.00</u>	
	A-1		\$ 14,170,769.95
Allocated to:			
Regional School Tax	A-11	8,289,804.00	
County Taxes	A-11	3,131,588.45	
Added County Taxes	A-11	14,734.30	
Special District Tax	A-11	216,923.00	
Local Open Space Tax	A-1	<u>51,334.45</u>	
			<u>11,704,384.20</u>
			2,466,385.75
Add: Reserve for Uncollected Taxes	A-3		<u>250,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 2,716,385.75</u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-6	\$ 200,164.45	
	A-2	<u>\$ 200,164.45</u>	
Miscellaneous Revenue Not Anticipated	A-1,A-10		<u>\$ 40,843.73</u>
See Accompanying Notes to Financial Statements			

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Office of Business Administrator						
Salaries and Wages	\$ 68,000.00	\$ 68,000.00	\$ 61,473.64		\$ 6,526.36	
Other Expenses	37,200.00	37,200.00	25,947.19	\$ 1,827.81	9,425.00	
Elections						
Other Expenses	2,500.00	2,500.00			2,500.00	
Financial Administration						
Salaries and Wages	53,000.00	53,000.00	51,032.74		1,967.26	
Other Expenses	22,200.00	22,200.00	17,935.61	25.35	4,239.04	
Assessment of Taxes						
Salaries and Wages	14,000.00	14,000.00	13,513.93		486.07	
Other Expenses						
Maintenance of Tax Map	2,500.00	2,500.00		2,500.00		
Misc. Other Expenses	6,400.00	6,400.00	1,744.14	1,148.00	3,507.86	
Collection of Taxes						
Salaries and Wages	25,000.00	25,000.00	9,973.62		15,026.38	
Other Expenses	7,500.00	7,500.00	5,590.05	100.00	1,809.95	
Mayor & Council						
Other Expenses	1,000.00	1,000.00	973.44		26.56	
Office of the Borough Clerk						
Salaries and Wages	47,000.00	47,500.00	47,393.86		106.14	
Other Expenses	12,900.00	12,900.00	5,313.74	543.97	7,042.29	
Municipal Court						
Salaries and Wages	37,000.00	37,000.00	30,773.50		6,226.50	
Other Expenses	7,206.00	7,206.00	1,592.00	125.25	5,488.75	
Public Defender						
Other Expenses	1,700.00	1,700.00			1,700.00	
Legal Services and Costs						
Other Expenses	55,000.00	55,000.00	49,192.00	808.00	5,000.00	
Municipal Prosecutor						
Other Expenses	7,200.00	7,200.00	3,300.00	2,900.00	1,000.00	
Engineering Services and Costs						
Other Expenses	48,750.00	48,750.00	13,541.86	16,458.14	18,750.00	
Public Bldgs. and Grounds						
Salaries and Wages	20,000.00	20,000.00	7,654.55		12,345.45	
Other Expenses	53,450.00	53,450.00	43,355.88	392.56	9,701.56	

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	\$ 63,000.00	\$ 63,000.00	\$ 62,544.11		\$ 455.89	
Other Expenses	10,250.00	10,250.00	3,124.41	\$ 4,688.10	2,437.49	
Shade Tree						
Other Expenses	13,195.00	13,195.00	9,224.69		3,970.31	
Insurance						
Group Insurance	267,000.00	208,700.00	185,866.37		22,833.63	
Workers Compensation	37,000.00	49,175.00	48,399.89		775.11	
Liability and Other Insurance	51,000.00	51,000.00	43,718.80		7,281.20	
<u>PUBLIC SAFETY:</u>						
Police						
Salaries and Wages	604,000.00	604,000.00	598,372.26		5,627.74	
Other Expenses	82,300.00	82,300.00	46,566.31	27,133.73	8,599.96	
First Aid Organization - Contribution	12,175.00					
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	262,000.00	277,000.00	255,164.27		21,835.73	
Other Expenses	84,000.00	84,000.00	36,235.91	3,124.70	44,639.39	
Street Lighting						
Other Expenses	32,000.00	32,000.00	25,301.32		6,698.68	
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	112,000.00	149,800.00	149,220.08		579.92	
Other Expenses	139,200.00	139,200.00	124,553.47	14,605.11	41.42	

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Other Expenses	\$ 500.00	\$ 500.00	\$ 243.00		\$ 257.00	
<u>RECREATION AND EDUCATION:</u>						
Recreation Committee						
Other Expenses	6,400.00	6,400.00	605.58		5,794.42	
Celebration of Public Event						
Other Expenses	1,500.00	1,500.00			1,500.00	
<u>OTHER BOARDS & COMMISSIONS</u>						
Environmental Commission						
Other Expenses	500.00	500.00	375.00		125.00	
Economic Development Commission						
Other Expenses	500.00	500.00	500.00		-	
Historic Preservation						
Other Expenses	500.00	500.00			500.00	
Uniform Construction Code - Appropriations						
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code						
(N.J.S.A. 52:27D-120 et seq.)						
Office of the Construction Code Official						
Salaries and Wages	70,000.00	75,000.00	68,186.55		6,813.45	
Other Expenses	11,550.00	11,550.00	9,921.64	\$ 305.00	1,323.36	
<u>UNCLASSIFIED:</u>						
Telephone	24,000.00	24,000.00	21,638.53	238.37	2,123.10	
Electricity	26,500.00	26,500.00	13,046.30		13,453.70	
Gasoline & Lubricants	26,000.00	26,000.00	18,995.14	2,042.89	4,961.97	
Natural Gas	10,000.00	10,000.00	7,070.92	768.18	2,160.90	

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	\$ 2,476,576.00	\$ 2,476,576.00	\$ 2,119,176.30	\$ 79,735.16	\$ 277,664.54	
Total Operations Including Contingent Within "CAPS"	2,476,576.00	2,476,576.00	2,119,176.30	79,735.16	277,664.54	
DETAIL:						
Salaries and Wages	1,375,000.00	1,433,300.00	1,355,303.11		77,996.89	
Other Expenses	1,101,576.00	1,043,276.00	763,873.19	79,735.16	199,667.65	
Deferred Charges and Statutory Expend. - Municipal Within "CAPS":						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	68,620.00	68,620.00	68,619.60		0.40	
Police and Firemen's Retirement	90,183.00	90,183.00	90,183.00		-	
Defined Contribution Retirement Plan	3,500.00	3,500.00	1,265.11		2,234.89	
Unemployment Insurance	2,500.00	2,500.00			2,500.00	
Social Security System (O.A.S.I.)	112,000.00	112,000.00	109,877.06		2,122.94	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	276,803.00	276,803.00	269,944.77	-	6,858.23	
Total General Approp. for Municipal Purposes Within "CAPS"	2,753,379.00	2,753,379.00	2,389,121.07	79,735.16	284,522.77	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library	170,799.54	170,799.54	159,227.21	2,877.36	8,694.97	
L.O.S.A.P. Contribution: First Aid	10,000.00	10,000.00	6,622.34		3,377.66	
SFSP	915.00	915.00	915.00			
Interlocal Service Agreements:						
Emergency 911 and Dispatch	74,727.77	78,027.77	78,027.77			
Health Services	44,680.00	56,280.00	56,280.00			
Recycling Agreement	36,318.00	36,318.00	36,318.00			
Administration of Municipal Alliance Program	1,500.00	1,500.00		1,500.00		

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS" (Cont'd.)</u>						
Interlocal Service Agreements (Cont'd.):						
Animal Control	\$ 11,600.00					
Basic Life Support Services.	3,000.00	\$ 3,000.00	\$ 3,000.00			
Senior Services	5,000.00	5,000.00	5,000.00			
Mercer County EMS	3,300.00					
State and Federal Programs Offset by Revenues:						
Recycling Tonnage Grant	7,952.79	7,952.79	7,952.79			
Clean Communities Program						
NJ DOT Transportation Trust Fund						
NJ DOT East Welling Avenue						
Body Armor Fund	919.67	919.67	919.67			
Downtown Streetscape		133,119.35	133,119.35			
Total Operations - Excluded from "CAPS"	370,712.77	503,832.12	487,382.13	\$ 4,377.36	\$ 12,072.63	
DETAIL:						
Other Expenses	370,712.77	503,832.12	487,382.13	4,377.36	12,072.63	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	15,000.00	15,000.00	15,000.00			
Down Payment of Improvements		23,300.00	23,300.00		-	
Total Capital Improvements						
Excluded from "CAPS"	15,000.00	38,300.00	38,300.00	-	-	
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
Payment of Bond Principal	60,000.00	60,000.00	60,000.00			
Payment of Bond Anticipation Notes	174,000.00	174,000.00	174,000.00			
Interest on Bonds	31,500.00	31,500.00	29,386.26			\$ 2,113.74
Interest on Notes	13,500.00	13,500.00	10,370.92			3,129.08
Total Municipal Debt Service - Excluded from "CAPS"	279,000.00	279,000.00	273,757.18	-	-	5,242.82

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Deferred Charges and Statutory Expenditures- <u>Municipal-Excluded from CAPS</u>						
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 664,712.77	\$ 821,132.12	\$ 799,439.31	\$ 4,377.36	\$ 12,072.63	\$ 5,242.82
Subtotal General Appropriations	3,418,091.77	3,574,511.12	3,188,560.38	84,112.52	296,595.40	5,242.82
Reserve for Uncollected Taxes	250,000.00	250,000.00	250,000.00			
Total General Appropriations	<u>\$ 3,668,091.77</u>	<u>\$ 3,824,511.12</u>	<u>\$ 3,438,560.38</u>	<u>\$ 84,112.52</u>	<u>\$ 296,595.40</u>	<u>\$ 5,242.82</u>
Ref.	A-2			A,A-1	A, A-1	
Adopted Budget	A-2	\$ 3,668,091.77				
Emergency Authorization N.J.S.A. 40:4-46	A	23,300.00				
Added by N.J.S.A. 40A:4-87	A-2	133,119.35				
		<u>\$ 3,824,511.12</u>				
Disbursed	A-4		\$ 3,046,568.57			
Reserve for Uncollected Taxes	A-2		250,000.00			
Public & Private Programs Approp.	A-2		141,991.81			
			<u>\$ 3,438,560.38</u>			

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Animal Control Fund:				Animal Control Fund:			
Cash - Treasurer	B-1	\$ 8,139.69	\$ 9,139.48	Due to Current Fund			\$ 2,602.06
				Reserve to Pay Animal Control Fund Expenditures	B-1	\$ 8,139.69	6,537.42
Total Animal Control Fund		<u>8,139.69</u>	<u>9,139.48</u>	Total Animal Control Fund		<u>\$ 8,139.69</u>	<u>9,139.48</u>
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-1	1,695,531.03	1,744,972.71	Reserve for:			
Due from General Capital		<u>140,000.00</u>		Unemployment Claims	B-1	33,180.49	30,512.01
				Affordable Housing (COAH)	B-1	449,307.34	416,868.35
				Recreation Funds	B-1	1,409.94	1,799.94
				Law Enforcement Trust	B-1	7,391.88	7,351.65
				Public Defender	B-1	1,531.50	1,461.00
				Shade Tree	B-1	779.27	693.00
				POAA	B-1	1,160.79	1,712.00
				Verizon	B-1	100.00	100.00
				Police Donations	B-1	14,996.52	14,946.52
				Tax Sale Premiums	B-1	24,000.00	24,200.00
				Open Space Reserves	B-1	770,117.93	737,737.22
				Escrow Funds	B-1	214,055.37	470,091.02
				Refundable Deposits	B-1	177,500.00	177,500.00
Total Trust-Other Fund		<u>1,695,531.03</u>	<u>1,884,972.71</u>	Total Trust-Other Fund		<u>1,695,531.03</u>	<u>1,884,972.71</u>
		<u>\$ 1,703,670.72</u>	<u>\$ 1,894,112.19</u>			<u>\$ 1,703,670.72</u>	<u>\$ 1,894,112.19</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>DEC. 31, 2020</u>	<u>DEC. 31, 2019</u>
Cash and Investments - Treasurer	C-2	\$ 637,980.19	\$ 640,571.27
Grants Receivable	C-4	1,961,810.63	1,370,247.00
Deferred Charges to Future Taxation:			
Funded	C-6	3,238,000.00	783,000.00
Unfunded	C-7	<u>2,910,250.53</u>	<u>4,137,709.00</u>
		<u>\$ 8,748,041.35</u>	<u>\$ 6,931,527.27</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 3,238,000.00	\$ 783,000.00
Bond Anticipation Notes		-	804,000.00
Interfund Loans		-	285,836.87
Improvement Authorizations:			
Funded	C-8	1,419,534.88	59,114.04
Unfunded	C-8	1,536,415.24	2,827,100.07
Capital Improv. Fund	C-11	83.45	44,283.45
Reserve for Debt Service	C-12	22,773.39	22,773.39
Reserve for Encumbrances	C-8	1,140,296.39	696,793.69
Reserve for Grants Receivable	C-4a	1,143,661.63	1,310,247.00
Fund Balance	C-1	<u>247,276.37</u>	<u>98,378.76</u>
		<u>\$ 8,748,041.35</u>	<u>\$ 6,931,527.27</u>

There were Bonds and Notes Authorized but not Issued on December 31, 2020 and 2019 in the amounts of \$2,910,250.53 and \$3,283,659.00 respectively (Exhibit C-13).

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-1

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 98,378.76
Increased by:		
Premium on Bond Sale	C-2	<u>148,897.61</u>
Balance - December 31, 2020	C	<u><u>\$ 247,276.37</u></u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

ASSETS	REF.	2020	2019	LIABILITIES, RESERVES AND FUND BALANCE	REF.	2020	2019
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 851,758.31	\$ 839,275.74	Liabilities:			
		851,758.31	839,275.74	Appropriation Reserves	D-4, D-12	\$ 208,730.27	\$ 200,396.39
Receivables With Full Reserves:				Reserve for Encumbrances	D-4, D-12	57,972.31	66,220.30
Consumer Accounts Receivable	D-7	111,370.01	67,760.68	Accounts Payable	D-12	3,057.00	237.00
		111,370.01	67,760.68	Rent Overpayments	D-8	2,735.34	2,735.34
				Accrued Interest on Bonds & Notes	D-13	12,648.28	13,542.03
						285,143.20	283,131.06
				Reserve for Receivables	Reserve	111,370.01	67,760.68
				Fund Balance	D-1	566,615.11	556,144.68
Total Operating Fund		963,128.32	907,036.42	Total Operating Fund		963,128.32	907,036.42
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	23,865.17	26,365.46	Serial Bonds Payable	D-18	731,000.00	791,000.00
Loan Proceeds Receivable	D-9	153,006.00	153,006.00	Bond Anticipation Notes	D-19		175,000.00
Fixed Capital	D-10	6,783,866.92	6,783,866.92	Interfund Loan Payable	D-17	35,163.13	35,163.13
Fixed Capital - Authorized and				Reserve for Debt Service	D-20	9,897.42	9,897.42
Uncompleted	D-11	1,767,173.68	1,767,173.68	NJEIT Loans	D-21	646,305.52	668,566.06
				Improvement Authorizations			
				Funded	D-14	245,959.36	245,959.36
				Unfunded	D-14	1,207,450.55	1,207,700.09
				Reserve for Encumbrances	D-14	41,804.60	44,055.35
				Capital Improvement Fund	D-15	123.55	123.55
				Reserve for Amortization	D-16	5,777,360.44	5,520,099.90
				Fund Balance	D-2	32,847.20	32,847.20
Total Capital Fund		8,727,911.77	8,730,412.06	Total Capital Fund		8,727,911.77	8,730,412.06
		<u>\$ 9,691,040.09</u>	<u>\$ 9,637,448.48</u>			<u>\$ 9,691,040.09</u>	<u>\$ 9,637,448.48</u>

There were Bonds, Notes and Loan Agreements Authorized but not Issued at December 31, 2020 and 2019 in the amounts of \$1,396,374.64 and \$1,396,374.64, respectively . (D-22).

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-1

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Fund Balance	D-1, D-2	\$ 171,308.00	\$ 138,540.00
Water and Sewer Rents	D-3,D-7	1,232,752.85	1,276,118.80
Interest on Delinquencies	D-3,D-5	2,491.49	3,603.81
Interest on Investments	D-3,D-5	4,520.40	4,785.77
Non-Budget Revenues	D-5	135.40	
Unexpended Balance of Approp. Reserves	D-12	222,209.69	129,106.56
Total Revenues		<u>1,633,417.83</u>	<u>1,552,154.94</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	260,000.00	260,000.00
Other Expenses	D-4	839,200.00	854,740.00
Debt Service	D-4	303,031.40	261,701.18
Statutory Expenditures	D-4	49,408.00	47,200.00
Total Expenditures		<u>1,451,639.40</u>	<u>1,423,641.18</u>
Excess in Revenues		181,778.43	128,513.76
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>556,144.68</u>	<u>566,170.92</u>
		737,923.11	694,684.68
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>171,308.00</u>	<u>138,540.00</u>
Balance - December 31	D	<u><u>\$ 566,615.11</u></u>	<u><u>\$ 556,144.68</u></u>

Note: See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-2

WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2020 and 2019	D	<u>\$ 32,847.20</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-3

WATER AND SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	<u>2020 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance	D-1	\$ 171,308.00	\$ 171,308.00	
Water and Sewer Rents	D-1,D-7	1,276,000.00	1,232,752.85	\$ (43,247.15)
Interest on Delinquencies	D-1,D-5	3,600.00	2,491.49	(1,108.51)
Interest on Investments	D-1,D-5	4,700.00	4,520.40	(179.60)
		<u>\$ 1,455,608.00</u>	<u>\$ 1,411,072.74</u>	<u>\$ (44,535.26)</u>
	<u>REF</u>	D-4	D-1, D-5	

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-4

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 260,000.00	\$ 260,000.00	\$ 189,447.96		\$ 70,552.04	
Other Expenses	336,100.00	336,100.00	158,936.64	\$ 57,972.31	119,191.05	
Sewer Service Fee	362,000.00	375,500.00	375,438.92		61.08	
Group Insurance	104,000.00	90,500.00	79,657.01		10,842.99	
Workers Compensation Insurance	16,000.00	16,000.00	13,162.01		2,837.99	
Liability Insurance	21,100.00	21,100.00	21,100.00			
Debt Service:						
Payment of Bond Principal	60,000.00	60,000.00	60,000.00			
Payment of Bond Anticipation Note	175,000.00	175,000.00	175,000.00			
Interest on Bonds	30,000.00	30,000.00	28,492.49			\$ 1,507.51
Interest on Notes	3,300.00	3,300.00	1,716.60			1,583.40
NJEIT Principal, Interest & Fee	38,700.00	38,700.00	37,822.31			877.69
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	29,408.00	29,408.00	29,408.00			
Social Security System (O.A.S.I.)	20,000.00	20,000.00	14,754.88		5,245.12	
Total Water & Sewer Utility Appropriations	<u>\$ 1,455,608.00</u>	<u>\$ 1,455,608.00</u>	<u>\$ 1,184,936.82</u>	<u>\$ 57,972.31</u>	<u>\$ 208,730.27</u>	<u>\$ 3,968.60</u>
	REF.	D-3		D,D-1	D, D-1	
Disbursed	D-5		\$ 1,156,444.33			
Accrued Interest on Bonds and Notes	D-13		28,492.49			
			<u>\$ 1,184,936.82</u>			

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

E

PAYROLL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF.</u>	<u>2020</u>	<u>2019</u>
Cash and Investments - Treasurer	E-1	<u>\$ 14,556.84</u>	<u>\$ 3,687.35</u>
		<u><u>\$ 14,556.84</u></u>	<u><u>\$ 3,687.35</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Payroll Deductions Payable	E-1	<u>\$ 14,556.84</u>	<u>\$ 3,687.35</u>
		<u><u>\$ 14,556.84</u></u>	<u><u>\$ 3,687.35</u></u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

F

STATEMENT OF GOVERNMENTAL FIXED ASSETS
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Governmental Fixed Assets:				
Land/Buildings	\$ 8,959,300.00			\$ 8,959,300.00
Equipment	2,430,464.95	\$ 385,502.00	\$ 664,721.95	2,151,245.00
Total Governmental Fixed Assets	<u>\$ 11,389,764.95</u>	<u>\$ 385,502.00</u>	<u>\$ 664,721.95</u>	<u>\$ 11,110,545.00</u>
Investment in Governmental Fixed Assets	<u>\$ 11,389,764.95</u>	<u>\$ 385,502.00</u>	<u>\$ 664,721.95</u>	<u>\$ 11,110,545.00</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. Description of Funds (Cont'd.)

Police Department Donations
Affordable Housing
Parking Offense Adjudication Act (P.L.1989, c.137)

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

C. Basis of Accounting (Cont'd.)

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.

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

C. Basis of Accounting (Cont'd.)

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

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

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

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

C. Basis of Accounting (Cont'd.)

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.

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

C. Basis of Accounting (Cont'd.)

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.

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. 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

C. Basis of Accounting (Cont'd.)

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 within a subsequent Note to the financial statements.

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts.

Since the Borough does not follow generally accepted accounting principles, the GASBs did not result in a change in the Borough's assets, liabilities and contribution requirements. However, they did result in additional note disclosures as required by the GASBs. The audited financial information related to pensions is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the State of New Jersey Department of Community Affairs, Division of Local Government Services (DLGS) issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the DLGS discretion to permit the most recent available audited GASB 68 financial information to be incorporated into the audited financial statements. As a result, the latest available audited information is presented within Note 10 to the financial statements.

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.

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.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Changes in Long-Term Debt During Current Period

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
General:				
Bonds Payable	\$ 783,000.00	\$ 2,515,000.00	\$ 60,000.00	\$ 3,238,000.00
Bond Anticipation Notes	804,000.00		804,000.00	-
Total General	<u>1,587,000.00</u>	<u>2,515,000.00</u>	<u>864,000.00</u>	<u>3,238,000.00</u>
Water & Sewer Utility:				
Bonds Payable	791,000.00		60,000.00	731,000.00
Notes Payable	175,000.00		175,000.00	-
Loans Payable - NJEIT	668,566.06		22,260.54	646,305.52
Total Water & Sewer Utility	<u>1,634,566.06</u>	<u>-</u>	<u>257,260.54</u>	<u>1,377,305.52</u>
Grand Totals	<u>\$ 3,221,566.06</u>	<u>\$ 2,515,000.00</u>	<u>\$ 1,121,260.54</u>	<u>\$ 4,615,305.52</u>

B. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2020</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
<u>Issued:</u>			
General:			
Bonds & Notes	\$ 3,238,000.00	\$ 1,587,000.00	\$ 1,277,000.00
Water & Sewer Util:			
Bonds, Notes & Loans	<u>1,377,305.52</u>	<u>1,634,566.06</u>	<u>1,680,053.63</u>
Total Debt Issued	<u>4,615,305.52</u>	<u>3,221,566.06</u>	<u>2,957,053.63</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds & Notes	2,910,250.53	3,283,659.00	1,639,612.61
Water & Sewer Util:			
Bonds & Notes	<u>1,396,374.64</u>	<u>1,396,374.64</u>	<u>1,571,374.64</u>
Total Authorized but not Issued	<u>4,306,625.17</u>	<u>4,680,033.64</u>	<u>3,210,987.25</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>\$ 8,921,930.69</u>	<u>\$ 7,901,599.70</u>	<u>\$ 6,168,040.88</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. Summary of Municipal Debt for Capital Projects

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
\$1,148,000 General Improvement Bonds Series 2010, due in annual installments of \$300,000 to \$83,000 through July 15, 2030, interest at 3.250% to 4.000%	\$ 723,000.00	\$ 783,000.00
\$224,000, Bond Anticipation Notes issued August 27, 2019, due August 27, 2020 at interest at 2.090% The notes were originally issued on December 28, 2018		224,000.00
\$580,000 Bond Anticipation Notes issued December 30, 2019, due August 27, 2020 at 1.490%.		580,000.00
\$2,515,000 General Improvement Bonds Series 2020, due in annual installments of \$175,000 to \$250,000 through August 15, 2032, interest at 1.125% to 3.000%	2,515,000.00	
Total General Debt	<u>3,238,000.00</u>	<u>1,587,000.00</u>
<u>Utility Debt:</u>		
\$1,366,000 Water & Sewer Utility Bonds Series 2010, due in annual installments of \$60,000 to \$86,000 through July 15, 2030, interest at 3.250% to 4.000%	731,000.00	791,000.00
\$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	347,375.39	359,317.01
\$628,385 NJEIT Project Loans, consisting of \$473,385 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	298,930.13	309,249.05
\$175,000, Bond Anticipation Notes issued December 30, 2019, due August 27, 2020 at interest of 1.490% The notes were originally issued on December 30, 2019		175,000.00
Total Utility Debt	<u>1,377,305.52</u>	<u>1,634,566.06</u>
Total Debt Issued and Outstanding	<u>\$ 4,615,305.52</u>	<u>\$ 3,221,566.06</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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>2020</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 39,095,000.00	\$ 39,095,000.00	\$ -
Water & Sewer Utility Debt	2,773,680.16	1,965,054.96	808,625.20
General Debt	<u>6,148,250.53</u>	<u>22,773.39</u>	<u>6,125,477.14</u>
	<u>\$ 48,016,930.69</u>	<u>\$ 41,082,828.35</u>	<u>\$ 6,934,102.34</u>

Net Debt -	\$ 6,934,102.34	Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
\$ 512,266,431.67	equals	<u>1.354%</u>

2020 Equalized Valuation Basis

2018 Equalized Valuation Basis of Real Property	\$ 509,949,222.00
2019 Equalized Valuation Basis of Real Property	510,560,663.00
2020 Equalized Valuation Basis of Real Property	<u>516,289,410.00</u>
Average Equalized Valuation	<u>\$ 512,266,431.67</u>

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

3 ½% of Equalized Valuation Basis Municipal	\$ 17,929,325.11
Net Debt	<u>6,934,102.34</u>
Remaining Borrowing Power	<u>\$ 10,995,222.77</u>

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>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$4,350,818.73	\$4,350,818.73	\$ -
Water & Sewer Utility Debt	3,030,940.70	3,019,084.70	11,856.00
General Debt	<u>4,870,659.00</u>	<u>22,773.39</u>	<u>4,847,885.61</u>
	<u>\$12,252,418.43</u>	<u>\$7,392,676.82</u>	<u>\$4,859,741.61</u>

Net Debt -	\$ 4,859,741.61	Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amend
\$ 506,202,000.00	equals	<u>0.960%</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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

2019 Equalized Valuation Basis

2017 Equalized Valuation Basis of Real Property	\$ 498,096,115.00
2018 Equalized Valuation Basis of Real Property	509,949,222.00
2019 Equalized Valuation Basis of Real Property	<u>510,560,663.00</u>
Average Equalized Valuation	<u>\$ 506,202,000.00</u>

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

3 1/2% of Equalized Valuation Basis Municipal	17,717,070.00
Net Debt	<u>4,882,515.00</u>
Remaining Borrowing Power	<u>\$ 12,834,555.00</u>

Calculation of "Self-Liquidating Purpose"

Water and Sewer Utility Per N.J.S.A. 40A:2-45

2020

40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other	
Charges for Year	\$ 1,411,208.14
Deductions:	
Operating & Maintenance Cost	\$ 1,148,608.00
Debt Service Per Water and Sewer Account	<u>303,031.40</u>
Total Deductions	<u>1,451,639.40</u>
Excess/(Deficit) in Revenues	(40,431.26)
Deficit Capitalized at 5%	<u>(808,625.20)</u>
Deduction: Gross Debt less Capitalized Deficit	<u>\$ 1,965,054.96</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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

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

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

Excess in Revenues - Cash Basis (D-1)	\$ 181,778.43
Less:	
Unexpended Balance of Appropriation Reserves	<u>222,209.69</u>
Excess/ (Deficit) in Revenues	<u>\$ (40,431.26)</u>

Calculation of "Self-Liquidating Purpose"

Water and Sewer Utility Per N.J.S.A. 40A:2-45

2019

40A:2-45 is as follows:

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,423,048.38
Deductions:	
Operating & Maintenance Cost	\$ 1,161,940.00
Debt Service Per Water and Sewer Account	<u>261,701.18</u>
Total Deductions	<u>1,423,641.18</u>
Excess/(Deficit) in Revenues	(592.80)
Deficit Capitalized at 5%	<u>(11,856.00)</u>
Deduction: Gross Debt less Capitalized Deficit	<u>\$ 3,019,084.70</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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

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

The difference between the deficit 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)	\$ 128,513.76
Less:	
Unexpended Balance of Appropriation Reserves	129,106.56
Excess/ (Deficit) in Revenues	<u>\$ (592.80)</u>

C. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2020

Calendar Year	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2021	\$ 235,000.00	\$ 81,613.75			\$ 316,613.75
2022	245,000.00	76,163.75	\$ 60,000.00	\$ 26,621.25	407,785.00
2023	255,000.00	70,288.75	65,000.00	24,508.75	414,797.50
2024	265,000.00	64,132.50	65,000.00	22,193.13	416,325.63
2025	270,000.00	# 55,745.00	70,000.00	19,746.25	415,491.25
Subtotal	1,270,000.00	347,943.75	260,000.00	93,069.38	1,971,013.13
2026	280,000.00	47,120.00	70,000.00	17,165.00	414,285.00
2027	285,000.00	38,063.75	75,000.00	14,399.38	412,463.13
2028	295,000.00	28,857.50	75,000.00	11,493.13	410,350.63
2029	300,000.00	21,357.50	80,000.00	8,440.00	409,797.50
2030	308,000.00	# 13,757.50	85,000.00	5,140.00	411,897.50
Subtotal	1,468,000.00	149,156.25	385,000.00	56,637.51	2,058,793.76
		#	#	#	
2031	250,000.00	5,937.50	86,000.00	1,720.00	343,657.50
2032	250,000.00	3,125.00			253,125.00
Subtotal	500,000.00	9,062.50	86,000.00	1,720.00	596,782.50
	<u>\$ 3,238,000.00</u>	<u>\$ 506,162.50</u>	<u>\$ 731,000.00</u>	<u>\$ 151,426.89</u>	<u>\$ 4,626,589.39</u>

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020

Calendar Year	Principal	Interest	Total
2021	\$ 22,260.54	\$ 14,050.00	\$ 36,310.54
2022	22,260.54	13,550.00	35,810.54
2023	22,260.54	13,050.00	35,310.54
2024	22,260.54	12,550.00	34,810.54
2025	<u>22,260.54</u>	<u>12,050.00</u>	<u>34,310.54</u>
Subtotal	<u>111,302.70</u>	<u>65,250.00</u>	<u>176,552.70</u>
2026	22,260.54	11,550.00	33,810.54
2027	22,260.54	11,050.00	33,310.54
2028	22,260.54	10,600.00	32,860.54
2029	22,260.54	10,200.00	32,460.54
2030	<u>22,260.54</u>	<u>9,800.00</u>	<u>32,060.54</u>
Subtotal	<u>111,302.70</u>	<u>53,200.00</u>	<u>164,502.70</u>
2031-2035	116,302.70	43,000.00	159,302.70
2036-2040	136,302.70	30,000.00	166,302.70
2041-2045	125,137.59	15,000.00	140,137.59
2046-2048	<u>45,957.13</u>	<u>2,400.00</u>	<u>48,357.13</u>
Subtotal	<u>423,700.12</u>	<u>90,400.00</u>	<u>514,100.12</u>
Totals	\$ <u><u>646,305.52</u></u>	\$ <u><u>208,850.00</u></u>	\$ <u><u>855,155.52</u></u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 4: GOVERNMENTAL FIXED ASSETS

At December 31, 2020 and 2019, the Borough's governmental fixed assets consisted of:

	Balance Dec. 31, 2019	Additions	Deletions	Balance Dec. 31, 2020
Land and Buildings	\$ 8,959,300.00			\$ 8,959,300.00
Equipment	2,430,464.95	\$ 385,502.00	\$ 664,721.95	2,151,245.00
	<u>\$ 11,389,764.95</u>	<u>\$ 385,502.00</u>	<u>\$ 664,721.95</u>	<u>\$ 11,110,545.00</u>

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, 2020 and 2019 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2020 and 2019 were as follows:

	Balance December 31, 2019	Utilized in 2020 Budget	Balance December 31, 2020	Utilized in 2021 Budget
Current Fund	\$ 538,802.18	\$ 366,915.00	\$ 722,919.12	\$ 438,915.25
Water and Sewer Operating Fund	556,144.68	171,308.00	566,615.11	158,464.21

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020, there was a deferred charge in the Current Fund in the amount of \$23,300.00 resulting from an emergency authorization in 2020 that is required to be raised in the budget of the succeeding year. At December 31, 2019, 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, 2020 and 2019 were as follows:

	Balance December 31, 2019	Increases	Balance December 31, 2020
Land and Buildings	\$ 501,677.31		\$ 501,677.31
Water and Sewer Systems	6,208,597.79		6,208,597.79
Capitalized Interest	3,703.82		3,703.82
Vehicles	69,888.00	-	69,888.00
	<u>\$ 6,783,866.92</u>	<u>-</u>	<u>\$ 6,783,866.92</u>

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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

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

At December 31, 2020 and 2019, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash (Demand Accts.)	\$ 5,611,437.20	\$ 4,726,559.33
Change Fund (On-Hand)	<u>200.00</u>	<u>200.00</u>
Total	<u>\$ 5,611,637.20</u>	<u>\$ 4,726,759.33</u>

Based upon GASB criteria, the Borough considers change funds, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2020 and 2019, carrying amounts of the Borough's deposits were \$5,611,437.20 and \$4,726,559.33, respectively. The book balances were \$5,275,935.54 and \$4,558,794.98 respectively. Of the bank balance, \$250,000.00 was covered by Federal depository insurance for each year and \$5,361,437.20 and \$4,476,559.33 was covered under the provisions of NJGUDPA for the years ended December 31, 2020 and 2019, respectively.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2020 and 2019, 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), 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. Public Employees' Retirement System(PERS) - 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 local jurisdiction's pension fund.

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020 and 2019:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	182,492	178,748
Inactive plan members entitled to but not yet receiving benefits	942	609
Active plan members	249,045	252,598
 Total	 432,479	 431,955
 Contributing Employers -	 1,691	 1,697
Contributing Non-employers -	1	1

Significant Legislation

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

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

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

For the year ended December 31, 2020, the Borough's total payroll for all employees was \$1,676,307.26 and total PERS covered payroll was \$825,426. For the year ended December 31, 2019, the Borough's total payroll for all employees was \$1,426,065.51 and total PERS covered payroll was \$705,853. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A 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 2019 and 7.5% for State fiscal year 2020, commencing July 1, 2019. The most recent increase completed the phase-in referred to above. Employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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 during the years ending December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 9,045	\$ 13,348
Amortization of Accrued Liability	<u>83,700</u>	<u>88,612</u>
Total Pension	92,745	101,960
NCGI Premiums	<u>4,998</u>	<u>4,857</u>
Total Regular Billing	97,743	106,817
LTD Premium	<u>285</u>	<u>475</u>
Total PERS Payment	<u>\$ 98,028</u>	<u>\$ 107,292</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 medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (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 8, 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 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 for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2020, the PERS reported a net pension liability of \$16,307,384,832 for its Local (Non-State) Non-Special Funding Situation 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 \$1,582,992 or 0.009707211%.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – The following presents a summary of the proportionate share of the State of New Jersey's changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Borough for the year ended June 30, 2020 had GASB #68 been followed:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflow of Resources</u>
Difference between expected and actual experience	\$ 5,598	\$ 28,824
Changes in assumptions	662,814	51,354
Changes in Proportion	162,030	64,067
Net difference between projected and actual investment earnings	-	54,108
Borough contribution subsequent to measurement date	106,192	-
Totals	<u>\$ 936,634</u>	<u>\$ 198,353</u>

The \$106,192 of deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2021. Other Amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows had GASB #68 been followed:

2021	\$(220,507)
2022	(209,036)
2023	(132,496)
2024	(59,111)
2025	<u>(10,939)</u>
	<u>\$(632,089)</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

Actuarial Assumptions- The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 31, 2019, which was rolled to forward June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation Rate - Prices	2.75%
Inflation Rate - Wages	3.25%
Salary Increases through 2026	2.00-6.00% Based on years of service
Thereafter	3.00-7.00% Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with an 91.4% adjustment for males and a 97.7% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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, 2020) 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, 2020 are summarized in the following table:

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2020 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

Sensitivity of Net Pension Liability – the following presents the net pension liability of the participating employers as of June 30, 2020 using the discount rates as disclosed above as well as what the 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 (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State	\$ 25,353,758,472	\$ 22,223,967,525	\$ 19,576,310,991
Local	20,689,699,233	16,435,616,426	12,825,910,903
PERS Plan Total	<u>\$ 46,043,457,705</u>	<u>\$ 38,659,583,951</u>	<u>\$ 32,402,221,894</u>
Borough Share	\$ 1,992,723	\$ 1,582,992	\$ 1,235,324

*- Local Share includes \$128,231,594 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 PERS, including the State of New Jersey, at June 30, 2020 was as follows:

Total Pension Liability	\$ 28,272,160,382	\$ 39,432,792,871	\$ 67,704,953,253
Plan Fiduciary Net Position	<u>6,048,192,857</u>	<u>22,997,176,445</u>	<u>29,045,369,302</u>
Net Pension Liability	<u>\$ 22,223,967,525</u>	<u>\$ 16,435,616,426</u>	<u>\$ 38,659,583,951</u>

Collective deferred outflows of resources	\$ 2,347,583,337
Collective deferred inflows of resources	7,849,949,467.00
Collective net pension liability - Local Group	16,435,616,426

Borough's Proportion 0.009707211%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 was \$407,705,399 and \$974,471,686, respectively. The average of the expected remaining service lives of all plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd.)

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are \$1,144,889,253 and \$1,038,892,124, 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, 2020:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	45,537	44,567
Inactive plan members entitled to but not yet receiving benefits	65	42
Active plan members	42,520	42,295
Total	88,122	86,904
Contributing Employers -	582	584
Contributing Non-employers -	1	1

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

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

The State Legislature adopted L. 2018, c. 55 in July 2018, which transferred management of PFRS from the New Jersey Department of Treasury, Division of Pensions and Benefits to a newly constituted twelve-member PFRS Board of Trustees. The new PFRS Board, which was established in February 2019 per the legislation, has more power and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the new PFRS Board will also have the authority to direct investment decisions, to adjust current benefit levels and to change member and employer contribution rates. With regard to changes in current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the new PFRS Board. Also, benefit enhancement can only be made if an independent actuary certifies that the benefit enhancements will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of COLA for retirees, could only be considered when the funded level of the pension fund reaches 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

In accordance with L. 2018, c. 55, the new PFRS Board will also have the authority to formulate investment policies and direct the investment activities of the PFRS. The PFRS Board has proposed regulations for adoption governing the methods, practices, and procedures for investment or reinvestments of money of PFRS.

For the year ended December 31, 2020, the Borough's total payroll for all employees was \$1,676,307.26. Total PFRS covered payroll was \$371,039. 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 \$37,103.90 for 2020.

For the year ended December 31, 2019, the Borough's total payroll for all employees was \$1,426,066. Total PFRS covered payroll was \$340,702. 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 \$34,070.20 for 2019.

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

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

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, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Normal Cost	\$ 29,036	\$ 27,104
Amortization of Accrued Liability	<u>56,991</u>	<u>55,969</u>
Total Pension	86,027	83,073
NCGI Premiums	<u>4,156</u>	<u>3,280</u>
Total Regular Billing	<u>90,183</u>	<u>86,353</u>
Total PFRS Payment	<u>\$ 90,183</u>	<u>\$ 86,353</u>

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

The following represents the membership tiers for PFRS:

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

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

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

At June 30, 2020, the PFRS reported a net pension liability of \$12,921,318,904 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 \$1,172,780, or 0.0090763199%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation-Prices	2.75%
Inflation-Wages	3.25%
Salary Increases-all future years	3.25-15.25% Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and a 102.5% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with an 96.7% adjustment for males and a 96.0% adjustment for females, with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with an 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liabilities of PFRS was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2020 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10: PENSION AND RETIREMENT 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, 2020, 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:

	(6.00%)	(7.00%)	(8.00%)
State	\$ 4,998,864,901	\$ 4,299,009,951	\$ 3,717,851,603
Local	19,849,370,425	14,926,648,722	10,837,952,259
 PERS Plan Total	 \$ 24,848,235,326	 \$ 19,225,658,673	 \$ 14,555,803,862
 Borough Share	 \$ 1,559,556	 \$ 1,172,780	 \$ 851,533

*- Local Share includes \$2,005,329,818 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, 2020 is as follows:

Total Pension Liability	\$ 5,717,806,071	\$ 40,919,980,447	\$ 46,637,786,518
Plan Fiduciary Net Position	1,418,796,120	25,993,331,725	27,412,127,845
Net Pension Liability	\$ 4,299,009,951	\$ 14,926,648,722	\$ 19,225,658,673

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the Borough's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources had GASB #68 been followed:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 4,209	\$ 11,824
Changes in assumptions	314,415	2,951
Changes in Proportion	19,503	134,579
Net difference between projected and actual investment earnings	-	68,766
Borough contribution subsequent to measurement date	101,398	-
Totals	<u>\$ 439,525</u>	<u>\$ 218,120</u>

The \$101,398 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows had GASB #68 been followed:

Year Ending June 30:	<u>Amount</u>
2021	\$ (86,576)
2022	(25,674)
2023	20,830
2024	(21,016)
2025	(7,571)
	<u>\$ (120,007)</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

Additional Information

Collective balances at June 30, 2020:

Collective deferred outflows of resources	\$ 1,601,195,680
Collective deferred inflows of resources	4,191,274,402
Collective net pension liability - Local Group	14,926,648,722
Borough's Proportion	0.009707211%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 : 2019 was \$407,705,399 and \$974,471,686, respectively. The average of the expected remaining service lives of plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP) includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are \$1,194,176,430 and \$1,105,874,849, 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (Cont'd.)

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the years ended June 30, 2020 was \$154,309,000. The portion of that contribution allocated to the Borough in 2020 was \$14,606, or 0.0090763199%. The June 30, 2020 State special funding situation pension expense of \$227,263,993 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 \$2,005,329,818 at June 30, 2020 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, 2020 and its share of the special funding situation NPL at that date were \$20,627 and \$182,010, respectively.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The Division has selected Prudential Financial to manage the DCRP on its behalf. 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.

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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

Information relating to the Borough's participation in the DCRP for 2020 and 2019 is as follows:

	<u>Year 2020</u>	<u>Year 2019</u>
DCRP Covered Payroll	\$ 108,763	\$ 161,487
Employer Contributions	3,698	4,845
Employee Contributions	5,022	8,882

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>2020 Data</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 1,582,992	\$ 304,545	\$ 830,545	\$ 73,923
PFRS	1,172,780	319,518	338,127	103,023
Total	<u>\$ 2,755,772</u>	<u>\$ 624,063</u>	<u>\$ 1,168,672</u>	<u>\$ 176,946</u>

<u>2019 Data</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 1,810,582	\$ 418,409	\$ 798,803	\$ 103,975
PFRS	1,092,596	319,582	427,965	138,121
	<u>\$ 2,903,178</u>	<u>\$ 737,991</u>	<u>\$ 1,226,768</u>	<u>\$ 242,096</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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

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: OTHER POST RETIREMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 12: OTHER POST RETIREMENT BENEFITS (CONT'D.)

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage.

Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

As the Borough 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.

The following information has been from the New Jersey State Health Benefits Local Government Retired Employees Plan audit at June 30, 2019 and is the latest available information applicable to year-end December 31, 2020 financial reporting.

Plan Membership and Contributing Employers:

Plan membership and contributing employers/nonemployers consisted of the following at June 30, 2019:

Inactive plan members or beneficiaries currently receiving benefit:	27,871
Active plan members	<u>63,032</u>
Total PERS Payment	<u>90,903</u>
Contributing employers	590
Contributing nonemployers	1

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 12: OTHER POST RETIREMENT BENEFITS (CONT'D.)

Components of Plan OPEB Liability:

The State of New Jersey's Total OPEB Liability and Net OPEB Liability for the Plan at June 30, 2019, was as follows:

	<u>2019</u>
Total OPEB Liability	\$ 13,819,244,582
Plan Fiduciary Net Position	<u>273,173,482</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%

The Net OPEB Liability at June 30, 2019 can be further broken down into its special funding and non-special funding components as follows:

	<u>Year 2019</u>
Special Funding Situation	\$ 5,525,718,739
Non-special Funding Situation	<u>8,020,352,361</u>
Total Net OPEB Liability	<u>\$ 13,546,071,100</u>

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

	<u>2019</u>
Non-special Funding Situation:	
Plan Net OPEB Liability	\$ 8,020,352,361
Pennington Allocations:	
Net OPEB Liability	2,907,122
Allocation Percentage	0.036247 %
Borough Plan Participants	24

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 12: OTHER POST RETIREMENT BENEFITS (CONT'D.)

Actuarial Assumptions:

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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:

Salary Increases*:

Public Employees' Retirement System (PERS)

Initial fiscal year applied

Rate through 2026 2.00% to 6.00%

Rate thereafter 3.00% to 7.00%

Police and Fireman's Retirement System (PFRS)

Rate for all future years 3.25% to 15.25%

Mortality:

PERS

Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

PFRS

Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Healthcare Trend Assumptions:

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate:

The discount rate for June 30, 2019 was 3.50%. 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.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 12: POST RETIREMENT BENEFITS OTHER THAN PENSIONS-HEALTH BENEFITS (CONT'D.)

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

The following presents the collective net OPEB liability as of June 30, 2019, 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:

	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
Total Net OPEB Liability	\$ 15,662,704,137	\$ 13,546,071,000	\$ 11,826,026,995
Pennington's Share (Nonspecial Funding Situation)	\$ 3,361,373	\$ 2,907,122	\$ 2,537,983

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, 2019, calculated using the healthcare trend rates 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:

	1% Decrease	Trend Rate	1% Increase
Total Net OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,000	\$ 16,243,926,531
Pennington's Share (Nonspecial Funding Situation)	\$ 2,453,253	\$ 2,907,122	\$ 3,486,109

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, 2020 after any reductions due to fiscal year 2020 amortization:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings on Plan assets	\$ 2,395	
Change in proportion	379,416	\$ 992,266
Difference between expected and actual experience		850,156
Change in assumptions		1,030,219
Pennington's Share (Nonspecial Funding Situation)	381,811	
	<u>\$ 763,622</u>	<u>\$ 2,872,641</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**Note 12: POST RETIREMENT BENEFITS OTHER THAN PENSIONS-HEALTH BENEFITS
(CONT'D.)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows had GASB #75 been followed:

2020	\$	414,379
2021		414,380
2022		414,571
2023		414,927
2024		415,162
Thereafter		<u>415,877</u>
Total	\$	<u>2,489,296</u>

Changes in Total and Net OPEB Liability

	Total OPEB Liability
	<u>2019</u>
Balance - Beginning of Year (June 30 measurement date)	\$ 15,981,103,227
Changes for Year:	
Service Cost	666,574,660
Interest	636,082,461
Change in Benefit Terms	(1,903,958)
Difference between Actual and Expected Experience	(1,399,921,930)
Changes in Assumptions	(1,635,760,217)
Contributions - Members	43,249,952
Benefit Payments	<u>(470,179,613)</u>
Net Change in Total OPEB Liability	<u>(2,161,858,645)</u>
Balance - End of Year	<u>\$ 13,819,244,582</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

**Note 12: POST RETIREMENT BENEFITS OTHER THAN PENSIONS-HEALTH BENEFITS
(CONT'D.)**

Contributions: Employers	\$ 346,415,056
Contributions: Non-employer contributing entities	43,854,500
Contributions: Members	43,249,952
Net investment Income	4,826,936
Gross Benefits Payments	(470,179,613)
Administrative Expenses	(9,478,435)
Net Change in Plan Fiduciary Net Position	(41,311,604)
Plan Fiduciary Net Position - Beginning	314,485,086
Plan Fiduciary Net Position - Ending	\$ 273,173,482
Net OPEB Liability - Ending	\$ 13,546,071,100
Plan Fiduciary Net Position as % of OPEB Liability	1.98%
Covered Employee Payroll	\$ 4,801,667,470
Net OPEB Liability as a Percentage of Payroll	282%

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 \$17,314.70 and \$16,975.20 at December 31, 2020 and 2019, respectively.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 severally obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, law enforcement liability and workers' compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2020. 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, 2020, the fund provided coverage for Property, Boiler & Machinery, Auto Physical Damage, Blanket Bond, Auto Liability, General Liability, Excess Liability, Workers Compensation, Public Official Liability and Employers Liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees

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

Note 16: INTERFUNDS

The following Interfund balances remained on the balance sheets at December 31, 2020 and 2019:

<u>Fund</u>	<u>2020</u>		<u>2019</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund			\$ 52,602.06	
Grant Fund	\$ 35,163.43		131,000.00	
Trust - Other Fund			140,000.00	
Animal Control Trust Fund				\$ 2,602.06
General Capital Fund				285,836.87
Water & Sewer Capital Fund		\$ 35,163.43		35,163.13
Total	<u>\$ 35,163.43</u>	<u>\$ 35,163.43</u>	<u>\$ 323,602.06</u>	<u>\$ 323,602.06</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019 is as follows:

<u>Year</u>	<u>Total Payments</u>
2020	\$ 100,000.00
Total Payments	<u>\$ 100,000.00</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, 2019 is as follows:

<u>Year</u>	<u>Total Payments</u>
2020	\$ 100,000.00
Total Payments	<u>\$ 100,000.00</u>

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, 2020, the Borough does not believe that any material liabilities will result from such audits, if conducted.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 18: COMMITMENTS AND CONTINGENCIES (Cont'd)

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: LONG TERM TAX EXEMPTIONS

The Borough has not authorized nor are there any existing long term tax exemptions within the Borough.

Note 20: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after December 31, 2020 through the date which the financial statements were available to be issued. Based on this evaluation, the Borough has determined the following subsequent event has occurred which requires disclosure in the financial statements.

The COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Borough's economically sensitive revenues (i.e. property taxes, water and sewer utility collections, licenses and fees, interest earnings, state and federal aid) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the Borough's expenditures for public safety and health service functions may continue to increase. Given the continued uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Borough's financial position at this time.

Subsequent to year-end, the Borough adopted bond ordinances, as follows:

Ord. 2021-4: Improvements to East Welling Avenue appropriating \$710,000.00 and authorizing the issuance of bonds or notes in the amount of \$100,000.00, adopted May 7, 2021.

Ord. 2021-10: Acquisition of Equipment and Upgrades for the Police Department appropriating \$107,000.00 and authorizing the issuance of bonds or notes in the amount of \$53,200.00, adopted August 2, 2021.

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

**PART II
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2020**

Current Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-4

CURRENT AND GRANT FUNDS
SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2020

	REF.	CURRENT FUND	GRANT FUND
Balance - December 31, 2019	A	\$ 989,459.03	\$ 305,123.94
Increased by Receipts:			
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	\$ 9,000.00	
Taxes Receivable	A-6	14,263,142.37	
CARES Act Reimbursement Revenue	A-2	42,120.00	
Tax Overpayments	A-15	15,796.23	
Revenue Accounts Receivable	A-10	622,088.72	
Interfund Loans Received/Returned	A-12, A-18	1,689,365.76	\$ 347,129.08
Prepaid Property Taxes	A-14	103,531.52	
Various Payables and Reserves	A-16	16,222.00	
State and Federal Grants Receivable	A-17		399,683.37
State and Federal Grants - Unappropriated	A-20		5,333.08
		16,761,266.60	752,145.53
		\$ 17,750,725.63	\$ 1,057,269.47
Decreased by Disbursements:			
Budget Expenditures	A-3	3,046,568.57	
2019 Appropriation Reserves	A-13	67,262.83	
Taxes Payable to Other Govts.	A-11	11,737,950.17	
Interfund Loans Disbursed/Returned	A-12 ,A-18	1,636,763.70	251,292.21
Various Payables and Reserves	A-16	2,571.00	
Reserve for State and Federal Grants Appropriated	A-19		21,426.96
		16,491,116.27	272,719.17
Balance - December 31, 2020	A	\$ 1,259,609.36	\$ 784,550.30

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-5

CURRENT FUND
STATEMENT OF CHANGE FUNDS
DECEMBER 31, 2020

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Tax Collector	<u>\$200.00</u>	<u>\$200.00</u>
	<u>\$200.00</u>	<u>\$200.00</u>
<u>REF.</u>	A	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-6

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
FOR THE YEAR ENDED DECEMBER 31, 2020

YEAR	BALANCE DEC. 31, 2019	2020 LEVY	COLLECTIONS BY CASH		STATE SHARE OF SR. CIT & VET. DEDUCTIONS	ADJUSTED REMITTED OR CANCELLED	BALANCE DEC. 31, 2020
			2019	2020			
2019	\$ 199,974.40			\$ 200,164.45		\$ (190.05)	
	199,974.40			200,164.45		(190.05)	
2020		\$ 14,324,026.34	\$ 98,792.03	14,062,977.92	\$ 9,000.00	828.50	\$ 152,427.89
	<u>\$ 199,974.40</u>	<u>\$ 14,324,026.34</u>	<u>\$ 98,792.03</u>	<u>\$ 14,263,142.37</u>	<u>\$ 9,000.00</u>	<u>\$ 638.45</u>	<u>\$ 152,427.89</u>
REF.	A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A

Analysis of 2020 Property Tax Levy:

Tax Yield:

Ref.

General Purpose	\$ 14,107,103.34
Special District Taxes	<u>216,923.00</u>
	<u>\$ 14,324,026.34</u>

Tax Levy:

Regional School Tax (Abstract)	A-11	\$ 8,289,804.00
Special District Tax	A-11	216,923.00
County Tax (Abstract)	A-11	3,001,661.91
County Open Space Tax (Abstract)	A-11	129,926.54
Added County Tax	A-11	<u>14,734.30</u>
		\$ 11,653,049.75
Local Open Space Tax	A-2	51,098.47
Local Tax for Mun. Purposes (Abstract)	A-2	2,401,628.07
Minimum Library Tax	A-2	170,799.54
Add: Additional Tax Levied		<u>47,450.51</u>
		2,670,976.59
		<u>\$ 14,324,026.34</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-7

CURRENT FUND
 SCHEDULE OF DUE FROM STATE OF NEW JERSEY
 PER CH. 73, P.L. 1976 - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	A	\$3,949.20
Increased by:		
Deductions Allowed by Tax Billings	Below	<u>\$ 9,000.00</u> 9,000.00
		12,949.20
Decreased by:		
Collection	A-4	<u>9,000.00</u> 9,000.00
Balance - December 31, 2020	A	<u><u>\$3,949.20</u></u>
<u>Analysis of Realized Revenue for 2020:</u>		
Deductions Allowed Per Tax Billings	Above	<u>\$9,000.00</u>
Realized as Revenue - 2020	A-6	<u><u>\$9,000.00</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-8

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)
DECEMBER 31, 2020

REF.

Balance - December 31, 2020 and 2019	A	<u><u>\$17,810.00</u></u>
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A-9

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
FOR THE YEAR ENDED DECEMBER 31, 2020

REF.

Balance - December 31, 2020 and 2019	A	<u><u>\$7,943.05</u></u>
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BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-10

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Anticipated Miscellaneous Revenues:</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2019</u>	<u>ACCRUED IN 2020</u>	<u>COLLECTED</u>	<u>BALANCE DEC. 31, 2020</u>
Fees and Permits	A-2		\$ 3,457.00	\$ 3,457.00	
Fines and Costs - Municipal Court	A-2	\$ 7,739.33	32,866.11	38,221.06	\$ 2,384.38
Interest and Costs on Taxes	A-2		43,158.52	43,158.52	
Interest on Investments and Deposits	A-2		13,029.73	13,029.73	
Trash Collection Fees	A-2		42,679.00	42,679.00	
Energy Receipts Taxes	A-2		187,581.00	187,581.00	
Uniform Construction Code Fees	A-2		177,802.00	177,802.00	
Administrative Charge to Library	A-2		4,000.00	4,000.00	
Verizon/Comcast Franchise Fee	A-2		42,679.00	42,679.00	
PSE&G Solar Lease	A-2		22,426.68	22,426.68	
Interlocal Agreement-Senior Center	A-2		6,211.00	6,211.00	
Miscellaneous Revenue Not Anticipated	A-2		40,843.73	40,843.73	
		<u>\$ 7,739.33</u>	<u>\$ 616,733.77</u>	<u>\$ 622,088.72</u>	<u>\$ 2,384.38</u>
	<u>Ref.</u>	A	Reserve	A- 4	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-11

CURRENT FUND
SCHEDULE OF TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>BALANCE DEC. 31, 2019</u>	<u>TAXES LEVIED</u>	<u>TAXES PAID</u>	<u>BALANCE DEC. 31, 2020</u>
County - General		\$ 3,001,661.91	\$ 3,001,661.91	
County - Open Space		129,926.54	129,926.54	
County - Added & Omitted	\$ 48,300.27	14,734.30	48,300.27	\$ 14,734.30
Regional School Taxes		8,289,804.00	8,289,804.00	
Local Open Space		51,334.45	51,334.45	
Fire Districts		216,923.00	216,923.00	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 48,300.27</u>	<u>\$ 11,704,384.20</u>	<u>\$ 11,737,950.17</u>	<u>\$ 14,734.30</u>
<u>Ref.</u>	A	A-1,A-2,A-6	A-4	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-12

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>BALANCE</u> <u>DEC. 31, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2020</u>
Interfunds:				
Grant Fund		\$ 338,763.70	\$ 338,763.70	
General Capital Fund	\$ 50,000.00	1,298,000.00	1,348,000.00	
Animal Control Trust Fund	<u>2,602.06</u>		<u>2,602.06</u>	
Total	<u>\$ 52,602.06</u>	<u>\$ 1,636,763.70</u>	<u>\$ 1,689,365.76</u>	<u>-</u>
<u>Ref.</u>	A	A-4	A-4	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-13
Page 1 of 2

CURRENT FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE-DEC. 31, 2019		BALANCE		BALANCE
	<u>RESERVED</u>	<u>ENCUMBERED</u>	<u>AFTER</u>	<u>PAID OR</u>	<u>LAPSED</u>
			<u>MODIFICATION</u>	<u>CHARGED</u>	
Salaries and Wages:					
Inside "CAPS":					
Office of Business Administrator	\$ 3,042.09		\$ 3,042.09		\$ 3,042.09
Financial Administrator	34.46		34.46		34.46
Assessment of Taxes	448.86		448.86		448.86
Collection of Taxes	3,311.63		3,311.63		3,311.63
Borough Clerk	2,123.40		2,123.40		2,123.40
Planning and Zoning	591.60		591.60		591.60
Police	4,429.87		4,429.87		4,429.87
Road Repair and Maintenance	6,221.65		6,221.65		6,221.65
Garbage & Trash Removal	26.19		26.19		26.19
Construction Code Official	329.79		329.79		329.79
Public Buildings and Grounds	1,113.43		1,113.43		1,113.43
Municipal Court	6,055.97		6,055.97		6,055.97
Total Salaries and Wages	27,728.94		27,728.94		27,728.94
Other Expenses:					
Inside "CAPS":					
Office of Business Administrator	11,528.85	\$ 6,155.74	17,684.59	\$ 4,275.36	13,409.23
Elections	145.00		145.00		145.00
Financial Administration	6,181.14		6,181.14	836.93	5,344.21
Maintenance of Tax Maps		2,500.00	2,500.00	2,119.11	380.89
Assessment of Taxes	531.58	3,000.00	3,531.58	1,125.45	2,406.13
Collection of Taxes	1,943.10		1,943.10		1,943.10
Mayor and Council	220.01	42.09	262.10	42.09	220.01
Borough Clerk	4,139.85	1,605.22	5,745.07	1,471.35	4,273.72
Municipal Court	3,366.71		3,366.71		3,366.71
Public Defender	100.00		100.00		100.00
Legal Services & Costs	12,400.00	6,013.55	18,413.55	6,013.55	12,400.00
Municipal Prosecutor	1,200.00	1,500.00	2,700.00	1,200.00	1,500.00
Engineering Services and Costs	10,800.00	9,667.50	20,467.50		20,467.50
Public Buildings and Grounds	17,900.74	3,517.36	21,418.10	3,150.02	18,268.08
Planning and Zoning Board	568.29	5,824.75	6,393.04	560.50	5,832.54
Shade Tree	538.93	7,826.71	8,365.64	7,766.71	598.93
Police	4,234.06	2,047.83	6,281.89	3,005.66	3,276.23

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-13
Page 2 of 2

CURRENT FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE-DEC. 31, 2019		BALANCE AFTER	PAID OR	BALANCE
	<u>RESERVED</u>	<u>ENCUMBERED</u>	<u>MODIFICATION</u>	<u>CHARGED</u>	<u>LAPSED</u>
Other Expenses:					
Inside "CAPS":					
Road Repair and Maintenance	\$ 9,667.99	\$ 25,580.44	\$ 35,248.43	\$ 16,431.54	\$ 18,816.89
Street Lighting	2,548.47		2,548.47		2,548.47
Garbage & Trash Removal	4,332.79	9,787.12	14,119.91	9,787.12	4,332.79
Board of Health	405.00		405.00		405.00
Recreation	1,776.89		1,776.89		1,776.89
Celebration of Public Events	19.59		19.59		19.59
Environmental Commission	150.00		150.00		150.00
Economic Development Commission	500.00		500.00		500.00
Historic Preservation	500.00		500.00		500.00
Constr. Code Official	677.73		677.73		677.73
Telephone	2,209.55	1,392.04	3,601.59	3,284.21	317.38
Electricity	9,969.49		9,969.49		9,969.49
Gasoline & Lubricants	1,805.55		1,805.55		1,805.55
Natural Gas	1,000.65	1,728.63	2,729.28	2,631.73	97.55
Social Security	4,525.37	139.31	4,664.68	139.31	4,525.37
Group Plan for Employees	6,957.45		6,957.45		6,957.45
Liability and Other Insurance	7,502.70		7,502.70	123.50	7,379.20
Defined Contribution Retirement System	631.42		631.42		631.42
Unemployment Insurance	2,500.00		2,500.00		2,500.00
Other Expenses:					
Out of "CAPS":					
First Aid LOSAP Contribution	2,404.41		2,404.41		2,404.41
Emergency 911 Dispatch	13.48		13.48		13.48
Mercer County EMS	170.00		170.00		170.00
Free Public Library-Maintenance		3,298.69	3,298.69	3,298.69	
 Total Other Expenses	 136,066.79	 91,626.98	 227,693.77	 67,262.83	 160,430.94
 Total Operations	 \$ 163,795.73	 \$ 91,626.98	 \$ 255,422.71	 \$ 67,262.83	 \$ 188,159.88
 REF.	 A	 A		 A-4	 A-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-14

CURRENT FUND
 SCHEDULE OF PREPAID PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	A	\$ 98,792.03
Increased by:		
2021 Taxes Prepaid	A-4	103,531.52
		<u>202,323.55</u>
Decreased by:		
Applied to 2020 Taxes Receivable	A-6	98,792.03
		<u>98,792.03</u>
Balance - December 31, 2020	A	<u><u>\$103,531.52</u></u>

A-15

CURRENT FUND
 SCHEDULE OF TAX OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Increased by:		
Cash Received	A-4	\$ 15,796.23
		<u>\$ 15,796.23</u>
Balance - December 31, 2020	A	<u><u>\$ 15,796.23</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-16

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLE & RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE DEC. 31, 2019	INCREASES	DECREASES	BALANCE DEC. 31, 2020
Accounts Payable:				
Vendor Accounts Payable	\$ 16,572.57		\$ 16,572.57	
Third Party Lien Redemptions				
Marriage License Filing Fees	50.00	\$ 250.00	300.00	
State Training Fees (Code)		14,852.00	2,271.00	\$ 12,581.00
Subtotal	<u>16,622.57</u>	<u>15,102.00</u>	<u>19,143.57</u>	<u>12,581.00</u>
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	2,572.97	1,120.00		3,692.97
Subtotal	<u>35,668.47</u>	<u>1,120.00</u>	<u>-</u>	<u>36,788.47</u>
Total	<u>\$ 52,291.04</u>	<u>\$ 16,222.00</u>	<u>\$ 19,143.57</u>	<u>\$ 49,369.47</u>
REF.	A	A-4		A
	Fund Balance	A-1	\$ 16,572.57	
	Cash Disbursed	A-4	2,571.00	
			<u>\$ 19,143.57</u>	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-17

GRANT FUND
SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

GRANT	BALANCE DEC. 31, 2019	2020 BUDGET REVENUE REALIZED	COLLECTED 2020	CANCELLED	BALANCE DEC. 31, 2020
Body Armor Fund		\$ 919.67	\$ 919.67		
N.J.D.O.T. - Transportation Trust Fund - 2017 (Burd Ave.)	\$ 345,000.00		338,763.70		\$ 6,236.30
N.J.D.O.T. - Transportation Trust Fund - 2018	693,900.00		60,000.00		633,900.00
N.J.D.O.T. - Transportation Trust Fund - 2019	618,149.00			\$ 618,149.00	-
N.J.D.O.T. - Transportation Trust Fund - 2019 (E. Welling)	610,000.00				610,000.00
N.J.D.O.T. - Streetscape Grant	580,000.00	133,119.35			713,119.35
N.J. Urban & Community Forestry	10,000.00				10,000.00
Hazard Mitigation Grant	83,000.00				83,000.00
Recycling Tonnage Grants		7,952.79	7,952.79		
	<u>\$ 2,940,049.00</u>	<u>\$ 141,991.81</u>	<u>\$ 407,636.16</u>	<u>\$ 618,149.00</u>	<u>\$ 2,056,255.65</u>
REF.	A	A-19		A-19	A
Receipts	A-4		\$ 399,683.37		
Unappropriated Reserves	A-20		<u>7,952.79</u>		
			<u>\$ 407,636.16</u>		

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-18

GRANT FUND
 SCHEDULE OF INTERFUND LOANS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	<u>Total</u>	<u>General Capital Fund</u>	<u>Water /Sewer Capital Fund</u>	<u>Current Fund</u>
Balance, December 31, 2019	A	\$ 131,000.00	\$ 95,836.87	\$ 35,163.13	
Increased by:					
Interest	A-4	1,292.21			\$ 1,292.21
Funds Advanced	A-4	<u>250,000.00</u>	<u>250,000.00</u>		
		251,292.21	250,000.00		1,292.21
Decreased by					
Disbursed to Current Fund	A-4	1,292.21			1,292.21
Cash Receipts	A-4	<u>345,836.87</u>	<u>345,836.87</u>		
Balance, December 31, 2020	A	<u><u>\$ 35,163.13</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,163.13</u></u>	<u><u>\$ -</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-19

GRANT FUND
SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2020

GRANT/AID PROGRAM	BALANCE-DEC. 31, 2019		TRANSFERRED FROM 2020 BUDGET	CHAPTER 159'S	PAID OR CHARGED	CANCELLED	BALANCE-DEC. 31, 2020	
	ENCUMBERED	RESERVE					ENCUMBERED	RESERVE
N.J.D.O.T. - Transportation Trust Fund - 2014		\$ 31,164.88						\$ 31,164.88
N.J.D.O.T. - Transportation Trust Fund - 2017 (Burd Ave.)	\$ 295,148.57	49,851.43						345,000.00
N.J.D.O.T. - Transportation Trust Fund - 2018	561,417.10	132,482.90						693,900.00
N.J.D.O.T. - Transportation Trust Fund - 2019		618,149.00				\$ 618,149.00		-
N.J.D.O.T. - Transportation Trust Fund - 2019 (E. Welling)		610,000.00						610,000.00
N.J.D.O.T. - Streetscape Program		580,000.00		\$ 133,119.35				713,119.35
N.J.D.E.P. Hazard Remediation		301,604.00						301,604.00
N.J. Urban & Community Forestry		2,800.00						2,800.00
Clean Communities Program		39,395.94			\$ 2,456.27		\$ 448.00	36,491.67
Comcast Grant		20,000.00			12,726.50			7,273.50
Body Armor Replacement Fund	834.70	4,584.02	\$ 919.67		2,556.59		3,781.80	
Drunk Driving Enforcement Grant		204.92						204.92
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
ANJEC Grant		120.00						120.00
Community Stewardship Program		25.00						25.00
Hazard Mitigation Grant		83,000.00						83,000.00
Recycling Tonnage Grant	1,461.35	12,413.11	7,952.79		3,687.60		2,227.25	15,912.40
	<u>\$ 858,861.72</u>	<u>\$ 2,509,358.43</u>	<u>\$ 8,872.46</u>	<u>\$ 133,119.35</u>	<u>\$ 21,426.96</u>	<u>\$ 618,149.00</u>	<u>\$ 6,457.05</u>	<u>\$ 2,864,178.95</u>
Ref.	A	A	A-17	A-17	A-4	A-17	A	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-20

GRANT FUND
 SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS UNAPPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>GRANTS</u>	<u>BALANCE DEC. 31, 2019</u>	<u>TRANSFERRED</u>	<u>CASH RECEIPTS</u>	<u>BALANCE DEC. 31, 2020</u>
Recycling Tonnage Grant	\$ 7,952.79	\$ 7,952.79		
Clean Community Grant			\$ 5,333.08	\$ 5,333.08
	<u>\$ 7,952.79</u>	<u>\$ 7,952.79</u>	<u>\$ 5,333.08</u>	<u>\$ 5,333.08</u>
<u>REF.</u>	A	A-17	A-18	A

Trust Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

B-1

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE DEC. 31, 2019	CASH TRANSACTIONS		ADJUSTMENTS	BALANCE DEC. 31, 2020
		RECEIPTS	DISBURSED		
Animal Control:					
Due Current Fund	\$ 2,602.06		\$ (2,603.18)	\$ 1.12	
Animal Control Reserves	6,537.42	\$ 2,844.17	(1,241.90)		\$ 8,139.69
Total	9,139.48	2,844.17	(3,845.08)	1.12	8,139.69
Trust - Other Funds:					
Due from General Capital Fund	(140,000.00)	140,000.00			
Unemployment Claims	30,512.01	2,668.48			33,180.49
Affordable Housing	416,868.35	34,508.06	(2,069.00)	(0.07)	449,307.34
Recreation Funds	1,799.94		(390.00)		1,409.94
Law Enforcement Trust	7,351.65	40.23			7,391.88
Public Defender	1,461.00	670.50	(600.00)		1,531.50
Shade Tree	693.00	600.00	(513.73)		779.27
POAA	1,712.00	12.00	(563.21)		1,160.79
Verizon	100.00				100.00
Tax Sale Premium	24,200.00		(200.00)		24,000.00
Police Donations	14,946.52	50.00			14,996.52
Open Space Preservation Fund	737,737.22	55,269.76	(22,889.05)		770,117.93
Developer Escrow Funds	470,091.02	7,641.55	(263,677.12)	(0.08)	214,055.37
Refundable Deposits	177,500.00				177,500.00
Total	1,744,972.71	241,460.58	(290,902.11)	(0.15)	1,695,531.03
Total	\$ 1,754,112.19	\$ 244,304.75	\$ (294,747.19)	\$ 0.97	\$ 1,703,670.72
REF	B				B

General Capital Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-2

GENERAL CAPITAL FUND
 ANALYSIS OF CASH
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>		
Balance - December 31, 2019	C		\$640,571.27
Increased by:			
Interest Earned - Due Current	C-5	\$2,975.19	
Interfund Receipts	C-5	985,000.00	
Funding for Ordinances from Hopewell Township and Borough	C-7	69,267.58	
Funding for Ordinances - Burd St.	C-7	1,956.52	
Grants Receivable	C-4	166,585.37	
Bond Sale	C-9	2,515,000.00	
Premium on Bond Sale	C-1	148,897.61	
Capital Improvement Fund	C-11	<u>38,300.00</u>	
			<u>3,927,982.27</u>
			4,568,553.54
Decreased by:			
Interfund Disbursements	C-5	1,273,812.06	
Improvement Authorizations	C-8	2,026,761.29	
Bond Anticipation Notes	C-10	<u>630,000.00</u>	
			<u>3,930,573.35</u>
Balance - December 31, 2020	C		<u><u>\$637,980.19</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-3

GENERAL CAPITAL FUND
 ANALYSIS OF GENERAL CAPITAL FUND
 CASH AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE DECEMBER 31, 2020	BALANCE DECEMBER 31, 2019
Fund Balance	\$ 247,276.37	\$ 98,378.76
Capital Improvement Fund	83.45	44,283.45
Reserve for Encumbrances	1,140,296.39	696,793.69
State Grants Receivable - Net	(818,149.00)	(60,000.00)
Due to/from Grant Fund		95,836.87
Due to/from Current Fund		50,000.00
Due to/from Trust Fund		140,000.00
Reserve for Debt Service	22,773.39	22,773.39
Improvement Authorizations Funded	1,419,534.88	357,082.11
Improvement Authorizations Expended - Not Funded	(1,373,835.29)	(804,577.00)
	<u>\$ 637,980.19</u>	<u>\$ 640,571.27</u>
REF.	C	C

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-4

GENERAL CAPITAL FUND
SCHEDULE OF GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Ref.</u>	
Balance - December 31, 2019	C	\$ 1,370,247.00
Increased by:		
Grant Award-NJDOT (2020-12 Streetscape)	C-8	\$ 140,000.00
Grant Award-NJDOT (2020-03 Burd St.)	C-8	<u>618,149.00</u>
		758,149.00
		<u>2,128,396.00</u>
Decreased by:		
Cash receipts	C-2	<u>166,585.37</u>
		<u>166,585.37</u>
Balance - December 31, 2020	C	<u><u>\$ 1,961,810.63</u></u>
<u>Analysis of Balance - December 31, 2020:</u>		
Ordinance No. 2016-03 FEMA Assistance		\$ 75,000.00
Ordinance No. 2018-14 Mercer County(Senior Center)		29,761.63
Ordinance No. 2019-01 NJDOT Grant-Curlis/Weidel (Unreserved)		60,000.00
Ordinance No. 2019.05 NJDOT Grant-Burd St		345,000.00
Ordinance No. 2019-05 NJDOT Grant-Abey Dr. /Kings Ct.)		693,900.00
Ordinance No. 2020-03 NJDOT Grant-Burd Street		618,149.00
Ordinance No. 2020-12 NJDOT Grant-StreetScape (Unreserved)		<u>140,000.00</u>
		<u><u>\$ 1,961,810.63</u></u>

C-4A

GENERAL CAPITAL FUND
SCHEDULE OF RESERVE GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Ref.</u>	
Balance - December 31, 2019	C	\$ 1,310,247.00
Decreased by:		
Cash receipts:		
Ordinance No. 2018-14 Mercer County(Senior Center)	C-7	<u>166,585.37</u>
Balance - December 31, 2020	C	<u><u>\$ 1,143,661.63</u></u>
<u>Analysis of Balance - December 31, 2020:</u>		
Ordinance No. 2016-03 FEMA Assistance		\$ 75,000.00
Ordinance No. 2018-14 Mercer County(Senior Center)		29,761.63
Ordinance No. 2019.05 NJDOT Grant-Burd St		345,000.00
Ordinance No. 2019-05 NJDOT Grant-Abey Dr. /Kings Ct.)		<u>693,900.00</u>
		<u><u>\$ 1,143,661.63</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-5

GENERAL CAPITAL FUND
SCHEDULE OF INTERFUND LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020

	BALANCE DEC. 31, 2019	INCREASES	DECREASES	BALANCE DEC. 31, 2020
Grant Fund	\$ 95,836.87	\$ 250,000.00	\$ 345,836.87	\$ -
Trust Fund	140,000.00		140,000.00	-
Current Fund	50,000.00	737,975.19	787,975.19	-
	<u>\$ 285,836.87</u>	<u>\$ 987,975.19</u>	<u>\$ 1,273,812.06</u>	<u>\$ -</u>
	<u>REF.</u>			
Interest Earned	C-5	\$ 2,975.19	\$ 2,975.19	
Cash Receipts	C-5	985,000.00		
Cash Disbursed	C-5		<u>1,270,836.87</u>	
		<u>\$ 987,975.19</u>	<u>\$ 1,273,812.06</u>	

C-6

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Ref.</u>	
Balance - December 31, 2019	C	\$ 783,000.00
Increased by:		
Issuance of Bonds	C-9	<u>2,515,000.00</u>
		3,298,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-9	<u>60,000.00</u>
Balance - December 31, 2020	C	<u>\$ 3,238,000.00</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-7

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2020

ORD. NUMBER	IMPROVEMENT DESCRIPTION	Balance December 31, 2019	2020 Authorized	Other Funding	Budget Appropriation BAN Funding	Grant Funding	Serial Bonds Issued	Balance December 31, 2020	Analysis of Balance Balance - December 31, 2020	
									Expenditures	Unexpended Authorizations
2014-13	Road Repairs/Radios/Vehicles	\$ 126,050.00			\$ 10,000.00		\$ 116,000.00	\$ 50.00	\$ -	\$ 50.00
2016-3/2017-7	Acquisition of a Generator	101,250.00			75,000.00			26,250.00	10,417.00	15,833.00
2017-1	Improv. To King George Rd.	39,830.36					39,000.00	830.36	816.00	14.36
2017-4	Preliminary Costs-Landfill Redevelopment	350,000.00						350,000.00	313,815.23	36,184.77
2017-14	Borough Hall Renovations	850,000.00					850,000.00	-	-	-
2017-15	Acquisition of a Backhoe	48,669.64					48,500.00	169.64	(0.00)	169.64
2018-14	Upgrades to Reading St. Senior Center	373,059.00		\$ 69,267.58	89,000.00	\$ 166,585.37		48,206.05	-	48,206.05
2019-01	Curlis Ave./Weidel Drive Road Project	376,000.00					200,000.00	176,000.00	54,740.20	121,259.80
2019-04	Paving of Eglantine Ave.	59,850.00					49,000.00	10,850.00	-	10,850.00
2019-05	Various Road Improvements	1,813,000.00		1,956.52			235,000.00	1,576,043.48	994,046.86	581,996.62
2020-03	Burd Street Phase 3		\$ 131,851.00				100,000.00	31,851.00	-	31,851.00
2020-08	Acquisition and Retrofitting Vehicles and Equipment		427,500.00				427,500.00	-	-	-
2020-09	Renovation and Improvement to Borough Hall		1,140,000.00				450,000.00	690,000.00	-	690,000.00
		<u>\$ 4,137,709.00</u>	<u>\$ 1,699,351.00</u>	<u>\$ 71,224.10</u>	<u>\$ 174,000.00</u>	<u>\$ 166,585.37</u>	<u>\$ 2,515,000.00</u>	<u>\$ 2,910,250.53</u>	<u>\$ 1,373,835.29</u>	<u>\$ 1,536,415.24</u>
Ref.		C	C-8	C-2	C-7	C-7	C-9	C		

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2020

ORD. NO.	Improvement Description	Date	Amount	Balance December 31, 2019			2020 Authorized	Paid or Charged	Balance December 31, 2020		
				Funded	Unfunded	Encumbered			Encumbered	Funded	Unfunded
<u>General Improvements:</u>											
2014-13	Road Repairs/Radios/Vehicles	6/2/2014	\$ 598,000.00		\$ 25,414.86			\$ 1,991.57		\$ 23,373.29	\$ 50.00
2016-3	Acquisition of Generator	3/2/2016	107,000.00	\$ 5,150.00	101,250.00			88,337.20	\$ 2,229.80	-	15,833.00
2017-7	(Amended 7/2/18)										
2017-1	Funding of Emergency Approp.: King George Rd./Park Ave.	2/6/2017	40,000.00		404.43			390.07		-	14.36
2017-4	Redevelopment of Landfill Property	3/6/2017	125,000.00		36,692.52	\$ 232,059.90		198,851.31	33,716.34	-	36,184.77
2018-9	(Amended 7/2/18)		225,000.00								
2017-14	Borough Hall Renovations	9/5/2017	1,000,000.00	53,964.04	850,000.00	58,100.00		397,597.53	517,121.82	47,344.69	-
2017-15	Acquisition of Backhoe	10/2/2017	65,000.00		2,000.00			832.67		997.69	169.64
2018-14	Upgrades to Reading St. Senior Center	10/1/2018	392,694.00		157,485.05	165,347.00		165,671.00		108,955.00	48,206.05
2019-01	Curtis Ave./Weidel Drive Road Project	2/4/2019	616,000.00		-	176,614.15		55,354.35		-	121,259.80
2019-04	Paving of Eglantine Ave.	5/6/2019	63,000.00		13,453.21			973.27		1,629.94	10,850.00
2019-05	Various Road Improvements	5/6/2019	1,813,000.00		1,640,400.00	64,672.64		1,044,362.14	78,713.88	-	581,996.62
2020-03	Burd Street Phase 3	4/6/2020	750,000.00				\$ 750,000.00	53,602.72	8,714.14	655,832.14	31,851.00
2020-08	Acquisition and Retrofitting Vehicles and Equipment	7/6/2020	450,000.00				450,000.00	8,325.87	366,681.06	74,993.07	
2020-09	Renovation and Improvement to Borough Hall	7/6/2020	1,200,000.00				1,200,000.00	9,871.59		500,128.41	690,000.00
2020-12	Preliminary Engineering Streetscape	8/3/2020	140,000.00				140,000.00	600.00	133,119.35	6,280.65	-
				<u>\$ 59,114.04</u>	<u>\$ 2,827,100.07</u>	<u>\$ 696,793.69</u>	<u>\$ 2,540,000.00</u>	<u>\$ 2,026,761.29</u>	<u>\$ 1,140,296.39</u>	<u>\$ 1,419,534.88</u>	<u>\$ 1,536,415.24</u>
<u>REF.</u>				C	C	C		C-2	C	C	C
Deferred Charges to Future Taxation Unfunded			C-7				\$ 1,699,351.00				
Grants Receivable			C-4				758,149.00				
Capital Improvement Fund			C-10				82,500.00				
							<u>\$ 2,540,000.00</u>				

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-9

GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2020

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2020		Interest Rate	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	
	Date	Amount	Date	Amount						
2010 General Improvement Bonds	6/1/2010	\$1,148,000	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%					
			7/15/2030	83,000.00	4.000%	\$ 783,000.00		\$ 60,000.00	\$ 723,000.00	
2020 General Improvement Bonds	8/12/2020	\$2,515,000	8/15/2021	175,000.00	2.000%					
			8/15/2022	180,000.00	2.000%					
			8/15/2023	190,000.00	2.000%					
			8/15/2024	195,000.00	3.000%					
			8/15/2025	200,000.00	3.000%					
			8/15/2026	205,000.00	3.000%					
			8/15/2027	210,000.00	3.000%					
			8/15/2028	215,000.00	2.000%					
			8/15/2029	220,000.00	2.000%					
			8/15/2030	225,000.00	2.000%					
			8/15/2031	250,000.00	1.125%					
			8/15/2032	250,000.00	1.250%					
								\$2,515,000.00		2,515,000.00
								\$ 783,000.00	\$ 2,515,000.00	60,000.00
				REF.	C	C-6	C-6	C		

C-10

SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2020

NO.	Improvement Description	Date of Original Issue	Balance December 31, 2019	Decreased	Balance December 31, 2020
2014-13	Various Capital Improvements	12/28/2018	\$ 126,000.00	\$ 126,000.00	\$
2016-03	Acquisition of Generator	12/30/2019	75,000.00	75,000.00	
2017-01	Improvements to King George Road and Park Avenue	12/28/2018	39,000.00	39,000.00	
2017-14	Borough Hall Renovations	12/28/2018	59,000.00	59,000.00	
2017-14	Borough Hall Renovations	12/30/2019	136,000.00	136,000.00	
2018-14	Upgrades to Reading St. Senior Center	12/30/2019	120,000.00	120,000.00	
2019-01	Curlis Ave./Weidel Drive Road Project	12/30/2019	200,000.00	200,000.00	
2019-04	Paving of Eglantine Ave.	12/30/2019	49,000.00	49,000.00	
			\$ 804,000.00	\$ 804,000.00	\$ -
REF.			C		C
	Cash Disbursements	C-2		\$ 630,000.00	
	Paid By Budget Appropriations	C-7		174,000.00	
				\$ 804,000.00	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-11

GENERAL CAPITAL FUND
 SCHEDULE OF CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	C	\$ 44,283.45
Increased by:		
Budget Appropriation	C-2	<u>38,300.00</u>
		82,583.45
Decreased by:		
Improvement Authorizations	C-8	<u>82,500.00</u>
Balance - December 31, 2020	C	<u><u>\$ 83.45</u></u>

C-12

SCHEDULE OF RESERVE FOR DEBT SERVICE
YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2020 and 2019	C	<u><u>\$ 22,773.39</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31 2020

Ordinance Number	Improvement Description	Balance December 31, 2019	2020 Authorized	Other Funding	Bond Sale	Adjustments	Balance December 31, 2020
2014-13	Road Repairs/Radios/Vehicles					\$ 50.00	\$ 50.00
2016-3/2017-7	Acquisition of a Generator	\$ 26,250.00					26,250.00
2017-1	Funding of Emergency Appropriation Improv. To King George Rd.	830.36					830.36
2017-4 2018-9	Preliminary Costs-Landfill Redevelopment (Amended 7/2/18)	300,000.00				50,000.00	350,000.00
2017-14	Borough Hall Renovations	655,000.00			\$ 655,000.00		-
2017-15	Acquisition of a Backhoe	48,669.64			48,500.00		169.64
2018-14	Upgrades to Reading St. Senior Center	253,059.00		\$ 235,852.95		31,000.00	48,206.05
2019-01	Curlis Ave./Weidel Drive Road Project	176,000.00					176,000.00
2019-04	Paving of Eglantine Ave.	10,850.00					10,850.00
2019-05	Various Road Improvements	1,813,000.00		1,956.52	235,000.00		1,576,043.48
2020-03	Burd Street Phase 3		\$ 131,851.00		100,000.00		31,851.00
2020-08	Acquisition and Retrofitting Vehicles and Equipment		427,500.00		427,500.00		-
2020-09	Renovation and Improvement to Borough Hall		1,140,000.00		450,000.00		690,000.00
		<u>\$ 3,283,659.00</u>	<u>\$ 1,699,351.00</u>	<u>\$ 237,809.47</u>	<u>\$ 1,916,000.00</u>	<u>\$ 81,050.00</u>	<u>\$ 2,910,250.53</u>
	<u>Ref.</u>	C					C

Water and Sewer Utility Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-5

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2019	D	\$ 839,275.74	\$ 26,365.46
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$ 1,232,752.85	
Interest on Investments	D-3	4,520.40	\$ 148.79
Interest on Delinquencies	D-3	2,491.49	
Misc. Revenues Not Anticipated	D-1	135.40	
		<u>1,239,900.14</u>	<u>148.79</u>
		2,079,175.88	26,514.25
Decreased by Disbursements:			
2020 Budget Expenditures	D-4	1,156,444.33	
2019 Appro. Reserve	D-12	41,587.00	
Accrued Interest on Bonds, Notes and Loans	D-13	29,386.24	
Interfund Returned	D-17		148.79
Improvement Authorizations	D-14		2,500.29
		<u>1,227,417.57</u>	<u>2,649.08</u>
Balance - December 31, 2020	D	<u>\$ 851,758.31</u>	<u>\$ 23,865.17</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-6

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

		BALANCE DEC. 31, <u>2020</u>	BALANCE DEC. 31, <u>2019</u>
	Fund Balance	\$ 32,847.20	\$ 32,847.20
	Capital Improvement Fund	123.55	123.55
	Due to Grant Fund	35,163.13	35,163.13
	Reserve for Debt Service	9,897.42	9,897.42
	Reserve for Encumbrances	41,804.60	44,055.35
	NJEIT Loan Proceeds Receivable	(153,006.00)	(153,006.00)
ORD.	IMPROVEMENT		
<u>NO.</u>	<u>AUTHORIZATIONS</u>		
	Tank and Appurtenances, Replacement of Water Mains	(10,670.64)	(10,670.64)
2007-9	Var. Water/Sewer Improvements	(65,093.57)	(65,093.57)
2016-4	Water Main Replacement King George Rd./Park Ave.	181,091.23	181,091.23
2016-5	Water Main Replacement Curlis Ave./Weidel Dr.	(13,194.96)	(13,419.21)
2018-15	Water Sys. Asset Mgmt. Plan	(35,096.79)	(34,623.00)
		<u>\$ 23,865.17</u>	<u>\$ 26,365.46</u>
	<u>REF.</u>	D	D

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 67,760.68
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,276,362.18</u>
		1,344,122.86
Decreased by:		
Collected	D-5	<u>\$ 1,232,752.85</u>
	D-1,D-2	<u>1,232,752.85</u>
Balance - December 31, 2020	D	<u><u>\$ 111,370.01</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-8

WATER AND SEWER UTILITY OPERATING FUND
 SCHEDULE OF WATER/SEWER RENTS OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2020 and 2019	D	<u><u>\$ 2,735.34</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-9

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NJEIT LOAN PROCEEDS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

REF.

Balance - December 31, 2020 and 2019	D	<u>\$ 153,006.00</u>
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BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-10

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF FIXED CAPITAL
DECEMBER 31, 2020 AND 2019

<u>ACCOUNT</u>	<u>2020</u>	<u>2019</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	3,854,135.25	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	101,154.51	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>\$ 6,783,866.92</u>	<u>\$ 6,783,866.92</u>
<u>REF.</u>	D	D

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

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-11

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
DECEMBER 31, 2020 AND 2019

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		2020	2019
		DATE	AMOUNT		
<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	536,045.43	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	375,464.73	375,464.73
2018-15	Water System Asset Mgmt. Plan	10/1/2018	300,000.00	<u>284,297.00</u>	<u>284,297.00</u>
				<u>\$ 1,767,173.68</u>	<u>\$ 1,767,173.68</u>
			REF.	D	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-12

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF 2019 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>BALANCE DEC. 31, 2019</u>	<u>RESERVE FOR ENCUMBRANCES DEC. 31, 2019</u>	<u>BALANCE AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operating:					
Salaries and Wages	\$ 103,720.49		\$ 103,720.49		\$ 103,720.49
Other Expenses	74,362.92	\$ 66,220.30	140,583.22	\$ 44,407.00	96,176.22
Sewer Service Fee	1,145.29		1,145.29		1,145.29
Group Insurance for Employees	16,296.04		16,296.04		16,296.04
Workers Compensation Insurance	10.40		10.40		10.40
Liability Insurance	2,359.30		2,359.30		2,359.30
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	12.40		12.40		12.40
Social Security System (O.A.S.I.)	2,489.55		2,489.55		2,489.55
	<u>\$ 200,396.39</u>	<u>\$ 66,220.30</u>	<u>\$ 266,616.69</u>	<u>\$ 44,407.00</u>	<u>\$ 222,209.69</u>
<u>REF.</u>	D	D			D-1
Cash Disbursed	D-5			\$ 41,587.00	
Accounts Payable	D			<u>2,820.00</u>	
				<u>\$ 44,407.00</u>	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-13

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 13,542.03
Increased by:		
Accrued Interest Charged to:		
2020 Budget Appropriations	D-4	<u>28,492.49</u>
		42,034.52
Decreased by:		
Payment	D-5	<u>29,386.24</u>
Balance - December 31, 2020	D	<u><u>\$ 12,648.28</u></u>

Analysis of Balance - December 31, 2020:

<u>Principal Outstanding Dec. 31, 2020</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Bonds:					
\$ 60,000.00	3.250%	7/15/2020	12/31/2020	5.5 mos.	\$ 893.75
65,000.00	3.500%	7/15/2020	12/31/2020	5.5 mos.	1,042.71
65,000.00	3.625%	7/15/2020	12/31/2020	5.5 mos.	1,079.95
70,000.00	3.625%	7/15/2020	12/31/2020	5.5 mos.	1,163.02
70,000.00	3.750%	7/15/2020	12/31/2020	5.5 mos.	1,203.13
75,000.00	3.875%	7/15/2020	12/31/2020	5.5 mos.	1,332.03
75,000.00	3.875%	7/15/2020	12/31/2020	5.5 mos.	1,332.03
80,000.00	4.000%	7/15/2020	12/31/2020	5.5 mos.	1,466.67
85,000.00	4.000%	7/15/2020	12/31/2020	5.5 mos.	1,558.33
<u>86,000.00</u>	4.000%	7/15/2020	12/31/2020	5.5 mos.	<u>1,576.67</u>
<u><u>\$ 731,000.00</u></u>					<u><u>\$ 12,648.28</u></u>

WATER & SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2019		RESERVE FOR ENCUMBRANCES DEC. 31, 2019	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2020	BALANCE DEC. 31, 2020	
		DATE	AMOUNT	FUNDED	UNFUNDED				FUNDED	UNFUNDED
General Improvements:										
2007-9	Various Water & Sewer Utility Improvements	11/15/2007	\$ 1,200,000.00		\$ 530,306.43				\$ 530,306.43	
2016-4	Water Main Replacement for King George Rd./Park Ave.	3/2/2016	1,125,000.00	\$ 245,959.36	308,820.87				\$ 245,959.36	308,820.87
2016-5	Water Main Replacement for East Curlis Ave./Weidel Dr.	3/2/2016	920,000.00		278,195.79	\$ 764.25	\$ 540.00			278,420.04
2018-15	Water System Asset Management Plan	10/1/2018	300,000.00		90,377.00	43,291.10	1,960.29	\$ 41,804.60		89,903.21
				\$ 245,959.36	\$ 1,207,700.09	\$ 44,055.35	\$ 2,500.29	\$ 41,804.60	\$ 245,959.36	\$ 1,207,450.55
		REF.		D	D	D	D-5	D	D	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-15

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

REF.

Balance - December 31, 2020 and 2019	D	\$ <u>123.55</u>
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D-16

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2020

REF.

Balance - December 31, 2019	D	\$ 5,520,099.90
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Increased by:

Serial Bonds Paid	D-18	\$ 60,000.00	
BAN's paid by operating	D-19	175,000.00	
NJEIT Loan Principal Paid	D-20	<u>22,260.54</u>	
			<u>257,260.54</u>

Balance - December 31, 2020 and 2019	D	\$ <u>5,777,360.44</u>
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D-17

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF INTERFUND LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>FUND</u>	<u>BALANCE DEC.31, 2019</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DEC.31, 2020</u>
Water and Sewer Operating		\$ 148.79	\$ 148.79	
General Capital	\$ 35,163.13			\$ 35,163.13
	<u>\$ 35,163.13</u>	<u>\$ 148.79</u>	<u>\$ 148.79</u>	<u>\$ 35,163.13</u>
REF.	D	D-5	D-5	D

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2020</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2019</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2020</u>
			<u>DATE</u>	<u>AMOUNT</u>				
2010 Sewer Utility Bonds	6/1/2010	\$ 1,366,000.00	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%	\$ 791,000.00	\$ 60,000.00	\$ 731,000.00
						<u>\$ 791,000.00</u>	<u>\$ 60,000.00</u>	<u>\$ 731,000.00</u>
					<u>REF.</u>	D	D-16	D

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>ORD NO.</u>	<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>BALANCE DEC. 31, 2019</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2020</u>
2018-15	Water System Asset Management Plan	12/30/2019	12/30/2019	<u>\$ 175,000.00</u>	<u>\$ 175,000.00</u>	<u>\$ -</u>
			<u>REF.</u>	D	D-16	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-20

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR DEBT SERVICE
DECEMBER 31, 2020 AND 2019

REF.

Balance - December 31, 2020 and 2019	D	<u>\$ 9,897.42</u>
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WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF NEW JERSEY ENVIRONMENTAL
 INFRASTRUCTURE TRUST LOANS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	
Balance - December 31, 2019	D	\$ 668,566.06
Decreased by:		
Paid by Budget Appropriation	D-16	<u>22,260.54</u>
Balance - December 31, 2020	D	<u><u>\$ 646,305.52</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-22

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF BONDS AND NOTES AUTHORIZED AND NOT ISSUED
DECEMBER 31, 2020 AND 2019

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	<u>2019</u>	<u>2020</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	291,615.00	291,615.00
2018-15	Water System Asset Management Plan	125,000.00	125,000.00
		<u>\$ 1,396,374.64</u>	<u>\$ 1,396,374.64</u>
		D	D

Payroll Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

E-1

PAYROLL FUND
 SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
DECEMBER 31, 2020 AND 2019

<u>AGENCY/CATEGORY</u>	<u>2020</u>	<u>2019</u>
Pension Annual Liability	\$ 30.00	\$ 30.00
FICA/Medicare-Employee	(148.83)	(148.83)
Mass Mutual	(46.77)	
Health Benefits	5,170.66	4,725.42
PERS	3,849.32	(1,025.79)
PFRS	5,048.50	(145.27)
DCRP	157.11	157.11
PW Union Dues	141.48	141.48
FOP Union Dues	360.00	
Contributory Insurance	(4.63)	
Colonial Penn Disability		(46.77)
	<u>\$ 14,556.84</u>	<u>\$ 3,687.35</u>
REF.	E	E

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

**PART III
SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2020**

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
AS OF DECEMBER 31, 2020

<u>ASSETS</u>	<u>CURRENT FUND</u>	<u>TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>WATER AND SEWER UTILITY FUND</u>	<u>PAYROLL FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>MEMORANDUM ONLY TOTALS</u>	
							<u>DEC. 31, 2020</u>	<u>DEC. 31, 2019</u>
Cash and Investments	\$ 2,044,359.66	\$ 1,703,670.72	\$ 637,980.19	\$ 875,623.48	\$ 14,556.84		\$ 5,276,190.89	\$ 4,558,794.97
Accounts Receivable:								
State & Federal Grants Receivable	2,056,255.65		1,961,810.63				4,018,066.28	4,310,296.00
Taxes, Assessments, Liens & Utility Charges	160,370.94			111,370.01			271,740.95	275,678.13
Interfund Loans	35,163.13						35,163.13	323,602.06
Other Accounts Receivable	6,333.58			153,006.00			159,339.58	164,694.53
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Emergency Down Payment on Improvement	23,300.00						23,300.00	
Fixed Assets - General						\$ 11,110,545.00	11,110,545.00	11,389,764.95
Fixed Capital - Utility				6,783,866.92			6,783,866.92	6,783,866.92
Fixed Capital - Authorized and Uncompleted - Utility				1,767,173.68			1,767,173.68	1,767,173.68
Deferred Charges to Future Taxation: General Capital Fund			6,148,250.53				6,148,250.53	4,920,709.00
	<u>\$ 4,343,592.96</u>	<u>\$ 1,703,670.72</u>	<u>\$ 8,748,041.35</u>	<u>\$ 9,691,040.09</u>	<u>\$ 14,556.84</u>	<u>\$ 11,110,545.00</u>	<u>\$ 35,611,446.96</u>	<u>\$ 34,512,390.24</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
AS OF DECEMBER 31, 2020

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, 2020	DEC. 31, 2019
Bonds, Notes & Loans Payable	\$		\$ 3,238,000.00	\$ 1,377,305.52			\$ 4,615,305.52	\$ 3,221,566.06
Prepaid Taxes, Assessments, Utility Charges and Licenses	103,531.52						103,531.52	98,792.03
Tax Overpayments	15,796.23						15,796.23	
Tax, Assessment, Lien, License and Utility Charge Overpayments				2,735.34			2,735.34	2,735.34
Appropriation Reserves	296,595.40			208,730.27			505,325.67	364,192.12
Reserve for Encumbrances/ Accounts Payable	90,569.57		1,140,296.39	99,776.91			1,330,642.87	1,757,558.04
Other Liabilities	64,103.77			15,705.28	\$ 14,556.84		94,365.89	118,057.69
Amts. Pledged to Specific Purposes	2,869,512.03	\$ 1,312,115.35	22,856.84	10,020.97			4,214,505.19	3,838,308.13
Escrow Funds		391,555.37					391,555.37	647,591.02
Improvement Authorizations			2,955,950.12	1,453,409.91			4,409,360.03	4,339,873.56
Interfund Loans				35,163.13			35,163.13	323,602.06
Investments in General Fixed Assets						\$ 11,110,545.00	11,110,545.00	11,389,764.95
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				5,777,360.44			5,777,360.44	5,520,099.90
Reserve for Certain Assets Acquired or Receivables & Inventories	180,565.32		1,143,661.63	111,370.01			1,435,596.96	1,664,076.52
Fund Balance	722,919.12		247,276.37	599,462.31			1,569,657.80	1,226,172.82
	<u>\$ 4,343,592.96</u>	<u>\$ 1,703,670.72</u>	<u>\$ 8,748,041.35</u>	<u>\$ 9,691,040.09</u>	<u>\$ 14,556.84</u>	<u>\$ 11,110,545.00</u>	<u>\$ 35,611,446.96</u>	<u>\$ 34,512,390.24</u>

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

Revenue and Other Income Realized	Year 2020		Year 2019	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$366,915.00	2.32	\$475,000.00	2.89
Miscellaneous - From Other Than Local Property Tax Levies	1,037,671.77	6.57	2,064,345.37	12.54
Collection of Delinquent Taxes and Tax Title Liens	200,164.45	1.27	119,256.83	0.72
Collection of Current Tax Levy	14,170,769.95	89.68	13,801,387.25	83.85
Accounts Payable Cancelled	16,572.57	0.10		
Prior Year Encumbrances Cancelled	9,290.70	0.06		
Total Income	<u>15,801,384.44</u>	<u>100.00</u>	<u>16,459,989.45</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	3,569,268.30	23.37	4,628,839.42	28.85
County Taxes	3,146,322.75	20.60	3,232,957.96	20.15
Regional School Taxes	8,289,804.00	54.28	7,869,205.00	49.05
Fire District Taxes	216,923.00	1.42	212,670.00	1.33
Other Expenditures	51,334.45	0.34	101,151.95	0.63
Total Expenditures	<u>15,273,652.50</u>	<u>100.00</u>	<u>16,044,824.33</u>	<u>100.00</u>
Excess in Revenue	527,731.94		415,165.12	
Adj. to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year Emergency Appropriation	<u>23,300.00</u>			
Statutory Excess to Fund Balance	551,031.94		415,165.12	
Fund Balance January 1	<u>538,802.18</u>		<u>598,637.06</u>	
	1,089,834.12		1,013,802.18	
Less:				
Utilization as Anticipated Revenue	<u>366,915.00</u>		<u>475,000.00</u>	
Fund Balance December 31	<u>\$722,919.12</u>		<u>\$538,802.18</u>	

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

Revenue and Other <u>Income Realized</u>	Year 2020		Year 2019	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 171,308.00	10.49	\$ 138,540.00	8.93
Collection of Water and Sewer Rents	1,232,752.85	75.47	1,276,118.80	82.22
Miscellaneous - From Other Than Water and Sewer Rents	<u>229,356.98</u>	<u>14.04</u>	<u>137,496.14</u>	<u>8.86</u>
Total Income	<u>1,633,417.83</u>	<u>100.00</u>	<u>1,552,154.94</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,099,200.00	75.72	1,114,740.00	78.30
Debt Service	303,031.40	20.88	261,701.18	18.38
Deferred Charges and Statutory Expenditures	<u>49,408.00</u>	<u>3.40</u>	<u>47,200.00</u>	<u>3.32</u>
Total Expenditures	<u>1,451,639.40</u>	<u>100.00</u>	<u>1,423,641.18</u>	<u>100.00</u>
Statutory Excess to Fund Balance	181,778.43		128,513.76	
Fund Balance January 1	<u>556,144.68</u>		<u>566,170.92</u>	
	737,923.11		694,684.68	
Less:				
Utilization as Anticipated Revenue	<u>171,308.00</u>		<u>138,540.00</u>	
Fund Balance December 31	<u>\$566,615.11</u>		<u>\$556,144.68</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate:</u>	<u>\$2.749</u>	<u>\$2.697</u>	<u>\$2.628</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.470</u>	<u>0.459</u>	<u>0.431</u>
Local Library	<u>0.033</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>0.614</u>	<u>0.632</u>	<u>0.624</u>
Regional School	<u>1.622</u>	<u>1.562</u>	<u>1.529</u>

Assessed Valuation (Taxable):

2020	<u>\$510,984,696.00</u>	
2019		<u>\$503,872,757.00</u>
2018		<u>\$496,927,100.00</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 \$8,500.00 for the year 2020.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	<u>Percentage of Collection</u>
		<u>Cash Collections</u>	
2020	\$14,324,026.34	\$14,170,769.95	98.93%
2019	14,015,431.23	13,801,387.25	98.47%
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%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2020	\$7,943.05	\$152,427.89	\$160,370.94	1.12%
2019	7,943.05	199,974.40	207,917.45	1.48%
2018	7,885.51	120,010.12	127,895.63	0.91%
2017	7,883.64	122,956.60	130,840.24	0.98%
2016	1,933.84	141,981.44	143,915.28	1.08%

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>
2020	\$ 17,810.00
2019	17,810.00
2018	17,810.00
2017	17,810.00
2016	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2020	\$1,276,362.18	\$1,232,752.85
2019	1,252,546.64	1,276,118.80
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

*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	2020	\$ 722,919.12	\$ 438,915.25
	2019	538,802.18	366,915.00
	2018	598,637.06	475,000.00
	2017	763,238.40	621,072.09
	2016	708,327.62	573,617.91
Water and Sewer Utility Operating Fund	2020	\$ 566,615.11	\$ 158,464.21
	2019	556,144.68	171,308.00
	2018	566,170.92	138,540.00
	2017	275,046.50	80,260.75
	2016	113,188.15	94,946.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2020:

<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		
Elizabeth Semple	Councilperson		
Eileen Heinzl	Borough Administrator		
Elizabeth Sterling	Borough Clerk /Asst CFO		
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
Margaret Umbro	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)		
Douglas Pinelli	Police Chief		
Craig Hubert	Boro Prosecutor		

All of the above bonds were examined and properly executed.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2020

**BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2020**

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, 2020, 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, 2020 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.

GENERAL COMMENTS

Internal Control Matters (Cont'd)

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

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

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

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

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.

GENERAL COMMENTS

Internal Control Matters (Cont'd)

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.

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 June 24, 2020, the Local Public Contracts Law was amended, effective for periods beginning on July 1, 2020. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount to \$40,000.00 to \$44,000.00 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. For the year ended December 31, 2020 the Borough does not have a qualified purchasing agent.

GENERAL COMMENTS

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

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 inter-local service agreements with the County of Mercer, Hopewell Township and the Hopewell Valley Regional School District for various services required by the Borough.

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

The 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.

GENERAL COMMENTS

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 6, 2020 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 4, 2020 the Borough passed a resolution requiring charging a 6% penalty for delinquent accounts in excess of \$10,000.

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>
Grant Fund	\$35,163.43	-
Utility Capital Fund	<u>-</u>	<u>\$35,163.43</u>
Total	<u>\$35,163.43</u>	<u>\$35,163.43</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, 2020 and December 31, 2019.

All cash and investments held by the Borough were directly confirmed as of December 31, 2020.

GENERAL COMMENTS

Payment of Claims

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

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 minor issues with respect to confirming orders.

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, 2020. A review of surety bond coverage as of December 31, 2020, 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 re-adoption 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.

Municipal Court

The examination of the financial records maintained by the Municipal Court indicated deposits were recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis. No exceptions were noted in the examination of the bail account financial and supporting records maintained by the Municipal Court.

No exceptions were noted with respect to the processing of traffic and criminal cases entered on the State's on-line computer system.

GENERAL COMMENTS

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 2020, 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.

Several 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, there can be a negative impact to the Borough's cash flows. The Borough should monitor the processing of grant expenditure report filings for its capital projects to be certain of capital project cost reimbursements.

Condition of Records - Tax Office

The records maintained by the Tax Collector for tax and utility billings were reviewed and no exceptions were noted for items tested.

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 \$1,633,417.83 and expenditures amounted to \$1,451,639.40 resulting in excess revenues of \$181,778.43. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in an deficit for debt statement purposes of \$40,431.26 As a result of the deficit, \$808,625.20 of the Utility debt of \$2,773,680.16 was not deductible in the calculation of the Borough's statutory net debt. A reconciliation of the excess revenues from operations (Exhibit D-1) and the deficit in revenues for debt statement purposes is included in the "Notes to Financial Statements".

GENERAL COMMENTS

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,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP



Andrew G. Hodulik
Registered Municipal Accountant
No. 406