



BOROUGH OF PENNINGTON
COUNTY OF MERCER

FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA
AND INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

WITH INDEPENDENT AUDITORS' REPORT

**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, 2022 AND 2021**



Independent Auditors' Report

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

Report on the Audit of the Regulatory Basis Financial Statements

Opinions on Regulatory Basis Financial Statements

We have audited the regulatory basis financial statements of the various funds and the governmental fixed assets of Pennington Borough, New Jersey, ("Borough") which comprise the balance sheets as of December 31, 2022 and 2021, 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, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements present fairly, in all material respects, the regulatory basis balance sheets of the Borough as of December 31, 2022 and 2021, and the regulatory basis revenues, expenditures, and changes in fund balances for the year then ended, the statement of changes in fund balance, the statements of revenue and statements of expenditures of the utility funds for the year ended December 31, 2022 and the related notes to the financial statements, in accordance with the financial reporting provisions of the Department of Community Affairs, Division of Local Government Services, State of New Jersey ("Division") described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements 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, 2022 and 2021, or its revenues, expenditures and changes in fund balance thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards and requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. The effects on the financial statements of the variances between the regulatory 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, requirements prescribed by the Division, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, requirements prescribed by the Division, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The information included in Part II – Schedules - Supplementary Information Required by the Division and Part IV – General Comments, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 June 29, 2023 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 the effectiveness of the Borough's 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

Cranford, New Jersey
June 29, 2023

Robert E. Provost

Robert Provost, CPA
Registered Municipal Accountant, No. 582



**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
Pennington Borough
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 as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division"), the regulatory basis financial statements of Pennington Borough ("Borough") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 29, 2023 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.

Report on 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") as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and by the Division.

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

Cranford, New Jersey
June 29, 2023

Robert E. Provost

Robert Provost, CPA
Registered Municipal Accountant, No. 582

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET- REGULATORY BASIS
DECEMBER 31, 2022 AND 2021

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Cash and Investments - Treasurer	A-4	\$ 1,686,576.55	\$ 1,629,530.05	Liabilities:			
Change Funds	A-5	200.00	200.00	Appropriation Reserves	A-3, A-13	\$ 345,009.08	\$ 302,157.73
Due from State of New Jersey Senior Citizens/Veterans Deductions	A-7		3,949.20	Prepaid Property Taxes	A-14	118,595.83	128,303.73
		<u>1,686,776.55</u>	<u>1,633,679.25</u>	Tax Overpayments	A-15	17,996.99	2,587.56
				Reserve for Encumbrances	A-3, A-13	140,037.73	140,234.72
Receivables and Other Assets With				Various Reserves and Accounts Payable	A-16	173,874.32	173,608.32
Full Reserves:				Taxes Payable to Other Governments	A-11	4,828.43	57,619.22
Delinquent Prop. Taxes Receivable	A-6	141,587.42	189,465.37	Interfunds Payable	A-12	<u>67,200.00</u>	<u>-</u>
Tax Title Liens Receivable	A-9	7,943.05	7,943.05			867,542.38	804,511.28
Property Acquired for Taxes (at Assessed Valuation)	A-8	17,810.00	17,810.00	Reserve for Receivables	Reserve	178,682.41	221,690.42
Revenue Accounts Receivable	A-10	2,172.77	1,668.31	Fund Balance	A-1	<u>839,234.17</u>	<u>829,167.97</u>
Interfunds Receivable	A-12	<u>9,169.17</u>	<u>4,803.69</u>				
		<u>178,682.41</u>	<u>221,690.42</u>				
Deferred Charges:							
Emergency Authorization	A-10A	<u>20,000.00</u>					
Total Current Fund		<u>1,885,458.96</u>	<u>1,855,369.67</u>	Total Current Fund		<u>1,885,458.96</u>	<u>1,855,369.67</u>
Grant Fund:				Grant Fund:			
Cash and Investments	A-4	571,597.35	448,503.88	Reserve for Encumbrances	A-19	60,890.25	314,941.50
Interfunds Receivable	A-18		366,700.44	Reserve for State and Federal Grants:			
State and Federal Grants Receivable	A-17	<u>18,000.00</u>	<u>523,000.00</u>	Appropriated	A-19	511,305.51	1,017,586.75
				Unappropriated	A-20	<u>17,401.59</u>	<u>5,676.07</u>
Total Grant Fund		<u>589,597.35</u>	<u>1,338,204.32</u>	Total Grant Fund		<u>589,597.35</u>	<u>1,338,204.32</u>
		<u>\$ 2,475,056.31</u>	<u>\$ 3,193,573.99</u>			<u>\$ 2,475,056.31</u>	<u>\$ 3,193,573.99</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A- 1

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Fund Balance Appropriated	A-1,A-2	\$ 492,299.33	\$ 438,915.25
Miscellaneous Revenues Anticipated	A-2	682,996.50	1,505,741.69
Receipts from Delinquent Taxes	A-2	171,521.76	137,596.47
Receipts from Current Taxes	A-2	14,830,946.44	14,592,597.40
Non-Budget Revenue	A-2	18,399.57	41,128.89
Other Credits to Income:			
Interfunds Returned	A-12	4,803.69	
Unexpended Balance of Appropriation Reserves	A-13	305,303.68	278,721.84
Total Revenues and Other Income		<u>16,506,270.97</u>	<u>16,994,701.54</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,485,655.00	1,417,300.00
Other Expenses	A-3	1,666,225.29	2,441,152.70
Capital Improvements	A-3	15,000.00	15,000.00
Municipal Debt Service	A-3	321,163.76	314,953.45
Deferred Charges and Statutory Expenditures	A-3	402,264.80	370,535.00
Regional School Tax	A-2,A-11	8,514,262.00	8,368,223.00
County Tax	A-2,A-11	3,244,980.99	3,138,745.11
County Added Tax	A-2,A-11	1,049.62	57,619.22
Special District Tax	A-2,A-11	316,589.81	274,375.00
Local Open Space Tax	A-2,A-11	52,764.97	51,633.96
Senior Citizens/Veterans Cancelled	A-7	3,949.20	
Total Expenditures		<u>16,023,905.44</u>	<u>16,449,537.44</u>
Excess in Revenue		482,365.53	545,164.10
Adjustment to Income Before Fund Balance:			
Expenditures Included Above Which			
are by Statute Deferred Charges			
to Budget of Succeeding Year			
Emergency Appropriation	A-10A	<u>20,000.00</u>	
Statutory Excess to Fund Balance		502,365.53	545,164.10
Balance - January 1	A	<u>829,167.97</u>	<u>722,919.12</u>
		1,331,533.50	1,268,083.22
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>492,299.33</u>	<u>438,915.25</u>
Balance - December 31	A	<u>\$ 839,234.17</u>	<u>\$ 829,167.97</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Ref.	Anticipated 2022 Budget	Appropriated by N.J.S.A. 40A:4-87	Realized	Excess/or (Deficit)
Surplus Anticipated	A-1	\$ 492,299.33		\$ 492,299.33	
Miscellaneous Revenues:					
Fees and Permits	A-10	7,000.00		12,041.00	\$ 5,041.00
Fines and Costs:					
Municipal Court	A-10	34,000.00		45,572.08	11,572.08
Interest and Costs on Taxes	A-10	38,000.00		37,393.96	(606.04)
Interest on Investments and Deposits	A-10	10,800.00		16,794.82	5,994.82
Trash Collection Fees	A-10	43,000.00		62,931.45	19,931.45
Consolidated Municipal Property Tax Relief Aid	A-10	233.00		233.00	
Energy Receipts Taxes	A-10	187,348.00		187,347.96	(0.04)
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	110,000.00		84,745.00	(25,255.00)
Public and Private Revenues Offset with Appropriations:					
Body Armor Fund	A-3	681.57		681.57	
Clean Communities	A-3	5,676.07	\$ 5,698.06	11,374.13	
NJ Urban Forestry Grant	A-3	10,000.00		10,000.00	
Other Special Items:					
Interlocal with Hopewell Township Senior Center	A-10	6,210.00		6,210.00	
Administrative Charge to Library	A-10	4,000.00			(4,000.00)
PSE&G Solar Lease	A-10	23,418.33		23,562.04	143.71
Reserve for Premium	A-10	50,000.00		50,000.00	
Reserve for Liquor License		60,000.00		60,000.00	
Verizon/Comcast Franchise Fee		35,852.67		35,852.67	
Reserve for American Recovery Act - 2021		38,256.82		38,256.82	
Total Miscellaneous Revenues	A-1	664,476.46	5,698.06	682,996.50	12,821.98
Receipts from Delinquent Taxes	A-1, A-2,A-6	150,000.00		171,521.76	21,521.76
Subtotal General Revenues		1,306,775.79	5,698.06	1,346,817.59	34,343.74
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes		2,638,248.46		2,781,699.64	143,451.18
Minimum Library Tax		184,599.41		184,599.41	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,822,847.87	-	2,966,299.05	143,451.18
Budget Totals		4,129,623.66	5,698.06	4,313,116.64	\$ 177,794.92
Non-Budget Revenues	A-1			18,399.57	
		\$ 4,129,623.66	\$ 5,698.06	\$ 4,331,516.21	
	Ref.	A-3	A-3		

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-2

CURRENT FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
Current Year Collections	A-6	\$ 14,694,892.71	
Prepaid Taxes Applied	A-6	128,303.73	
Veteran's Deductions Allowed	A-6	<u>7,750.00</u>	
	A-1		\$ 14,830,946.44
<u>Allocated to:</u>			
Regional School Tax	A-11	8,514,262.00	
County Taxes	A-11	3,103,448.75	
County Open Space Taxes	A-11	141,532.24	
Added County Taxes	A-11	1,049.62	
Special District Tax	A-11	316,589.81	
Local Open Space Tax	A-1	<u>52,764.97</u>	
			<u>12,129,647.39</u>
			2,701,299.05
Add: Reserve for Uncollected Taxes	A-3		<u>265,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 2,966,299.05</u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-6		<u>\$ 171,521.76</u>
	A-2		<u>\$ 171,521.76</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
 MERCER COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
 YEAR ENDED DECEMBER 31, 2022

Operations Within "CAPS"	2022 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
GENERAL GOVERNMENT:						
Office of Business Administrator						
Salaries and Wages	\$ 108,205.00	\$ 37,705.00	\$ 21,408.96		\$ 16,296.04	
Other Expenses	40,700.00	40,700.00	30,564.38	\$ 2,730.63		7,404.99
Elections						
Other Expenses	5,000.00	5,000.00	3,002.85			1,997.15
Financial Administration						
Salaries and Wages	56,800.00	56,800.00	52,313.80			4,486.20
Other Expenses	28,725.00	28,725.00	25,737.31	144.58		2,843.11
Assessment of Taxes						
Salaries and Wages	14,070.00	14,070.00	14,059.66			10.34
Other Expenses						
Maintenance of Tax Map	2,500.00	2,500.00		2,500.00		
Misc. Other Expenses	6,500.00	6,500.00	2,354.40	616.17		3,529.43
Collection of Taxes						
Salaries and Wages	25,000.00	25,000.00	8,302.82			16,697.18
Other Expenses	8,250.00	8,250.00	4,286.31			3,963.69
Mayor & Council						
Other Expenses	1,000.00	1,000.00	716.83	65.00		218.17
Office of Borough Clerk						
Salaries and Wages	46,225.00	47,225.00	46,993.41			231.59
Other Expenses	18,600.00	18,600.00	10,660.44	32.98		7,906.58
Municipal Court						
Salaries and Wages	36,760.00	36,760.00	32,238.09			4,521.91
Other Expenses	8,590.00	8,590.00	4,706.81	376.65		3,506.54
Public Defender						
Other Expenses	4,800.00	4,800.00	2,400.00	2,400.00		
Legal Services and Costs						
Other Expenses	55,000.00	55,000.00	50,837.00	4,163.00		
Constituent Affairs						
Consultant	45,000.00	45,000.00	22,805.37	14,654.00		7,540.63
Municipal Prosecutor						
Other Expenses	7,200.00	7,200.00	6,300.00			900.00
Engineering Services and Costs						
Other Expenses	25,000.00	25,000.00	14,855.00	10,145.00		
Public Buildings and Grounds						
Salaries and Wages	12,000.00	7,000.00	2,802.95			4,197.05
Other Expenses	57,750.00	66,250.00	55,738.66	4,654.40		5,856.94
ARP Funding	38,256.82	38,256.82	29,969.32			8,287.50
Municipal Land Use Act						
Planning and Zoning						
Salaries and Wages	64,550.00	64,550.00	53,426.35			11,123.65
Other Expenses	22,600.00	22,600.00	11,444.99	8,488.99		2,666.02
Shade Tree						
Other Expenses	27,650.00	30,650.00	26,272.04			4,377.96
STREETS AND ROADS						
Road Repairs and Maintenance						
Salaries and Wages	285,585.00	285,585.00	253,277.99			32,307.01
Other Expenses	91,550.00	91,550.00	42,699.35	4,597.58		44,253.07
Street Lighting						
Other Expenses	33,000.00	33,000.00	28,704.26	2,515.59		1,780.15
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	119,885.00	124,885.00	107,510.31			17,374.69
Other Expenses	135,275.00	155,275.00	110,694.89	23,745.08		20,835.03
HEALTH AND WELFARE						
Board of Health						
Other Expenses	500.00	500.00	95.00			405.00
RECREATION AND EDUCATION						
Recreation Committee						
Other Expenses	6,400.00	6,400.00	6,129.05			270.95
Celebration of Public Events						
Other Expenses	4,500.00	4,500.00	2,924.25	507.80		1,067.95
OTHER BOARDS AND COMMISSIONS						
Environmental Commission						
Other Expenses	500.00	500.00	400.00			100.00
Economic Development Commission						
Other Expenses	500.00	500.00	500.00			
Historic Preservation						
Other Expenses	500.00	500.00	260.00			240.00
Municipal Service Reimbursement						
Other Expenses	5,000.00	5,000.00				5,000.00
DEPARTMENT OF PUBLIC SAFETY						
Police						
Salaries and Wages	680,575.00	710,575.00	690,136.84			20,438.16
Other Expenses	105,300.00	107,300.00	62,504.97	41,912.41		2,882.62
Due to Fire District	915.00	915.00	915.00			
INSURANCE (N.J.S.A. 40A:4-475.3(00))						
Group Insurance	223,000.00	223,000.00	216,548.87			6,451.13
Workers Compensation	36,335.00	36,335.00	30,268.60			6,066.40
Liability and Other Insurance	64,115.00	64,115.00	64,114.12			0.88
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Office of Construction Code Official						
Salaries and Wages	70,500.00	70,500.00	61,618.84			8,881.16
Other Expenses	11,550.00	11,550.00	8,252.86			3,297.14

BOROUGH OF PENNINGTON
 MERCER COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
 YEAR ENDED DECEMBER 31, 2022

	2022 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
UNCLASSIFIED						
Telephone	\$ 27,000.00	\$ 27,000.00	\$ 23,913.14	\$ 1,892.14	\$ 1,194.72	
Electricity	26,500.00	26,500.00	15,091.06	1,040.21	10,368.73	
Gasoline & Lubricants	26,000.00	46,000.00	37,828.34	2,687.65	5,484.01	
Natural Gas	10,000.00	10,000.00	6,253.43	1,994.48	1,752.09	
Accumulated Sick Leave	5,000.00	5,000.00			5,000.00	
Total Operation (Item 8(A)) Within "CAPS"	2,736,716.82	2,750,716.82	2,304,838.92	131,864.34	314,013.56	
DETAIL						
Salaries and Wages	1,525,155.00	1,485,655.00	1,344,090.02	-	141,564.98	
Other Expenses	1,211,561.82	1,265,061.82	960,748.90	131,864.34	172,448.58	
DEFERRED CHARGES AND STATUTORY EXPENDITURES MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System (PERS)	97,372.80	97,372.80	97,372.80			
Police and Firemen's Retirement System (PFRS)	125,192.00	125,192.00	125,192.00			
Defined Contribution Retirement Plan (DCRP)	3,000.00	3,000.00	285.85		2,714.15	
Unemployment Insurance	2,500.00	2,500.00	2,500.00			
Social Security System (O.A.S.I)	115,000.00	121,000.00	120,839.82		160.18	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	343,064.80	349,064.80	346,190.47		2,874.33	
Total General Appropriations for Municipal Purposes Within "CAPS"	3,079,781.62	3,099,781.62	2,651,029.39	131,864.34	316,887.89	
OPERATIONS EXCLUDED FROM "CAPS"						
OTHER EXPENSES:						
Maintenance of Free Public Library (PL 1985, c82)	184,599.00	184,599.00	155,535.23	8,173.39	20,890.38	
L.O.S.A.P. Contribution: First AID	10,000.00	10,000.00	5,769.19		4,230.81	
INTERLOCAL SERVICE AGREEMENTS						
Emergency 911 and Dispatch	74,727.77	74,727.77	74,727.77			
Health Services	46,480.00	46,480.00	46,480.00			
Recycling Agreement	38,301.00	38,301.00	38,301.00			
Administration of Municipal Alliance Program	1,500.00	1,500.00	1,500.00			
Animal Control	12,000.00	12,000.00	12,000.00			
Basic Life Support Services	3,000.00	3,000.00			3,000.00	
Senior Services	5,000.00	5,000.00	5,000.00			
Mercer County EMS	3,500.00	3,500.00	3,500.00			
Total Other Operations Excluded from "CAPS"	379,107.77	379,107.77	342,813.19	8,173.39	28,121.19	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Clean Communities	5,676.07	11,374.13	11,374.13			
Body Armor Fund	681.57	681.57	681.57			
NJ Urban Forestry Grant	10,000.00	10,000.00	10,000.00			
Total Public and Private Revenues Offset by Revenues	16,357.64	22,055.70	22,055.70	-	-	
Total Operations Excluded From "CAPS"	395,465.41	401,163.47	364,868.89	8,173.39	28,121.19	
DETAIL						
Salaries and Wages	46,480.00	-				
Other Expenses	348,985.41	401,163.47	364,868.89	8,173.39	28,121.19	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	15,000.00	15,000.00	15,000.00			
Total Capital Improv. - Excl. from "CAPS"	15,000.00	15,000.00	15,000.00			
MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"						
Payment of Bond Principal	245,000.00	245,000.00	245,000.00			
Interest on Bonds	76,176.63	76,176.63	76,163.76			12.87
Total Mun. Debt Service - Excl. from "CAPS"	321,176.63	321,176.63	321,163.76			12.87
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"						
Deferred Charges:						
Emergency Authorization						
Deferred Charges to Future Taxation- Unfunded	53,200.00	53,200.00	53,200.00			
Total Deferred Charges- Municipal- Excluded From "CAPS"	53,200.00	53,200.00	53,200.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	784,842.04	790,540.10	754,232.65	8,173.39	28,121.19	12.87
Subtotal General Appropriations	3,864,623.66	3,890,321.72	3,405,262.04	140,037.73	345,009.08	12.87
Reserve for Uncollected Taxes	265,000.00	265,000.00	265,000.00			
Total General Appropriations	\$ 4,129,623.66	\$ 4,155,321.72	\$ 3,670,262.04	\$ 140,037.73	\$ 345,009.08	\$ 12.87
	Ref.					
	Below	Below	Below	A	A	A-1
Adopted Budget	A-2	\$ 4,129,623.66				
Appropriated by N.J.S.A. 40A:4-87	A-2	5,698.06				
Emergency Appropriation	A-1	20,000.00				
		\$ 4,155,321.72				
Cash Disbursed	A-4		\$ 3,330,006.34			
Reserve for State and Federal Grants Appropriated	A-14		22,055.70			
Reserve for Uncollected Taxes	A-2		265,000.00			
Due to General Capital Fund	A-12		53,200.00			
			\$ 3,670,262.04			
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, 2022 AND 2021

<u>ASSETS</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Animal Control Fund:							
Cash - Treasurer	B-1	\$ 6,843.71	\$ 9,736.69	Due to Current Fund	B-1	\$ 1,669.17	\$ 4,803.69
				Reserve to Pay Animal Control			
				Fund Expenditures	B-1	5,174.54	4,933.00
Total Animal Control Fund		<u>6,843.71</u>	<u>9,736.69</u>	Total Animal Control Fund		<u>6,843.71</u>	<u>9,736.69</u>
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-1	1,455,626.01	1,560,426.42	Due to Current Fund	B-1	7,500.00	
				Reserve for:			
				Unemployment Claims	B-1	41,840.65	35,746.19
				Affordable Housing (COAH)	B-1	474,057.65	466,636.36
				Recreation Funds	B-1	1,263.94	1,263.94
				Law Enforcement Trust	B-1	7,449.44	7,415.42
				Public Defender	B-1	1,681.50	1,331.50
				Shade Tree	B-1	1,694.27	1,494.27
				POAA	B-1	1,196.79	1,174.79
				Verizon	B-1	100.00	100.00
				Police Donations	B-1	11,492.88	14,996.52
				Tax Sale Premiums	B-1	137,400.00	138,500.00
				Open Space Reserves	B-1	489,626.71	564,337.22
				Outside Employment - Police	B-1	4,472.12	
				Escrow Funds	B-1	213,350.06	204,930.21
				Refundable Deposits	B-1	57,500.00	117,500.00
				Accumulated Absence	B-1	5,000.00	5,000.00
Total Trust-Other Fund		<u>1,455,626.01</u>	<u>1,560,426.42</u>	Total Trust-Other Fund		<u>1,455,626.01</u>	<u>1,560,426.42</u>
		<u>\$ 1,462,469.72</u>	<u>\$ 1,570,163.11</u>			<u>\$ 1,462,469.72</u>	<u>\$ 1,570,163.11</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, 2022 AND 2021

<u>ASSETS</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Cash and Investments - Treasurer	C-2	\$ 54,750.00	\$ 750,541.50
Grants Receivable	C-4	1,526,562.99	1,360,841.25
Due from Current Fund	C-5	53,200.00	
Deferred Charges to Future Taxation:			
Funded	C-6	2,758,000.00	3,003,000.00
Unfunded	C-7	<u>2,165,290.40</u>	<u>1,360,990.40</u>
		<u>\$ 6,557,803.39</u>	<u>\$ 6,475,373.15</u>
<u>LIABILITIES, RESERVES</u>			
<u>AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 2,758,000.00	\$ 3,003,000.00
Improvement Authorizations:			
Funded	C-8	1,123,491.27	1,129,737.64
Unfunded	C-8	1,524,737.22	951,557.95
Due to Grant Fund			331,537.31
Capital Improvement Fund	C-10	19,783.45	12,283.45
Reserve for Encumbrances	C-8	308,528.05	688,993.40
Reserve for Grants Receivable	C-4A	515,000.00	
Fund Balance	C-1	<u>308,263.40</u>	<u>358,263.40</u>
		<u>\$ 6,557,803.39</u>	<u>\$ 6,475,373.15</u>
Bonds and Notes Authorized But Not Issued	C-11	<u>\$ 2,165,290.40</u>	<u>\$ 1,360,990.40</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-1

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	C	\$ 358,263.40
Decreased by:		
Anticipated by Current Fund	C-2	<u>50,000.00</u>
Balance - December 31, 2022	C	<u>\$ 308,263.40</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, 2022 AND 2021

<u>ASSETS</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 1,000,083.18	\$ 688,712.48	Liabilities:			
Due from Current Fund	D-20	14,000.00		Appropriation Reserves	D-4, D-11	\$ 205,015.04	\$ 182,801.48
		<u>1,014,083.18</u>	<u>688,712.48</u>	Reserve for Encumbrances	D-4, D-11	46,360.20	44,491.09
				Accounts Payable	D-12A	2,942.00	2,942.00
Receivables with Full Reserves:				Rent Overpayments	D-8	53.44	2,245.34
Consumer Accounts Receivable	D-7	399,030.32	89,994.14	Accrued Interest on Bonds & Notes	D-12	16,149.32	11,754.53
				Other Reserves	D-5	<u>361.67</u>	
		<u>399,030.32</u>	<u>89,994.14</u>			270,881.67	244,234.44
				Reserve for Receivables	Reserve	399,030.32	89,994.14
				Fund Balance	D-1	<u>743,201.51</u>	<u>444,478.04</u>
Total Operating Fund		<u>1,413,113.50</u>	<u>778,706.62</u>	Total Operating Fund		<u>1,413,113.50</u>	<u>778,706.62</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	43,443.90	99,454.38	Serial Bonds Payable	D-17	606,000.00	671,000.00
Fixed Capital	D-9	6,783,866.92	6,783,866.92	Interfund Loan Payable			35,163.13
Fixed Capital - Authorized and Uncompleted	D-10	<u>1,767,173.68</u>	<u>1,767,173.68</u>	Reserve for Debt Service	D-18	9,897.42	9,897.42
				NJEIT Loans	D-19	562,833.44	585,093.98
				Improvement Authorizations			
				Funded	D-13	181,091.23	181,091.23
				Unfunded	D-13	1,253,372.33	1,272,318.68
				Reserve for Encumbrances	D-13	39,728.60	41,629.60
				Capital Improvement Fund	D-14	123.55	123.55
				Reserve for Amortization	D-15	5,908,590.73	5,821,330.19
				Fund Balance	D-2	<u>32,847.20</u>	<u>32,847.20</u>
Total Capital Fund		<u>8,594,484.50</u>	<u>8,650,494.98</u>	Total Capital Fund		<u>8,594,484.50</u>	<u>8,650,494.98</u>
		<u>\$ 10,007,598.00</u>	<u>\$ 9,429,201.60</u>			<u>\$ 10,007,598.00</u>	<u>\$ 9,429,201.60</u>
Bonds, Notes and Loan Agreements Authorized but Not Issued					D-21	<u>\$ 1,473,616.43</u>	<u>\$ 1,473,616.43</u>

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
YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
Fund Balance	D-1, D-2	\$ 234,429.74	\$ 158,464.21
Water and Sewer Rents	D-3,D-7	1,362,874.11	1,057,294.17
Interest on Delinquencies	D-3,D-5	5,376.50	2,465.18
Interest on Investments	D-3,D-5	4,486.25	3,438.50
ARPA Funding	D-3,D-5	96,556.28	
Non-Budget Revenues	D-5	49.86	5,065.46
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-1	211,535.98	193,896.77
Overpayments Canceled	D-8	2,191.90	
		<hr/>	<hr/>
Total Revenues and Other Income		1,917,500.62	1,420,624.29
		<hr/>	<hr/>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	260,000.00	260,000.00
Other Expenses	D-4	940,879.28	883,700.00
Debt Service	D-4	120,816.15	111,751.83
Deferred Charges			75,764.21
Statutory Expenditures	D-4	61,731.20	52,000.00
Refunds of Prior Year Revenues	D-5	920.78	1,081.11
		<hr/>	<hr/>
Total Expenditures		1,384,347.41	1,384,297.15
		<hr/>	<hr/>
Statutory Excess to Fund Balance		533,153.21	36,327.14
 <u>FUND BALANCE</u>			
Balance - January 1	D	444,478.04	566,615.11
		<hr/>	<hr/>
		977,631.25	602,942.25
Decreased by:			
Utilization as Anticipated Revenue	D-1, D-3	234,429.74	158,464.21
		<hr/>	<hr/>
Balance - December 31	D	<u>\$ 743,201.51</u>	<u>\$ 444,478.04</u>

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
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	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
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	2022 <u>Budget</u>	<u>Realized</u>	<u>Excess</u>
Fund Balance	D-1	\$ 234,429.74	\$ 234,429.74	
Water and Sewer Rents	D-1,D-7	1,055,000.00	1,362,874.11	\$ 307,874.11
Interest on Delinquencies	D-1,D-5	2,000.00	5,376.50	3,376.50
Interest on Investments	D-1,D-5	2,000.00	4,486.25	2,486.25
ARP Funding 2021	D-1,D-5	96,556.28	96,556.28	
		<u>\$ 1,389,986.02</u>	<u>\$ 1,703,722.88</u>	<u>\$ 313,736.86</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
YEAR ENDED DECEMBER 31, 2022

	2022	Budget After	EXPENDED			Unexpended
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u>
			<u>Charged</u>			<u>Cancelled</u>
Operating:						
Salaries and Wages	\$ 260,000.00	\$ 260,000.00	\$ 238,954.28		\$ 21,045.72	
Other Expenses	289,125.00	289,125.00	246,460.65	\$ 41,742.02	922.33	
Sewer Service Fee	420,000.00	420,000.00	313,366.00		106,634.00	
Group Insurance	96,500.00	96,500.00	92,806.70		3,693.30	
Workers Compensation Insurance	23,127.00	23,127.00	23,127.00			
Liability Insurance	15,571.00	15,571.00	12,972.88		2,598.12	
ARP Funding	96,556.28	96,556.28	24,302.57	4,618.18	67,635.53	
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	41,731.20	41,731.20	41,731.20			
Social Security System (O.A.S.I.)	20,000.00	20,000.00	17,513.96		2,486.04	
Debt Service:						
Payment of Bond Principal	65,000.00	65,000.00	65,000.00			
Interest on Bonds	25,500.00	25,500.00	18,940.61			\$ 6,559.39
NJEIT Principal, Interest & Fee	36,875.54	36,875.54	36,875.54			
Total Water & Sewer Utility Appropriations	<u>\$ 1,389,986.02</u>	<u>\$ 1,389,986.02</u>	<u>\$ 1,132,051.39</u>	<u>\$ 46,360.20</u>	<u>\$ 205,015.04</u>	<u>\$ 6,559.39</u>
	<u>Ref.</u>			D	D	
Disbursed			\$ 1,127,510.36			
Accrued Interest on Bonds and Notes			4,541.03			
			<u>\$ 1,132,051.39</u>			

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

E

PAYROLL FUND
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>Ref</u>	<u>2022</u>	<u>2021</u>
Cash and Investments - Treasurer	E-1	\$ 1,740.41	\$ 14,280.71
		<u>\$ 1,740.41</u>	<u>\$ 14,280.71</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Payroll Deductions Payable	E-1	\$ 1,740.41	\$ 14,280.71
		<u>\$ 1,740.41</u>	<u>\$ 14,280.71</u>

See Accompanying Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

F

STATEMENT OF GOVERNMENTAL FIXED ASSETS
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	2021	Increases	Decreases	2022
Governmental Fixed Assets:				
Land/Buildings	\$ 8,959,300.00	\$ 174,000.00		\$ 9,133,300.00
Equipment	2,273,632.62	462,552.38	\$ 137,338.00	2,598,847.00
Total Governmental Fixed Assets	\$ 11,232,932.62	\$ 636,552.38	\$ 137,338.00	\$ 11,732,147.00
Investment in Governmental Fixed Assets	\$ 11,232,932.62	\$ 636,552.38	\$ 137,338.00	\$ 11,732,147.00

See Accompanying Notes to Financial Statements

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Pennington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Pennington, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Borough of Pennington do not include the operations of the free public library, first aid organization or fire district. As noted below, the reporting entity as defined by New Jersey statutes does not conform to accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

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

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

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

B. Description of Funds (Cont'd.)

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

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

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

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

C. Basis of Accounting

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain material respects from generally accepted accounting principles (GAAP) applicable to local government units.

The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The significant differences are as follows:

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

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).

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

C. Basis of Accounting (Cont'd.)

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes and water and sewer consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves.

These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water and sewer charges, which should be recognized in the period they are earned and become measurable.

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

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

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

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, transfers of anticipated operating surpluses among the Current Fund and Water 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.

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

C. Basis of Accounting (Cont'd.)

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

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.

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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

C. Basis of Accounting (Cont'd.)

Utility Fixed Assets - Property and equipment purchased by Water and Sewer Utility Fund are recorded as expenditures and are also capitalized within the utility capital fund at cost with an offsetting reserve for amortization, and are adjusted for disposition and abandonment. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

The provisions of New Jersey Administrative Code 5:30-5.6 also established a mandate for utility fund fixed asset accounting by municipalities. All non-infrastructure utility fixed assets acquired or constructed with utility financial resources are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

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

Cash and Cash Equivalents and Short-Term Investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-Term Debt – The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is disclosed 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 2022-12 on June 16, 2022. 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

C. Basis of Accounting (Cont'd.)

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.

Other Post-Employment Benefits Other Than Pensions - The requirements of GASB Statement No.75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*" that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB 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 the amounts. Since the Borough does not follow generally accepted accounting principles, GASB Statement No. 75 did not result in a change in the Borough's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB Statement. See Note 12 for these disclosures.

The Borough participates in a special funding situation with the State of New Jersey multiple-employer plan. As it relates to the State of New Jersey multiple-employer plan, the audited financial information related to OPEBs 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 Division issued Local Finance Notice 2022-12 on June 16, 2022. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the Division discretion to permit the most recent available audited GASB 75 financial information related to the State Plan to be incorporated into the audited financial statements and only requires one year to be disclosed.

Recently Issued and Adopted Accounting Principle

For the year ended December 31, 2022, the financial statements include the adoption of GASB Statement No. 87, "*Leases*". The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement were implemented during the year ended December 31, 2022.

Leases

Borough as a Lessee

The Borough is a lessee for a Borough police vehicle. The Borough acknowledges a lease obligation with an initial, collective value of \$5,000.00 or more. At the commencement of the lease, the Borough initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Key estimates and judgments related to leases payable include how the Borough determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Borough uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Borough uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Borough is reasonably certain to exercise. The Borough monitors changes in circumstances that would require a remeasurement of its lease obligation and will measure if certain changes occur that are expected to significantly affect the amount of the lease obligation. See Note 17 for further detail.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

C. Basis of Accounting (Cont'd.)

Borough as a Lessor

The Borough is a lessor for the rental of land and real property with Public Service Electric and Gas Company (“PSE&G”) for the purpose of the development, construction, maintenance and operation of a solar facility. The Borough acknowledges a lease receivable with an initial, collective value of \$10,000.00 or more. The Borough initially measures the lease obligation at the present value of payments expected to be received during the lease term. Key estimates and judgments to the lessor include (1) the discount rate using the lessee’s estimated borrowing rate expected less receipts to present value, (2) the lease term including any noncancellable period of the lease, and (3) the lease payments determined by the lease receipts included in the measurement of the lease that are composed of fixed payments from the lessee and any payment renewal option that the Borough is reasonably certain to exercise. The Borough monitors changes in circumstances that would requires a remeasurement of its leases and will remeasure the lease if certain changes occur that are expected to significantly affect the amount of the lease. See Note 18 for further detail.

Comparative Data

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

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Changes in Long-Term Debt During Current Period

	<u>Beginning Balance</u>	<u>Decreases</u>	<u>Ending Balance</u>
General:			
Bonds Payable	\$ 3,003,000.00	\$ 245,000.00	\$ 2,758,000.00
Total General	<u>3,003,000.00</u>	<u>245,000.00</u>	<u>2,758,000.00</u>
Water and Sewer Utility:			
Bonds Payable	671,000.00	65,000.00	606,000.00
Loans Payable - NJEIT	585,093.98	22,260.54	562,833.44
Total Water and Sewer Utility	<u>1,256,093.98</u>	<u>87,260.54</u>	<u>1,168,833.44</u>
Grand Totals	<u>\$ 4,259,093.98</u>	<u>\$ 332,260.54</u>	<u>\$ 3,926,833.44</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

B. Summary of Municipal Debt for Capital Projects

	<u>2022</u>	<u>2021</u>
<u>Issued:</u>		
General:		
Bonds	\$ 2,758,000.00	\$ 3,003,000.00
Water and Sewer Utility:		
Bonds and Loans	<u>1,168,833.44</u>	<u>1,256,093.98</u>
Total Debt Issued	<u>3,926,833.44</u>	<u>4,259,093.98</u>
<u>Authorized but Not Issued:</u>		
General:		
Bonds	2,165,290.40	1,360,990.40
Water and Sewer Utility:		
Bonds and Loans	<u>1,473,616.43</u>	<u>1,473,616.43</u>
Total Authorized but Not Issued	<u>3,638,906.83</u>	<u>2,834,606.83</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 7,565,740.27</u>	<u>\$ 7,093,700.81</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>General Debt:</u>		
\$1,148,000 General Improvement Bonds Series 2010, due in annual installments of \$65,000 to \$83,000 through July 15, 2030, interest at 3.625% to 4.000%	\$ 598,000.00	\$ 663,000.00
\$2,515,000 General Improvement Bonds Series 2020, due in annual installments of \$190,000 to \$250,000 through August 15, 2032, interest at 1.125% to 3.000%	<u>2,160,000.00</u>	<u>2,340,000.00</u>
Total General Debt	<u>2,758,000.00</u>	<u>3,003,000.00</u>
<u>Utility Debt:</u>		
\$1,366,000 Water and Sewer Utility Bonds Series 2010, due in annual installments of \$65,000 to \$86,000 through July 15, 2030, interest at 3.625% to 4.000%	606,000.00	671,000.00
\$817,805 NJEIT Project Loans, consisting of \$617,805 Fund Loan at 0.000% interest, and \$200,000 Trust Loan bearing interest at 3.000% to 5.000%, due in semi-annual installments through 2046	323,492.15	335,433.77
\$628,385 NJEIT Project Loans, consisting of \$473,385 Fund Loan at 0.000% interest, and \$155,000 Trust Loan bearing interest at 4.000% to 5.000%, due in semi-annual installments through 2048	<u>239,341.29</u>	<u>249,660.21</u>
Total Utility Debt	<u>1,168,833.44</u>	<u>1,256,093.98</u>
Total Debt Issued and Outstanding	<u>\$ 3,926,833.44</u>	<u>\$ 4,259,093.98</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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>2022</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 33,855,000.00	\$ 33,855,000.00	
Water & Sewer Utility Debt	2,642,449.87	2,642,449.87	
General Capital Debt	4,923,290.40		\$ 4,923,290.40
	<u>\$ 41,420,740.27</u>	<u>\$ 36,497,449.87</u>	<u>\$ 4,923,290.40</u>

Net Debt -	\$ 4,923,290.40	Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended	
\$ 560,206,579.00	equals	<u>0.879%</u>	

2022 Equalized Valuation Basis

2020 Equalized Valuation Basis of Real Property	\$ 516,289,410.00
2021 Equalized Valuation Basis of Real Property	551,680,292.00
2022 Equalized Valuation Basis of Real Property	612,650,035.00
Average Equalized Valuation	<u>\$ 560,206,579.00</u>

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

3 ½% of Equalized Valuation Basis Municipal	\$ 19,607,230.27
Net Debt	4,923,290.40
Remaining Borrowing Power	<u>\$ 14,683,939.87</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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

2022

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 1,703,772.74
Deductions:		
Operating & Maintenance Cost	\$ 1,262,610.48	
Debt Service Per Water and Sewer Account	120,816.15	
Total Deductions		1,383,426.63
Excess in Revenues		\$ 320,346.11

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)		\$ 533,153.21
Add:		
Refunds of Prior Year Revenues	\$ 920.78	
		920.78
		534,073.99
Less:		
Unexpended Balance of Appropriation Reserve	211,535.98	
Overpayments Canceled	2,191.90	
		213,727.88
Excess in Revenues		\$ 320,346.11

A revised annual debt statement should be filed by the Chief Financial Officer.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

C. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2022

Calendar Year	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2023	\$ 255,000.00	\$ 70,288.75	\$ 65,000.00	\$ 22,193.13	\$ 412,481.88
2024	265,000.00	64,132.50	70,000.00	19,746.25	418,878.75
2025	270,000.00	55,745.00	70,000.00	17,165.00	412,910.00
2026	280,000.00	47,120.00	75,000.00	14,399.38	416,519.38
2027	285,000.00	38,063.75	75,000.00	11,493.13	409,556.88
2028-2032	1,403,000.00	73,035.00	251,000.00	15,300.00	1,742,335.00
	<u>\$ 2,758,000.00</u>	<u>\$ 348,385.00</u>	<u>\$ 606,000.00</u>	<u>\$ 100,296.89</u>	<u>\$ 3,812,681.89</u>

C. Schedule of Annual Debt Service for Principal and Interest for NJEIT Loans Outstanding at December 31, 2022

Calendar Year	Principal	Interest	Total
2023	\$ 22,260.54	\$ 13,050.00	\$ 35,310.54
2024	22,260.54	12,550.00	34,810.54
2025	22,260.54	12,050.00	34,310.54
2026	22,260.54	11,550.00	33,810.54
2027	22,260.54	11,050.00	33,310.54
2028-2032	111,302.70	49,000.00	160,302.70
2033-2037	126,302.70	38,400.00	164,702.70
2038-2042	129,265.59	24,000.00	153,265.59
2043-2047	74,659.75	9,200.00	83,859.75
2048	10,000.00	400.00	10,400.00
Totals	<u>\$ 562,833.44</u>	<u>\$ 181,250.00</u>	<u>\$ 744,083.44</u>

Note 4: GOVERNMENTAL FIXED ASSETS

At December 31, 2022 and 2021, the Borough's governmental fixed assets consisted of:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Land and Buildings	\$ 8,959,300.00	\$ 174,000.00		\$ 9,133,300.00
Equipment	2,273,632.62	462,552.38	\$ 137,338.00	2,598,847.00
	<u>\$ 11,232,932.62</u>	<u>\$ 636,552.38</u>	<u>\$ 137,338.00</u>	<u>\$ 11,732,147.00</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 were appropriated and included as anticipated revenue in their own respective funds for the year ended December 31, 2022 were as follows:

	Balance December 31, 2022	Utilized in 2023 Budget
Current Fund	\$ 839,234.17	\$ 496,084.78
Water and Sewer Operating Fund	743,201.51	397,007.20

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, 2022, there was a deferred charges in the Current Fund in the amount of \$20,000.00 that was required to be raised in the budget of the succeeding year. The deferred charge is related to an emergency appropriation to provide for the purchase of unleaded and diesel fuel due to the increased cost of such items. At December 31, 2021, there were no deferred charges required to be raised in the 2022 budget.

Note 8: UTILITY FIXED ASSETS

The carrying values of the Borough's Water and Sewer Utility fixed assets for the years ended December 31, 2022 and 2021 were as follows:

	Balance December 31, 2021	Balance December 31, 2022
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
	\$6,783,866.92	\$ 6,783,866.92

Water and 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 9: DEPOSITS AND INVESTMENTS

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

Deposits

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

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

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

At December 31, 2022 and 2021, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash (Demand Accounts)	\$5,390,118.56	\$5,563,592.11
Change Fund (On-Hand)	<u>200.00</u>	<u>200.00</u>
Total	<u>\$5,390,318.56</u>	<u>\$5,563,792.11</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, 2022 and 2021, carrying amounts of the Borough's deposits were \$5,390,118.56 and \$5,563,592.11, respectively. The book balances were \$4,820,661.11 and \$5,201,386.11, respectively.

Of the bank balance, \$250,000.00 was covered by Federal depository insurance for each year and \$5,140,118.56 and \$5,297,800.40 was covered under the provisions of NJGUDPA for the years ended December 31, 2022 and 2021, respectively. \$33,361.91 and \$15,991.71 held in agency and payroll accounts for the years ended December 31, 2022 and 2021, respectively, are not covered by GUDPA.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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.

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;

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2022 and 2021, 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.

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 (the "Division"). The more significant aspects of the PERS Plan are as follows:

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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, 2021:

	2021
Inactive plan members or beneficiaries currently receiving benefits	184,775
Inactive plan members entitled to but not yet receiving benefits	877
Active plan members	246,576
Total	432,228

Significant Legislation

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

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

For the year ended December 31, 2021, the Borough's total payroll for all employees was \$1,517,183.14 and total PERS covered payroll was \$752,409.00. 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 7.5% in State fiscal year 2020 and 2021, 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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, 2021 consisted of the following:

	2021
Normal Cost	\$ 12,123.00
Amortization of Accrued Liability	88,936.00
Total Pension	101,059.00
NCGI Premiums	5,133.00
Total Regular Billing	106,192.00
LTD Premium	-
Total PERS Payment	\$ 106,192.00

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.

The following represents the membership tiers for PERS:

Tier	Definition
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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

At June 30, 2021, the PERS reported a net pension liability of \$11,846,499,172.00 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 \$1,407,115.00 or 0.0118778988%.

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, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,192.00	\$ 10,073.00
Changes in assumptions	7,328.00	500,942.00
Changes in Proportion	416,276.00	114,598.00
Net difference between projected and actual investment earnings		370,671.00
Borough contribution subsequent to measurement date	139,104.00	
Totals	\$ 584,900.00	\$ 996,284.00

The \$139,104.00 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, 2022. 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 Statement No. 68 been followed:

2022	\$ (246,060.00)
2023	(169,520.00)
2024	(96,135.00)
2025	(47,963.00)
2026	9,190.00
	\$ (550,488.00)

Actuarial Assumptions- The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 31, 2020, which was rolled to forward June 30, 2021. 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%

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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 99.7% 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-2021.

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	<u>100.00%</u>	

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of the participating employers as of June 30, 2021 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 point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State	\$ 24,824,632,407.00	\$ 21,629,497,485.00	\$18,926,092,782.00
Local	16,304,502,364.00	11,972,782,878.00	8,296,704,949.00
PERS Plan Total	41,129,134,771.00	33,602,280,363.00	27,222,797,731.00
Borough Share	\$ 1,916,205.29	\$ 1,407,115.00	\$ 975,079.74

Local Share includes \$126,283,706.00 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, 2021 was as follows:

Total Pension Liability	\$ 28,950,516,944.00	\$ 40,359,568,055.00	\$69,310,084,999.00
Plan Fiduciary Net Position	7,321,019,459.00	28,386,785,177.00	35,707,804,636.00
Net Pension Liability	\$ 21,629,497,485.00	\$ 11,972,782,878.00	\$33,602,280,363.00

Collective balances at June 30, 2021:

Collective deferred outflows of resources	\$ 1,164,738,169.00
Collective deferred inflows of resources	8,339,123,762.00
Collective net pension liability - Local Group	11,972,782,878.00

Borough's Proportion 0.011877899%

Collective Local Group pension (benefit) expense for the Local Group for the measurement period ended June 30, 2021 and 2020 was \$(1,599,674,464) and \$407,705,399, respectively. The average of the expected remaining service lives of all plan members is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 year ended June 30, 2021 is \$1,207,896,120.00.

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:

	2021
Inactive plan members or beneficiaries currently receiving benefits	46,571
Inactive plan members entitled to but not yet receiving benefits	67
Active plan members	40,838
Total	87,476

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

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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, 2021, the Borough's total payroll for all employees was \$1,517,183.14. Total PFRS covered payroll was \$437,458.00. 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 \$43,745.80 for 2021.

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'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, 2022 and 2021 consisted of the following:

	2021
Normal Cost	\$ 31,852.00
Amortization of Accrued Liability	66,191.00
Total Pension	98,043.00
NCGI Premiums	3,355.00
Total Regular Billing	101,398.00
Total PFRS Payment	\$101,398.00

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

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.

At June 30, 2021, the PFRS reported a net pension liability of \$7,309,152,035.00 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 \$785,135.00, or 0.0107415849%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75%
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-2021.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	1.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	<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, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State	\$ 4,757,269,091.00	\$ 4,064,571,765.00	\$ 3,487,891,690.00
Local	14,220,231,140.00	9,364,849,587.00	5,323,268,782.00
 PERS Plan Total	 18,977,500,231.00	 13,429,421,352.00	 8,811,160,472.00
 Borough Share	 <u>\$ 1,192,202.94</u>	 <u>\$ 785,135.00</u>	 <u>\$ 446,294.90</u>

*- Local Share includes \$2,055,697,552.00 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, 2021 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,783,590,022.00	\$ 41,189,084,817.00	\$ 46,972,674,839.00
Plan Fiduciary Net Position	1,719,018,257.00	31,824,235,230.00	33,543,253,487.00
Net Pension Liability	<u>\$ 4,064,571,765.00</u>	<u>\$ 9,364,849,587.00</u>	<u>\$ 13,429,421,352.00</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Borough's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources had GASB Statement No. 68 been followed:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,957.00	\$ 94,051.00
Changes in assumptions	4,176.00	235,302.00
Changes in proportion	282,077.00	
Net difference between projected and actual investment earnings		334,572.00
Borough contribution subsequent to measurement date	125,192.00	
Totals	<u>\$ 420,402.00</u>	<u>\$ 663,925.00</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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

The \$125,192.00 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, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows had GASB Statement No. 68 been followed:

Year Ending June 30:	Amount
2022	\$ (115,032.00)
2023	(68,528.00)
2024	(110,374.00)
2025	(96,931.00)
2026	22,150.00
	<u>\$ (368,715.00)</u>

Additional Information

Collective balances at June 30, 2021:

Collective deferred outflows of resources	\$ 817,271,932.00
Collective deferred inflows of resources	6,875,738,520.00
Collective net pension liability - Local Group	9,364,849,587.00
 Borough's Proportion	 0.010741585%

Collective Local Group pension (benefit) expense for the Local Group for the measurement period ended June 30, 2021 and 2020 was \$(742,955,825) and \$949,220,570, respectively. The average of the expected remaining service lives of all plan members is 6.17, 5.90, 5.92, 5.73, 5.59, 5.58, 5.53, and 6.17 years for 2021, 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.

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, 2022 AND 2021**

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, 2021 was \$178,577,000.00. The portion of that contribution allocated to the Borough in 2021 was \$19,182.00, or 0.0107415849%. The June 30, 2021 State special funding situation pension expense of \$228,944,734.00 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 \$2,055,697,552.00 at June 30, 2021 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, 2021 and its share of the special funding situation NPL at that date were \$24,593.00 and \$220,819.00, 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 (the "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, 2022 AND 2021**

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

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

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

<u>2021 Data</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension (Benefit)</u>
PERS	\$ 1,407,115	\$ 445,796	\$ 996,284	\$ (113,783)
PFRS	<u>785,135</u>	<u>295,212</u>	<u>663,925</u>	<u>(13,718)</u>
Total	<u>\$ 2,192,250</u>	<u>\$ 741,008</u>	<u>\$ 1,660,209</u>	<u>\$ (127,501)</u>

Note 11: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed or previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st.

The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection for foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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) Annual Comprehensive Financial Report (ACFR), 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.

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, 2021 and is the latest available information applicable to year-end December 31, 2022 financial reporting.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Plan Membership and Contributing Employers:

Plan membership and contributing employers/non-employers consisted of the following at June 30, 2021:

Inactive plan members or beneficiaries currently receiving benefits	32,624
Active plan members	<u>64,243</u>
Total PERS Payment	<u><u>96,867</u></u>

Components of Plan OPEB Liability:

The State of New Jersey's Total OPEB Liability and Net OPEB Liability for the Plan at June 30, 2021, was as follows:

	<u>2021</u>
Total OPEB Liability	\$ 18,050,052,887.00
Plan Fiduciary Net Position	<u>50,271,652.00</u>
	<u><u>\$ 17,999,781,235.00</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.28%
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The Net OPEB Liability at June 30, 2021 can be further broken down into its special funding and non-special funding components as follows:

	<u>Year 2021</u>
Special Funding Situation	\$ 3,861,357,890.00
Non-special Funding Situation	<u>14,138,423,345.00</u>
Total Net OPEB Liability	<u><u>\$ 17,999,781,235.00</u></u>

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

	<u>2021</u>
Non-special Funding Situation:	
Plan Net OPEB Liability	\$ 14,138,423,345
Pennington Allocations:	
Net OPEB Liability	4,263,428
Allocation Percentage	0.023686%
 Borough Plan Participants	 25

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Actuarial Assumptions:

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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-2021

PFRS

Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

Actuarial assumptions used in the July 1, 2020 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.

Discount Rate:

The discount rate for June 30, 2021 was 2.16%. 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, 2022 AND 2021**

Note 12: OTHER POST RETIREMENT 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, 2021, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>At Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total Net OPEB Liability	\$ 21,182,289,882.00	\$ 17,999,781,235.00	\$ 15,477,574,697.00
Pennington's Share (Nonspecial Funding Situation)	\$ 5,017,236.97	\$ 4,263,428.00	\$ 3,666,018.19

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, 2021, 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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$ 15,017,879,689.00	\$ 17,999,781,235.00	\$ 21,890,793,528.00
Pennington's Share (Nonspecial Funding Situation)	\$ 3,557,134.83	\$ 4,263,428.00	\$ 5,185,053.13

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, 2021 after any reductions due to fiscal year 2021 amortization:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings on Plan assets	\$ 2,039.00	
Change in proportion	668,653.00	\$ 659,066.00
Difference between expected and actual experience	95,666.00	891,972.00
Change in assumptions	613,307.00	753,611.00
	<u>\$ 1,379,665.00</u>	<u>\$ 2,304,649.00</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 12: OTHER POST RETIREMENT 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 Statement No. 75 been followed:

2022	\$ (290,752.00)
2023	(291,107.00)
2024	(291,344.00)
2025	(136,775.00)
2026	(26,906.00)
Thereafter	<u>111,901.00</u>
Total	<u>\$ (924,983.00)</u>

Changes in Total and Net OPEB Liability

	<u>Total OPEB Liability</u> <u>2021</u>
Balance - Beginning of Year (June 30 measurement date)	\$ 18,111,475,228.00
Changes for Year:	
Service Cost	846,075,674.00
Interest	413,837,061.00
Change in Benefit Terms	2,029,119.00
Difference between Actual and Expected Experience	(1,196,197,410.00)
Changes in Assumptions	339,165,715.00
Contributions - Members	43,309,873.00
Benefit Payments	<u>(509,642,373.00)</u>
Net Change in Total OPEB Liability	<u>(61,422,341.00)</u>
Balance - End of Year, 2021	<u>\$ 18,050,052,887.00</u>
Contributions: Employers	\$ 325,097,477.00
Contributions: Non-employer contributing entities	37,777,433.00
Contributions: Members	43,309,873.00
Net investment Income	201,343.00
Gross Benefits Payments	(509,642,373.00)
Administrative Expenses	<u>(11,334,383.00)</u>
Net Change in Plan Fiduciary Net Position	\$ (114,590,630.00)
Plan Fiduciary Net Position - Beginning	<u>164,862,282.00</u>
Plan Fiduciary Net Position - Ending	\$ 50,271,652.00
Net OPEB Liability - Ending	\$ 17,999,781,235.00
Plan Fiduciary Net Position as % of OPEB Liability	0.28%
Covered Employee Payroll	\$ 4,991,824,527
Net OPEB Liability as a Percentage of Payroll	361%

BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$21,494.40 and \$17,314.70 at December 31, 2022 and 2021, respectively.

Note 15: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Mid Jersey Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and 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, 2022.

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 ended December 31, 2022, 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.

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 16: INTERFUNDS

The following Interfund balances remained on the balance sheets at December 31, 2022 and 2021:

<u>Fund</u>	<u>2022</u>		<u>2021</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 9,169.17	\$ 67,200.00	\$ 4,803.69	
Grant Fund			366,700.44	
Trust - Other Fund		7,500.00		
Animal Control Trust Fund		1,669.17		\$ 4,803.69
General Capital Fund	53,200.00			331,537.31
Water & Sewer Operating Fund	14,000.00			
Water & Sewer Capital Fund				35,163.13
Total	\$ 76,369.17	\$ 76,369.17	\$ 371,504.13	\$ 371,504.13

Note 17: LEASE OBLIGATIONS

During 2021, the Borough entered into a lease financing agreement with Lease Servicing Center, Inc. dba NCL Government Capital. for the acquisition of a 2021 Police Vehicle. The master lease agreement calls for one annual payment of \$27,397.22 followed by two annual lease payments of \$13,203.06, commencing on July 9, 2021. These lease payments include interest accruing on the unpaid principal balance at the rate of 6.53% per annum. The original amount of the lease was \$51,136.00. The total amount of lease payments remaining as of December 31, 2022 are as follows:

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$12,393.29	\$ 809.77	\$13,203.06

Note 18: LESSOR REVENUE

During 2017, the Borough entered into a 20-year lease agreement with PSE&G where PSE&G leases land and real property from the Borough for a solar facility. The Borough has the option to purchase the solar facility at the end of the term upon such price and terms to be mutually agreed upon by the parties. If an agreement is not reached at the end of the term, the lessee shall remove the solar facility and restore the leased premises to its condition prior to the lease as reasonably practicable. The lease payments are due to the Borough in quarterly installments ranging from \$5,032.83 to \$8,531.20. Interest was calculated using the imputed interest method as interest was not explicitly stated in the master lease agreement. At December 31, 2022, the lessee's total obligation to the Borough is \$429,576.71. The Borough recognizes revenue on an annual basis from this lease of which \$23,562.04 was realized as revenue on the Exhibit A-2 for the year ended December 31, 2022. The following table represents the estimated principal and interest payments anticipated throughout the term of the lease.

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$15,279.12	\$ 2,834.19	\$18,113.31
2024	19,148.05	5,455.85	24,603.90
2025	20,058.18	5,160.82	25,219.00
2026	20,997.61	4,851.85	25,849.46
2027	21,967.22	4,528.47	26,495.69
2028-2032	125,496.83	17,255.07	142,751.90
2033-2037	154,780.04	6,730.58	161,510.62
2038	5,013.85	18.98	5,032.83
	<u>\$382,740.90</u>	<u>\$46,835.81</u>	<u>\$429,576.71</u>

**BOROUGH OF PENNINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 19: 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, 2022, the Borough does not believe that any material liabilities will result from such audits, if conducted. As of the date of this report the Borough was not involved in any pending or threatened litigation nor any unasserted claims or assessments that would be of a material nature.

Note 20: LONG TERM TAX EXEMPTIONS

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

Note 21: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after December 31, 2022 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.

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

Ord. 2023-1: Improvements to West Franklin Avenue and Knowles Streets, appropriating \$120,000.00 and authorizing the issuance of bonds or notes in the amount of \$120,000.00, adopted January 4, 2023.

Ord. 2023-2: Resurfacing of Rockwell Green Drive, Chadwell Court, and Scudder Court, appropriating \$700,000.00 and authorizing the issuance of bonds or notes in the amount of \$155,000.00, adopted January 4, 2023.

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

**PART II
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2022**

Current Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-4

CURRENT AND GRANT FUNDS
SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	<u>Current Fund</u>	<u>Federal and State Grant Fund</u>
Balance - December 31, 2021	A	\$ 1,629,530.05	\$ 448,503.88
Increased by Receipts:			
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	\$ 7,750.00	
Taxes Receivable	A-6	14,866,414.47	
Tax Overpayments	A-15	15,409.43	
Miscellaneous Revenues	A-2	660,940.80	
Miscellaneous Not Anticipated	A-2	18,399.57	
Prepaid Property Taxes	A-14	118,595.83	
Various Payables and Reserves	A-16	214,509.50	
Interfund Loans Received/Returned	A-12, A-18	18,803.69	\$ 366,700.44
State and Federal Grants Receivable	A-17		6,379.63
State and Federal Grants - Unappropriated	A-20		17,401.59
		<u>15,920,823.29</u>	<u>390,481.66</u>
		17,550,353.34	838,985.54
Decreased by Disbursements:			
Budget Expenditures	A-3	3,330,006.34	
Appropriation Reserves	A-13	137,088.77	
Taxes Payable to Other Governments	A-11	12,182,438.18	
Various Payables and Reserves	A-16	214,243.50	
Reserve for State and Federal Grants Appropriated	A-19		<u>267,388.19</u>
		15,863,776.79	267,388.19
Balance - December 31, 2022	A	<u>\$ 1,686,576.55</u>	<u>\$ 571,597.35</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-5

CURRENT FUND
SCHEDULE OF CHANGE FUNDS
YEAR ENDED DECEMBER 31, 2022

<u>Department</u>	<u>Balance</u> <u>December 31, 2021</u>	<u>Balance</u> <u>December 31, 2022</u>
Tax Collector	\$ 200.00	\$ 200.00
	<u>\$ 200.00</u>	<u>\$ 200.00</u>
	<u>Ref.</u>	<u>A</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-6

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
YEAR ENDED DECEMBER 31, 2022

<u>Year</u>	Balance	<u>2022 Levy</u>	<u>Cash Collections</u>		State Share of Senior Citizen and Veterans' Deductions	Adjusted, Remitted or Cancelled	Balance
	<u>December 31, 2021</u>		<u>Prepaid</u>	<u>2022</u>			<u>December 31, 2022</u>
2020	\$ 19,831.42					\$ 19,831.42	
2021	169,633.95			\$ 171,521.76		(1,887.81)	
	189,465.37			171,521.76		17,943.61	
2022		\$ 14,956,973.31	\$ 128,303.73	14,694,892.71	\$ 7,750.00	(15,560.55)	\$ 141,587.42
	\$ 189,465.37	\$ 14,956,973.31	\$ 128,303.73	\$ 14,866,414.47	\$ 7,750.00	\$ 2,383.06	\$ 141,587.42
<u>Ref.</u>	A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A

Analysis of 2022 Property Tax Levy:

Tax Yield:

General Purpose	\$ 14,637,002.45
Added Taxes	3,381.05
Special District Taxes	316,589.81

\$ 14,956,973.31

Tax Levy:

Regional School Tax (Abstract)	A-11	\$ 8,514,262.00	
Special District Tax	A-11	316,589.81	
County Tax (Abstract)	A-11	3,103,448.75	
County Open Space Tax (Abstract)	A-11	141,532.24	
Added County Tax	A-11	1,049.62	
			12,076,882.42
Local Open Space Tax	A-2	52,764.97	
Local Tax for Municipal Purposes (Abstract)	A-2	2,638,248.46	
Minimum Library Tax	A-2	184,599.41	
Add: Additional Tax Levied		4,478.05	
			2,880,090.89
			<u>\$ 14,956,973.31</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
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>		
Balance - December 31, 2021	A		\$3,949.20
Increased by:			
Deductions Allowed by Tax Billings	Below		<u>7,750.00</u>
			11,699.20
Decreased by:			
Collection	A-4	\$ 7,750.00	
Receivable Balance Canceled	A-1	<u>3,949.20</u>	
			<u>11,699.20</u>
Balance - December 31, 2022	A		<u><u>\$ -</u></u>
 <u>Analysis of Realized Revenue for 2022:</u>			
Deductions Allowed Per Tax Billings	Above		
Realized as Revenue - 2022	A-6		<u><u>\$ 7,750.00</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-8

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	A	<u>\$ 17,810.00</u>

A-9

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	A	<u>\$ 7,943.05</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-10

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND
YEAR ENDED DECEMBER 31, 2022

<u>Anticipated Miscellaneous Revenues:</u>	<u>Ref.</u>	<u>Balance December 31, 2021</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance December 31, 2022</u>
Fines and Costs - Municipal Court	A-2	\$ 1,668.31	\$ 2,172.77	\$ 1,668.31	\$ 2,172.77
		<u>\$ 1,668.31</u>	<u>\$ 2,172.77</u>	<u>\$ 1,668.31</u>	<u>\$ 2,172.77</u>
	<u>Ref.</u>	A	Reserve	A- 4	A

A-10A

CURRENT FUND
SCHEDULE OF DEFERRED CHARGES - CURRENT FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Balance December 31, 2021</u>	<u>Authorized Current Year</u>	<u>Balance December 31, 2022</u>
Emergency Authorizations (40A:4-47)	\$ -	\$ 20,000.00	\$ 20,000.00
	<u>\$ -</u>	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
	<u>Ref.</u>	A	A-3

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-11

CURRENT FUND
SCHEDULE OF TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2022

	Balance December 31, 2021	Taxes Levied	Taxes Paid	Balance December 31, 2022
County - General		\$ 3,103,448.75	\$ 3,103,448.75	
County - Open Space		141,532.24	141,532.24	
County - Added & Omitted	\$ 57,619.22	1,049.62	56,387.22	\$ 2,281.62
Regional School Taxes		8,514,262.00	8,514,262.00	
Local Open Space		52,764.97	52,764.97	
Fire Districts		316,589.81	314,043.00	2,546.81
Total	<u>\$ 57,619.22</u>	<u>\$ 12,129,647.39</u>	<u>\$ 12,182,438.18</u>	<u>\$ 4,828.43</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
SCHEDULE OF INTERFUNDS RECEIVABLE/PAYABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Total</u>	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Water/Sewer Operating Fund</u>	<u>General Capital Fund</u>
Balance - December 31, 2021					
Interfunds:					
Due From	\$ (4,803.69)	\$ (4,803.69)	\$ -	\$ -	\$ -
Statement of Expenditures	A-3	53,200.00			53,200.00
Statutory Excess	A	(1,669.17)	(1,669.17)		
Fees Collected In Trust On-Behalf of Current Fund	A	(7,500.00)	(7,500.00)		
Cash Receipts	A-4	18,803.69	4,803.69	14,000.00	
Balance - December 31, 2022	<u>\$ 58,030.83</u>	<u>\$ (1,669.17)</u>	<u>\$ (7,500.00)</u>	<u>\$ 14,000.00</u>	<u>\$ 53,200.00</u>
Due From	<u>\$ (9,169.17)</u>	<u>\$ (1,669.17)</u>	<u>\$ (7,500.00)</u>		
Due To	<u>\$ 67,200.00</u>			<u>\$ 14,000.00</u>	<u>\$ 53,200.00</u>
() Denotes Receivable	<u>Ref.</u> A	A	A	A	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-13

CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance - December 31, 2021		Balance After	Paid or	Balance
	Reserved	Encumbered	Modification	Charged	Lapsed
Salaries and Wages:					
Inside "CAPS":					
Office of Business Administrator	\$ 8,401.42		\$ 6,901.42		\$ 6,901.42
Financial Administrator	1,162.13		1,162.13		1,162.13
Assessment of Taxes	283.32		283.32		283.32
Collection of Taxes	17,606.18		17,606.18		17,606.18
Borough Clerk	2,510.80		2,510.80		2,510.80
Planning and Zoning	15,658.45		15,658.45		15,658.45
Police	24,152.15		24,152.15	\$ 3,500.00	20,652.15
Road Repair and Maintenance	461.59		461.59	250.00	211.59
Garbage & Trash Removal	16,806.38		16,806.38		16,806.38
Construction Code Official	9,717.26		9,717.26		9,717.26
Public Buildings and Grounds	4,692.61		4,692.61		4,692.61
Municipal Court	5,840.99		5,840.99		5,840.99
Total Salaries and Wages	<u>107,293.28</u>		<u>105,793.28</u>	<u>3,750.00</u>	<u>102,043.28</u>
Other Expenses:					
Inside "CAPS":					
Office of Business Administrator	6,960.41	\$ 6,950.77	13,911.18	9,633.93	4,277.25
Elections	890.70		890.70		890.70
Financial Administration	2,013.88	1,993.50	4,007.38	2,580.00	1,427.38
Maintenance of Tax Maps		2,500.00	2,500.00	2,500.00	-
Assessment of Taxes	3,491.56	592.28	4,083.84	827.28	3,256.56
Collection of Taxes	3,938.58		3,938.58		3,938.58
Mayor and Council	341.99	156.17	498.16	156.17	341.99
Borough Clerk	2,777.81	147.42	2,925.23	180.90	2,744.33
Municipal Court	11,824.44	85.00	11,909.44	200.00	11,709.44
Public Defender	4,800.00		4,800.00		4,800.00
Legal Services & Costs	20,000.00	8,332.00	28,332.00	8,332.00	20,000.00
Municipal Prosecutor	600.00	1,200.00	1,800.00		1,800.00
Engineering Services and Costs	2,500.00	27,668.42	30,168.42	11,578.71	18,589.71
Public Buildings and Grounds	17,422.35	7,232.25	24,654.60	9,809.70	14,844.90
Planning and Zoning Board	22.77	3,203.71	3,226.48	376.95	2,849.53
Shade Tree	4,549.41	6,500.00	11,049.41	6,500.00	4,549.41
Police	6,643.03	39,603.65	46,246.68	37,518.04	8,728.64
Other Expenses:					
Inside "CAPS":					
Road Repair and Maintenance	33,953.69	12,416.30	46,369.99	12,476.56	33,893.43
Street Lighting	2,702.03		2,702.03		2,702.03
Garbage & Trash Removal	13,418.19	12,802.86	26,221.05	9,991.36	16,229.69
Board of Health	405.00		405.00		405.00
Recreation	1,872.85		1,872.85	(109.64)	1,982.49
Celebration of Public Events	706.81		706.81		706.81
Municipal Service Reimbursement	5,000.00		5,000.00	1,907.69	3,092.31
Constr. Code Official	1,816.97	884.32	2,701.29	72.36	2,628.93
Telephone	122.06	170.00	1,792.06	1,591.57	200.49
Electricity	12,972.44		12,972.44	541.79	12,430.65
Gasoline & Lubricants	1,219.00	1,005.20	2,224.20	1,005.20	1,219.00
Natural Gas	1,707.32	969.08	2,676.40	969.08	1,707.32
Group Plan for Employees	214.76		214.76		214.76
Workers Compensation	466.27		466.27		466.27
Liability and Other Insurance	7,942.16		7,942.16		7,942.16
Public Employees' Retirement System	0.60		0.60		0.60
Police and Firemen's Retirement	2.00		2.00		2.00
Defined Contribution Retirement System	1,655.92		1,655.92		1,655.92
Social Security System (O.A.S.I.)	5,489.29	3,267.00	8,756.29	3,286.13	5,470.16
Other Expenses:					
Excluded from "CAPS":					
First Aid LOSAP Contribution	5,421.96		5,421.96		5,421.96
Mercer County EMS	140.00		140.00		140.00
Free Public Library-Maintenance	8,858.20	2,554.79	11,412.99	11,412.99	0.00
Total Operations	<u>\$ 302,157.73</u>	<u>\$ 140,234.72</u>	<u>\$ 442,392.45</u>	<u>\$ 137,088.77</u>	<u>\$ 305,303.68</u>
Ref.	A	A		A-4	A-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-14

CURRENT FUND
 SCHEDULE OF PREPAID PROPERTY TAXES
YEAR ENDED DECEMBER 31, 2022

	<u>REF.</u>	
Balance - December 31, 2021	A	\$ 128,303.73
Increased by:		
2023 Taxes Prepaid	A-4	<u>118,595.83</u>
		246,899.56
Decreases Decreased by:		
Prepaid Taxes Applied	A-6	<u>128,303.73</u>
Balance - December 31, 2022	A	<u><u>\$ 118,595.83</u></u>

A-15

CURRENT FUND
 SCHEDULE OF TAX OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2022

	<u>REF.</u>	
Balance - December 31, 2021	A	\$ 2,587.56
Increased by:		
Cash Received	A-4	<u>15,409.43</u>
Balance - December 31, 2022	A	<u><u>\$ 17,996.99</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-16

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLE AND RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Accounts Payable:				
Marriage License Filing Fees	\$ 25.00	\$ 50.00	\$ (75.00)	
State Training Fees (Code)	9,070.00	9,300.00	(10,163.00)	\$ 8,207.00
Subtotal	9,095.00	9,350.00	(10,238.00)	8,207.00
Reserve for:				
Tax Title Lien Redemptions		69,192.40	(69,192.40)	
Sale of Municipal Assets	24,872.25			24,872.25
State Library Aid	4,827.97	1,154.00		5,981.97
ARP Funds	134,813.10	134,813.10	(134,813.10)	134,813.10
Subtotal	164,513.32	205,159.50	(204,005.50)	165,667.32
Total	\$ 173,608.32	\$ 214,509.50	\$ (214,243.50)	\$ 173,874.32
<u>Ref.</u>	A	A-4	A-4	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-17

GRANT FUND
 SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

<u>Grant</u>	<u>Balance December 31, 2021</u>	<u>Budget Revenue Realized</u>	<u>Collected</u>	<u>Transferred from Grants Unappropriated</u>	<u>Cancelled</u>	<u>Balance December 31, 2022</u>
Body Armor Fund		\$ 681.57	\$ 681.57			
N.J.D.O.T. - Franklin and Knowles	\$ 515,000.00				\$ 515,000.00	
N.J. Urban & Community Forestry		10,000.00				\$ 10,000.00
Clean Communities Program		11,374.13	5,698.06	\$ 5,676.07		
Hazard Mitigation Grant	8,000.00					8,000.00
	<u>\$ 523,000.00</u>	<u>\$ 22,055.70</u>	<u>\$ 6,379.63</u>	<u>\$ 5,676.07</u>	<u>\$ 515,000.00</u>	<u>\$ 18,000.00</u>
<u>Ref.</u>	A	A-19	A-4	A-20	A-19	A

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

A-18

GRANT FUND
 SCHEDULE OF INTERFUND LOANS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	<u>Total</u>	<u>General Capital Fund</u>	<u>Water and Sewer Capital Fund</u>
Balance, December 31, 2021 - Due From	A	\$ 366,700.44	\$ 331,537.31	\$ 35,163.13
Decreased by:				
Cash Receipts	A-4	<u>366,700.44</u>	<u>331,537.31</u>	<u>35,163.13</u>
Balance, December 31, 2022 - Due From	A	<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
YEAR ENDED DECEMBER 31, 2022

Account Numbers	GRANT/AID PROGRAM	Balance - December 31, 2021		Transferred From Budget	Appropriated by N.J.S.A 40A 4:87	Paid or Charged	Transferred/ Cancelled	Balance - December 31, 2022	
		Reserved	Encumbered					Encumbered	Reserved
44-956	N.J.D.O.T. - Transportation Trust Fund - 2014	\$ 31,164.88							\$ 31,164.88
44-973	N.J.D.O.T. - Franklin and Knowles	515,000.00					\$ 515,000.00		
44-969/44-974	N.J.D.E.P. Hazard Remediation	301,604.00	\$ 312,041.58			\$ 252,046.90		\$ 59,994.68	301,604.00
44-975	N.J. Urban & Community Forestry			\$ 10,000.00		4,968.78			5,031.22
41-701	Clean Communities Program	41,744.75		5,676.07	\$ 5,698.06				53,118.88
44-963	Comcast Grant	4,773.50							4,773.50
44-911	Body Armor Replacement Fund	2,806.91		681.57		800.00			2,688.48
44-930	Drunk Driving Enforcement Grant	204.92							204.92
44-926	Solid Waste Recycling Grant	4,752.67	2,899.92			7,466.26	(155.24)	341.57	
44-957/44-966	Pennington Day Grant	905.05							905.05
44-937	Municipal Alcohol Ed.	985.89							985.89
44-954	ANJEC Grant	120.00							120.00
44-923	Community Stewardship Program	25.00							25.00
44-958	Hazard Mitigation Grant	83,000.00							83,000.00
44-903	Recycling Tonnage Grant	30,499.18				2,106.25	155.24	554.00	27,683.69
44-926		<u>\$ 1,017,586.75</u>	<u>\$ 314,941.50</u>	<u>\$ 16,357.64</u>	<u>\$ 5,698.06</u>	<u>\$ 267,388.19</u>	<u>\$ 515,000.00</u>	<u>\$ 60,890.25</u>	<u>\$ 511,305.51</u>
<u>Ref.</u>		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
YEAR ENDED DECEMBER 31, 2022

<u>GRANTS</u>	<u>Balance December 31, 2021</u>	<u>Transferred</u>	<u>Cash Receipts</u>	<u>Balance December 31, 2022</u>
Clean Communities Grant	\$ 5,676.07	\$ 5,676.07		
Body Armor			\$ 876.02	\$ 876.02
Body Cameras			3,260.80	3,260.80
Solid Waste Recycling			13,264.77	13,264.77
	<u>\$ 5,676.07</u>	<u>\$ 5,676.07</u>	<u>\$ 17,401.59</u>	<u>\$ 17,401.59</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
YEAR ENDED DECEMBER 31, 2022

	Balance <u>December 31, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	Statutory Excess <u>Due to Current Fund</u>	Balance <u>December 31, 2022</u>
Animal Control:					
Due Current Fund	\$ 4,803.69		\$ (4,803.69)	\$ 1,669.17	\$ 1,669.17
Animal Control Reserves	4,933.00	\$ 3,415.00	(1,504.29)	(1,669.17)	5,174.54
Subtotal	<u>9,736.69</u>	<u>3,415.00</u>	<u>(6,307.98)</u>	<u>-</u>	<u>6,843.71</u>
Trust - Other Funds:					
Due from Current Fund		8,891.86	(1,391.86)		7,500.00
Unemployment Claims	35,746.19	8,073.48	(1,979.02)		41,840.65
Affordable Housing	466,636.36	17,817.61	(10,396.32)		474,057.65
Recreation Funds	1,263.94				1,263.94
Law Enforcement Trust	7,415.42	34.02			7,449.44
Public Defender	1,331.50	550.00	(200.00)		1,681.50
Shade Tree	1,494.27	300.00	(100.00)		1,694.27
POAA	1,174.79	22.00			1,196.79
Verizon	100.00				100.00
Tax Sale Premium	138,500.00	110,100.00	(111,200.00)		137,400.00
Police Donations	14,996.52	3,000.00	(6,503.64)		11,492.88
Open Space Preservation Fund	564,337.22	55,729.53	(130,440.04)		489,626.71
Outside Employment - Police		75,304.66	(70,832.54)		4,472.12
Cannibis Applications		7,500.00	(7,500.00)		
Developer Escrow Funds	204,930.21	34,082.01	(25,662.16)		213,350.06
Refundable Deposits	117,500.00		(60,000.00)		57,500.00
Accumulated Absence	5,000.00				5,000.00
Subtotal	<u>1,560,426.42</u>	<u>321,405.17</u>	<u>(426,205.58)</u>	<u>-</u>	<u>1,455,626.01</u>
Total	<u>\$ 1,570,163.11</u>	<u>\$ 324,820.17</u>	<u>\$ (432,513.56)</u>	<u>\$ -</u>	<u>\$ 1,462,469.72</u>

Ref. B

B

B

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2020	\$2,278.00
2021	<u>2,896.54</u>
	<u>\$5,174.54</u>

Note: R.S. 4:19-15.11

".... There shall be transferred from such special account to the general funds of the municipality any amount which is in excess of the total amount paid into such special account during the last two fiscal years preceeding."

General Capital Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-2

GENERAL CAPITAL FUND
 CASH AND INVESTMENTS - TREASURER
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>		
Balance - December 31, 2021	C		\$ 750,541.50
Increased by:			
Grants Receivable	C-4	\$ 349,278.26	
Capital Improvement Fund	C-10	<u>15,000.00</u>	
			<u>364,278.26</u>
			1,114,819.76
Decreased by:			
Current Fund Budget Revenue	C-1	50,000.00	
Grant Fund	C-5	331,537.31	
Improvement Authorizations	C-8	<u>678,532.45</u>	
			<u>1,060,069.76</u>
Balance - December 31, 2022	C		<u><u>\$ 54,750.00</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-3

GENERAL CAPITAL FUND
 ANALYSIS OF GENERAL CAPITAL FUND
 CASH AND INVESTMENTS
YEAR ENDED DECEMBER 31, 2022

	<u>Balance</u> <u>December 31, 2022</u>	<u>Balance</u> <u>December 31, 2021</u>
Fund Balance	\$ 308,263.40	\$ 358,263.40
Capital Improvement Fund	19,783.45	12,283.45
Reserve for Encumbrances	308,528.05	688,993.40
State Grants Receivable	(1,526,562.99)	(1,360,841.25)
Due to/from Grant Fund		331,537.31
Due to/from Current Fund	(53,200.00)	
Reserve for Grants Receivable	515,000.00	
Improvement Authorizations Funded	1,123,491.27	1,129,737.64
Improvement Authorizations Expended - Not Funded	(640,553.18)	(409,432.45)
	<u>\$ 54,750.00</u>	<u>\$ 750,541.50</u>
<u>Ref.</u>	<u>C</u>	<u>C</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-4

GENERAL CAPITAL FUND
 SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	C	\$ 1,360,841.25
Increased by:		
Grant Awards:		
NJDOT (2022-5 West Franklin/Knowles.)	C-8	<u>515,000.00</u>
		1,875,841.25
Decreased by:		
Cash Receipt - East Wellington	C-5	<u>349,278.26</u>
Balance - December 31, 2022	C	<u><u>\$ 1,526,562.99</u></u>
<u>Analysis of Balance - December 31, 2022:</u>		
Ordinance No. 2020-03 - NJDOT Grant-Burd Street		\$ 154,537.25
Ordinance Nos. 2020-12/2021-11 - NJDOT Streetscape Phase II		580,000.00
Ordinance No. 2021-4 - NJDOT East Welling Avenue		260,721.74
Ordinance No. 2021-15 - Body Worn Camera Grant		16,304.00
Ordinance No. 2022-5 NJ DOT West Franklin/Knowles		<u>515,000.00</u>
		<u><u>\$ 1,526,562.99</u></u>

C-4A

GENERAL CAPITAL FUND
 SCHEDULE OF RESERVE FOR GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	C	\$ -
Increased by:		
Grant Awards:		
NJDOT (2022-5 West Franklin/Knowles.)	C-4	<u>515,000.00</u>
Balance - December 31, 2022	C	<u><u>\$ 515,000.00</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-5

GENERAL CAPITAL FUND
 SCHEDULE OF INTERFUND LOANS
YEAR ENDED DECEMBER 31, 2022

	Balance December 31, 2021	Decreases	Balance December 31, 2022
Grant Fund	\$ 331,537.31	\$ 331,537.31	
Current Fund		53,200.00	\$ (53,200.00)
	\$ 331,537.31	\$ 384,737.31	\$ (53,200.00)
<u>Ref.</u>	C	C-4	C

C-6

GENERAL CAPITAL FUND
 SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	C	\$ 3,003,000.00
Decreased by:		
General Serial Bonds		
Paid by Budget Appropriation	C-9	245,000.00
Balance - December 31, 2022	C	\$ 2,758,000.00

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-7

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2022

Ordinance Number	Improvement Description	Balance December 31, 2021	Authorized	Funding	Balance December 31, 2022	Analysis of Balance Balance - December 31, 2022	
						Expenditures	Unexpended Unfunded Authorizations
2016-3/2017-7	Acquisition of a Generator	\$ 24,187.20			\$ 24,187.20		\$ 24,187.20
2017-1	Improvements to King George Rd.	816.00			816.00	\$ 816.00	
2017-4	Preliminary Costs-Landfill Redevelopment	350,000.00			350,000.00	350,000.00	
2019-01	Curtis Ave./Weidel Drive Road Project	54,740.20			54,740.20	54,740.20	
2020-03	Burd Street Phase 3	31,851.00			31,851.00		31,851.00
2020-09	Renovation and Improvement to Borough Hall	690,000.00			690,000.00		690,000.00
2021-04	Improvements to East Welling Avenue	100,000.00			100,000.00		100,000.00
2021-10	Acquisition of Equipment and Upgrades for the Police Department	53,200.00		\$ 53,200.00			
2021-15	Acquisition of Body Worn Cameras and Related Equipment	56,196.00			56,196.00	9,542.23	46,653.77
2022-5	Improv. West Franklin Ave and Knowles St.		\$ 715,000.00		715,000.00	89,000.00	626,000.00
2022-6	Acquis of Vehicles and Equipment		142,500.00		142,500.00	136,454.75	6,045.25
		\$ 1,360,990.40	\$ 857,500.00	\$ 53,200.00	\$ 2,165,290.40	\$ 640,553.18	\$ 1,524,737.22
Ref.	C		C-8, C-11	C-5, C-11	C	C-3	C-8

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-8

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2022

Ordinance Number	Improvement Description	Date	Amount	Balance - December 31, 2021			Authorized	Paid or Charged	Balance - December 31, 2022		
				Funded	Unfunded	Encumbered			Encumbered	Funded	Unfunded
<u>General Improvements:</u>											
2017-4 2018-9	Redevelopment of Landfill Property (Amended 7/2/18)	3/6/2017	\$ 125,000.00 225,000.00		\$ 28,132.47	\$ 15,035.43		\$ (1,990.13)	\$ 17,968.26		\$ 27,189.77
2017-14	Borough Hall Renovations	9/5/2017	1,000,000.00	\$ 27,987.81		600.90				\$ 28,588.71	
2019-05	Various Road Improvements	5/6/2019		52,311.57						52,311.57	
2020-03	Burd Street Phase 3	4/6/2020		73,129.55	31,851.00	25,277.05		23,399.35		75,007.25	31,851.00
2020-09	Renovation and Improvement to Borough Hall	7/6/2020	1,200,000.00	449,628.41	690,000.00					449,628.41	690,000.00
2020-12	Preliminary Engineering Streetscape	8/3/2020	140,000.00	6,280.65		133,119.35		58,210.91	74,908.44	6,280.65	
2021-04	Improvements to East Welling Avenue	5/3/2021	710,000.00	62,695.65	100,000.00	473,991.31		446,738.27	53,309.62	36,639.07	100,000.00
2021-10	Acquisition of Equipment and Upgrades for the Police Department	8/2/2021	107,000.00		45,378.48	40,969.36		45,379.57	7,332.66	33,635.61	
2021-11	Streetscape - Phase 2	8/2/2021	442,000.00	441,400.00						441,400.00	
2021-15	Acquisition of Body Worn Cameras and Related Equipment	12/6/2021	72,500.00	16,304.00	56,196.00			28,848.80			43,651.20
2022-5	Improv. West Franklin Ave and Knowles St. (NJ DOT \$515,000)	5/2/2022	715,000.00				\$ 715,000.00	77,945.68	11,054.32		626,000.00
2022-6 2022-12	Acquis of Vehicles and Equipment (Amendment)	5/2/2022 10/3/2022	150,000.00				150,000.00		143,954.75		6,045.25
				<u>\$ 1,129,737.64</u>	<u>\$ 951,557.95</u>	<u>\$ 688,993.40</u>	<u>\$ 865,000.00</u>	<u>\$ 678,532.45</u>	<u>\$ 308,528.05</u>	<u>\$ 1,123,491.27</u>	<u>\$ 1,524,737.22</u>
<u>Ref.</u>				C	C	C	Below	C-2	C	C	C
					<u>Ref.</u>						
Deferred Charges to Future Taxation Unfunded Capital Improvement Fund					C-7 C-10		\$ 857,500.00 <u>7,500.00</u>				
						Above	<u>\$ 865,000.00</u>				

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-9

GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2022

Purpose	Original Issue		Maturities of Bonds Outstanding		Interest Rate	Balance December 31, 2021	Decreases	Balance December 31, 2022
	Date	Amount	Date	Amount				
2010 General Improvement Bonds	6/1/2010	\$1,148,000	7/15/2023	\$ 65,000.00	3.625%	\$ 663,000.00	\$ 65,000.00	\$ 598,000.00
			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%			
2020 General Improvement Bonds	8/12/2020	\$2,515,000	8/15/2023	190,000.00	2.000%	2,340,000.00	180,000.00	2,160,000.00
			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%			
					<u>2,340,000.00</u>	<u>180,000.00</u>	<u>2,160,000.00</u>	
					<u>\$ 3,003,000.00</u>	<u>\$ 245,000.00</u>	<u>\$ 2,758,000.00</u>	
					Ref.	C	C-6	C

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-10

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	C	\$ 12,283.45
Increased by:		
Budget Appropriation	C-2	<u>15,000.00</u>
		27,283.45
Decreased by:		
Improvement Authorizations	C-8	<u>7,500.00</u>
Balance - December 31, 2022	C	<u>\$ 19,783.45</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

C-11

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2022

Ordinance Number	Improvement Description	Balance December 31, 2021	Authorized	Other Funding	Balance December 31, 2022
2016-3/2017-7	Acquisition of a Generator	\$ 24,187.20			\$ 24,187.20
2017-1	Funding of Emergency Appropriation Improv. To King George Rd.	816.00			816.00
2017-4	Preliminary Costs-Landfill Redevelopment (Amended 7/2/18)	350,000.00			350,000.00
2018-9					
2019-01	Curlis Ave./Weidel Drive Road Project	54,740.20			54,740.20
2020-03	Burd Street Phase 3	31,851.00			31,851.00
2020-09	Renovation and Improvement to Borough Hall	690,000.00			690,000.00
2021-04	Improvements to East Welling Avenue	100,000.00			100,000.00
2021-10	Acquisition of Equipment and Upgrades for the Police Department	53,200.00		\$ 53,200.00	
2021-15	Acquisition of Body Worn Cameras and Related Equipment	56,196.00			56,196.00
2022-5	Improv. West Franklin Ave and Knowles St.		\$ 715,000.00		715,000.00
2022-6	Acquis of Vehicles and Equipment		142,500.00		142,500.00
		<u>\$ 1,360,990.40</u>	<u>\$ 857,500.00</u>	<u>\$ 53,200.00</u>	<u>\$ 2,165,290.40</u>
	<u>Ref.</u>	C	C-7	C-5	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
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance - December 31, 2021	D	\$ 688,712.48	\$ 99,454.38
Increased by Receipts:			
Refund of Prior Year Expenditure	D-1		
Consumer Accounts Receivable	D-7	\$ 1,362,874.11	
Interest on Investments	D-3	4,486.25	
ARP Funding 2021	D-3	96,556.28	
Rent Overpayments	D-8	2,191.90	
Other Reserves	D	361.67	
Interest on Delinquencies	D-3	5,376.50	
Misc. Revenues Not Anticipated	D-1	49.86	
		<u>1,471,896.57</u>	<u>-</u>
		2,160,609.05	99,454.38
Decreased by Disbursements:			
Budget Expenditures	D-4	1,127,510.36	
Appropriation Reserve Expenditures	D-11	15,756.59	
Refund Prior Year Revenues	D-1	920.78	
Overpayment Refunds	D-8	2,191.90	
Accrued Interest on Bonds, Notes and Loans	D-12	146.24	
Interfund Returned	D-16, D-20	14,000.00	35,163.13
Improvement Authorizations	D-13		20,847.35
		<u>1,160,525.87</u>	<u>56,010.48</u>
Balance - December 31, 2022	D	<u>\$ 1,000,083.18</u>	<u>\$ 43,443.90</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-6

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS
YEAR ENDED DECEMBER 31, 2022

	Balance <u>December 31, 2022</u>	Balance <u>December 31, 2021</u>
Fund Balance	\$ 32,847.20	\$ 32,847.20
Capital Improvement Fund	123.55	123.55
Due to Grant Fund		35,163.13
Reserve for Debt Service	9,897.42	9,897.42
Reserve for Encumbrances	39,728.60	41,629.60
Improvement Authorizations - Funded	181,091.23	181,091.23
Improvement Authoriations - Unfunded	1,253,372.33	1,272,318.68
Authorized Not Issued	<u>(1,473,616.43)</u>	<u>(1,473,616.43)</u>
	<u>\$ 43,443.90</u>	<u>\$ 99,454.38</u>
<u>Ref.</u>	D	D

() Denotes Deficit or Deduction

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY
WATER AND SEWER UTILITY OPERATING FUND

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	D	\$ 89,994.14
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,671,910.29</u>
		1,761,904.43
Decreased by:		
Collections	D-5	<u>1,362,874.11</u>
Balance - December 31, 2022	D	<u><u>\$ 399,030.32</u></u>

D-8

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF WATER/SEWER RENTS OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	D	\$ 2,245.34
Decreased by:		
Cash Disbursed	D-5	<u>2,191.90</u>
Balance - December 31, 2022	D	<u><u>\$ 53.44</u></u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-9

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF FIXED CAPITAL
YEAR ENDED DECEMBER 31, 2022 AND 2021

<u>Account</u>	<u>Balance</u> <u>December 31, 2022</u>	<u>Balance</u> <u>December 31, 2021</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-10

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEARS ENDED DECEMBER 31, 2022 AND 2021

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance December 31, 2022	Balance December 31, 2021
<u>General Improvements:</u>					
2003-08	Various Improvements to Water/Sewer	10/6/2008	\$ 404,500.00	\$ 9,897.42	\$ 9,897.42
2007-9	Various Improvements to Water/Sewer	11/15/2007	1,200,000.00	536,045.43	536,045.43
2016-4	Water Main Replacement for King George Road/Park Avenue	3/2/2016	1,125,000.00	561,469.10	561,469.10
2016-5	Water Main Replacement for East Curlis Avenue/Weidel Drive	3/2/2016	920,000.00	375,464.73	375,464.73
2018-15	Water System Asset Management Plan	10/1/2018	300,000.00	284,297.00	284,297.00
				<u>\$ 1,767,173.68</u>	<u>\$ 1,767,173.68</u>
			<u>Ref.</u>	D	D

See Independent Auditors' Report

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-11

WATER AND SEWER UTILITY OPERATING FUND
 SCHEDULE OF APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	<u>Balance</u> <u>December 31, 2021</u>	<u>Reserve for</u> <u>Encumbrances</u> <u>December 31, 2021</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:					
Salaries and Wages	\$ 52,823.58		\$ 52,823.58	\$ 3,327.16	\$ 49,496.42
Other Expenses	87,554.18	\$ 44,491.09	132,045.27	12,174.90	119,870.37
Sewer Service Fee	7,434.66		7,434.66		7,434.66
Group Insurance for Employees	27,949.18		27,949.18		27,949.18
Workers Compensation Insurance	199.83		199.83		199.83
Liability Insurance	2,546.64		2,546.64		2,546.64
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	142.40		142.40		142.40
Social Security System (O.A.S.I.)	4,151.01		4,151.01	254.53	3,896.48
	<u>\$ 182,801.48</u>	<u>\$ 44,491.09</u>	<u>\$ 227,292.57</u>	<u>\$ 15,756.59</u>	<u>\$ 211,535.98</u>
<u>Ref.</u>	D	D		D-5	D-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-12

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	D	\$ 11,754.53
Increased by:		
Accrued Interest Charged to:		
Budget Appropriations	D-4	<u>4,541.03</u>
		16,295.56
Decreased by:		
Payment	D-5	<u>146.24</u>
Balance - December 31, 2022	D	<u>\$ 16,149.32</u>

Analysis of Balance - December 31, 2022:

	<u>Debt Outstanding December 31, 2022</u>	<u>Interest Rate</u>	<u>Period</u>	<u>Amount</u>
<u>Bonds</u>				
\$	65,000.00	3.625%	5.5 mos.	\$ 1,079.95
	70,000.00	3.625%	5.5 mos.	1,163.02
	70,000.00	3.750%	5.5 mos.	1,203.13
	75,000.00	3.875%	5.5 mos.	1,332.03
	75,000.00	3.875%	5.5 mos.	1,332.03
	80,000.00	4.000%	5.5 mos.	1,466.67
	85,000.00	4.000%	5.5 mos.	1,558.33
	86,000.00	4.000%	5.5 mos.	<u>1,576.67</u>
				<u>10,711.82</u>
<u>Bank Loans</u>				
	175,000.00	Var.	5.0 mos.	3,000.00
	140,000.00	Var.	5.0 mos.	<u>2,437.50</u>
				<u>5,437.50</u>
Total				<u>\$ 16,149.32</u>

D-12A

WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	D	<u>\$ 2,942.00</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-13

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
YEAR ENDED DECEMBER 31, 2022

Ordinance Number	Improvement Description	Ordinance Date	Balance, December 31, 2021		Reserve for Encumbrances Dec. 31, 2021	Paid or Charged	Reserve for Encumbrances Dec. 31, 2022	Balance, December 31, 2022		
			Amount	Funded				Unfunded	Funded	Unfunded
<u>General Improvements:</u>										
2007-9	Various Water & Sewer Utility Improvements	11/15/2007	\$ 1,200,000.00		\$ 530,306.43	\$ 18,946.35		\$ 511,360.08		
2016-4	Water Main Replacement for King George Road/Park Avenue	3/2/2016	1,125,000.00	\$ 181,091.23	373,689.00			\$ 181,091.23	373,689.00	
2016-5	Water Main Replacement for East Curlis Avenue/Weidel Drive	3/2/2016	920,000.00		278,420.04				278,420.04	
2018-15	Water System Asset Management Plan	10/1/2018	300,000.00		89,903.21	\$ 41,629.60	1,901.00	\$ 39,728.60	89,903.21	
				<u>\$ 181,091.23</u>	<u>\$ 1,272,318.68</u>	<u>\$ 41,629.60</u>	<u>\$ 20,847.35</u>	<u>\$ 39,728.60</u>	<u>\$ 181,091.23</u>	<u>\$ 1,253,372.33</u>
		<u>Ref.</u>		D	D	D	D-5	D	D	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-14

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	D	\$ 123.55

D-15

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	D	\$ 5,821,330.19
Increased by:		
Serial Bonds Paid	D-17	\$ 65,000.00
NJEIT Loan Principal Paid	D-19	22,260.54
		87,260.54
Balance - December 31, 2022	D	\$ 5,908,590.73

D-16

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF INTERFUND LOANS
YEAR ENDED DECEMBER 31, 2022

<u>Fund</u>	Balance <u>December 31, 2021</u>	Decreases	Balance <u>December 31, 2022</u>
General Capital	\$ 35,163.13	\$ 35,163.13	\$ -
	\$ 35,163.13	\$ 35,163.13	\$ -
	<u>Ref.</u>		
	D	D-5	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-17

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2022

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Issuance</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance December 31, 2021</u>	<u>Decrease</u>	<u>Balance December 31, 2022</u>
			<u>Date</u>	<u>Amount</u>				
2010 Sewer Utility Bonds	6/1/2010	\$ 1,366,000.00						
			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%			
			7/15/2030	86,000.00	4.000%			
						<u>\$ 671,000.00</u>	<u>\$ 65,000.00</u>	<u>\$ 606,000.00</u>
						<u>\$ 671,000.00</u>	<u>\$ 65,000.00</u>	<u>\$ 606,000.00</u>
					<u>Ref.</u>	D	D-15	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-18

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR DEBT SERVICE
DECEMBER 31, 2022 AND 2021

	<u>Ref.</u>	
Balance - December 31, 2022 and 2021	D	<u>\$ 9,897.42</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-19

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL
INFRASTRUCTURE TRUST LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2022

	<u>Ref.</u>	
Balance - December 31, 2021	D	\$ 585,093.98
Decreased by:		
Paid by Budget Appropriation	D-15	22,260.54
Balance - December 31, 2022	D	\$ 562,833.44

Maturity Schedule (Principal Only):

<u>Year</u>	2016 Loan			2018 Loan			<u>Total</u>
	<u>Fund Loan</u>	<u>Trust Loan (8/1)</u>	<u>Interest Rate</u>	<u>Fund Loan</u>	<u>Trust Loan (8/1)</u>	<u>Interest Rate</u>	
2023	\$ 6,941.62	\$ 5,000.00	5.000%	\$ 5,318.92	\$ 5,000.00	5.000%	\$ 22,260.54
2024	6,941.62	5,000.00	5.000%	5,318.92	5,000.00	5.000%	22,260.54
2025	6,941.62	5,000.00	5.000%	5,318.92	5,000.00	5.000%	22,260.54
2026	6,941.62	5,000.00	5.000%	5,318.92	5,000.00	5.000%	22,260.54
2027	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	5.000%	22,260.54
2028	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2029	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2030	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2031	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2032	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2033	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2034	6,941.62	5,000.00	4.000%	5,318.92	5,000.00	4.000%	22,260.54
2035	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2036	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2037	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2038	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2039	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2040	6,941.62	10,000.00	4.000%	5,318.92	5,000.00	4.000%	27,260.54
2041	6,941.62	10,000.00	4.000%	3,600.73	5,000.00	4.000%	25,542.35
2042	6,941.62	10,000.00	4.000%		5,000.00	4.000%	21,941.62
2043	6,941.62	10,000.00	4.000%		5,000.00	4.000%	21,941.62
2044	2,718.13	10,000.00	4.000%		5,000.00	4.000%	17,718.13
2045		10,000.00	4.000%		5,000.00	4.000%	15,000.00
2046		5,000.00	4.000%		5,000.00	4.000%	10,000.00
2047					10,000.00	4.000%	10,000.00
2048					10,000.00	4.000%	10,000.00
	\$ 148,492.15	\$ 175,000.00		\$ 99,341.29	\$ 140,000.00		\$ 562,833.44

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-20

WATER AND SEWER UTILITY OPERATING FUND
 SCHEDULE OF INTERFUND LOANS
DECEMBER 31, 2022 AND 2021

<u>Fund</u>	<u>Balance</u> <u>December 31, 2021</u>	<u>Increases</u>	<u>Balance</u> <u>December 31, 2022</u>
Current Fund	\$ -	\$ 14,000.00	\$ 14,000.00
	<u>\$ -</u>	<u>\$ 14,000.00</u>	<u>\$ 14,000.00</u>
<u>Ref.</u>	D	D-5	D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

D-21

WATER AND SEWER UTILITY CAPITAL FUND
 SCHEDULE OF BONDS AND NOTES AUTHORIZED AND NOT ISSUED
DECEMBER 31, 2022 AND 2021

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2021</u>	<u>Balance December 31, 2022</u>
2007-9	Various Water & Sewer Utility Improvements	\$ 530,306.43	\$ 530,306.43
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	444,621.00	444,621.00
2018-15	Water System Asset Management Plan	125,000.00	125,000.00
		<u>\$ 1,473,616.43</u>	<u>\$ 1,473,616.43</u>
		<u>Ref.</u> D	D

Payroll Fund

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

E-1

PAYROLL FUND
 SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
DECEMBER 31, 2022 AND 2021

<u>Agency/Category</u>	<u>Balance Dec. 31, 2022</u>	<u>Balance Dec. 31, 2021</u>
Pension Annual Liability	\$ 30.00	\$ 30.00
FICA/Medicare-Employee	(148.83)	(148.83)
Colonial Life	(46.77)	(46.77)
Health Benefits	5,252.94	5,355.64
PERS	(2,047.83)	2,508.83
PFRS	(1,740.66)	5,967.94
DCRP	660.99	301.35
PW Union Dues	141.48	141.48
FOP Union Dues	240.00	240.00
Contributory Insurance	(600.91)	(68.93)
	<u>\$ 1,740.41</u>	<u>\$ 14,280.71</u>
<u>Ref.</u>	E	E

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

**PART III
SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2022**

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 2022 AND 2021

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY TOTALS	
							DEC. 31, 2022	DEC. 31, 2021
Cash and Investments	\$ 2,258,373.90	\$ 1,462,469.72	\$ 54,750.00	\$ 1,043,527.08	\$ 1,740.41		\$ 4,820,861.11	\$ 5,201,386.11
Accounts Receivable:								
State & Federal Grants Receivable	18,000.00		1,526,562.99				1,544,562.99	1,883,841.25
Due from State of New Jersey								3,949.20
Taxes, Assessments, Liens & Utility Charges	149,530.47			399,030.32			548,560.79	287,402.56
Interfund Loans	9,169.17		53,200.00	14,000.00			76,369.17	371,504.13
Other Accounts Receivable	2,172.77						2,172.77	1,668.31
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Emergency Down Payment on Improvement								
Fixed Assets - General						\$11,732,147.00	11,732,147.00	11,232,932.62
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:								
Current Fund	20,000.00						20,000.00	
General Capital Fund			4,923,290.40				4,923,290.40	4,363,990.40
	<u>\$ 2,475,056.31</u>	<u>\$ 1,462,469.72</u>	<u>\$ 6,557,803.39</u>	<u>\$ 10,007,598.00</u>	<u>\$ 1,740.41</u>	<u>\$ 11,732,147.00</u>	<u>\$ 32,236,814.83</u>	<u>\$ 31,915,525.18</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 2022 AND 2021

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, 2022	DEC. 31, 2021
Bonds, Notes & Loans Payable			\$ 2,758,000.00	\$ 1,168,833.44			\$ 3,926,833.44	\$ 4,259,093.98
Prepaid Taxes, Assessments, Utility Charges and Licenses	\$ 118,595.83						118,595.83	128,303.73
Tax Overpayments	17,996.99						17,996.99	2,587.56
Tax, Assessment, Lien, License and Utility Charge Overpayments				53.44			53.44	2,245.34
Appropriation Reserves	345,009.08			205,015.04			550,024.12	484,959.21
Reserve for Encumbrances/ Accounts Payable	374,802.30		308,528.05	89,030.80			772,361.15	1,407,840.63
Other Liabilities	4,828.43			16,149.32	\$ 1,740.41		22,718.16	83,654.46
Amounts Pledged to Specific Purposes		\$ 1,234,950.49	19,783.45				1,254,733.94	1,395,016.74
Escrow Funds		218,350.06					218,350.06	209,930.21
Improvement Authorizations			2,648,228.49	1,434,463.56			4,082,692.05	3,533,705.50
Interfund Loans	67,200.00	9,169.17					76,369.17	365,267.83
Investments in General Fixed Assets						\$ 11,732,147.00	11,732,147.00	11,232,932.62
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				5,908,590.73			5,908,590.73	5,821,330.19
Reserve for Certain Assets Acquired or Receivables & Inventories	707,389.51		515,000.00	409,412.96			1,631,802.47	1,344,968.35
Fund Balance	839,234.17		308,263.40	776,048.71			1,923,546.28	1,643,688.83
	<u>\$ 2,475,056.31</u>	<u>\$ 1,462,469.72</u>	<u>\$ 6,557,803.39</u>	<u>\$ 10,007,598.00</u>	<u>\$ 1,740.41</u>	<u>\$ 11,732,147.00</u>	<u>\$ 32,236,814.83</u>	<u>\$ 31,915,525.18</u>

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

Revenue and Other Income Realized	Year 2022		Year 2021	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 492,299.33	2.98	\$ 438,915.25	2.58
Miscellaneous - From Other Than				
Local Property Tax Levies	682,996.50	4.14	1,505,741.69	8.86
Collection of Delinquent Taxes and Tax Title Liens	171,521.76	1.04	137,596.47	0.81
Collection of Current Tax Levy	14,830,946.44	89.85	14,592,597.40	85.87
Non-Budget Revenue	18,399.57	0.11	41,128.89	0.24
Interfunds Returned	4,803.69	0.03		
Unexpended Balance of Approp. Reserves	305,303.68	1.85	278,721.84	1.64
Total Revenue and Other Income	16,506,270.97	100.00	16,994,701.54	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	3,890,308.85	24.28	4,558,941.15	27.71
County Taxes	3,246,030.61	20.26	3,196,364.33	19.43
Regional School Taxes	8,514,262.00	53.13	8,368,223.00	50.87
Fire District Taxes	316,589.81	1.98	274,375.00	1.67
Other Expenditures	52,764.97	0.33	51,633.96	0.31
Sr Cit Vet Cancelled	3,949.20	0.02	0.00	0.00
Total Expenditures	16,023,905.44	100.00	16,449,537.44	100.00
Excess in Revenue	482,365.53		545,164.10	
Adj. to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year Emergency Appropriation	20,000.00			
Statutory Excess to Fund Balance	502,365.53		545,164.10	
Fund Balance January 1	829,167.97		722,919.12	
	1,331,533.50		1,268,083.22	
Less: Utilization as Anticipated Revenue	492,299.33		438,915.25	
Fund Balance December 31	\$ 839,234.17		\$ 829,167.97	

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

Revenue and Other Income Realized	Year 2022		Year 2021	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 234,429.74	11.16	\$ 158,464.21	11.15
Collection of Water and Sewer Rents	1,362,874.11	74.42	1,057,294.17	74.42
Miscellaneous - From Other Than Water and Sewer Rents	<u>320,196.77</u>	<u>14.42</u>	<u>204,865.91</u>	<u>14.42</u>
Total Revenue and Other Income	<u>1,917,500.62</u>	<u>100.00</u>	<u>1,420,624.29</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,200,879.28	86.75	1,143,700.00	82.62
Debt Service	120,816.15	8.73	111,751.83	8.07
Deferred Charges and Statutory Expenditures	61,731.20	4.46	127,764.21	9.23
Refunds of Prior Year Revenues	<u>920.78</u>	<u>0.07</u>	<u>1,081.11</u>	<u>0.08</u>
Total Expenditures	<u>1,384,347.41</u>	<u>100.00</u>	<u>1,384,297.15</u>	<u>100.00</u>
Statutory Excess to Fund Balance	533,153.21		36,327.14	
Fund Balance January 1	<u>444,478.04</u>		<u>566,615.11</u>	
	977,631.25		602,942.25	
Less:				
Utilization as Anticipated Revenue	<u>234,429.74</u>		<u>158,464.21</u>	
Fund Balance December 31	<u>\$ 743,201.51</u>		<u>\$ 444,478.04</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Tax Rate:</u>	<u>\$2.774</u>	<u>\$2.762</u>	<u>\$2.749</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.500</u>	<u>0.490</u>	<u>0.470</u>
Local Library	<u>0.035</u>	<u>0.033</u>	<u>0.033</u>
Local Open Space	<u>0.010</u>	<u>0.010</u>	<u>0.010</u>
County	<u>0.615</u>	<u>0.608</u>	<u>0.614</u>
Regional School	<u>1.614</u>	<u>1.621</u>	<u>1.622</u>
<u>Assessed Valuation (Taxable):</u>			
2022	<u>\$525,531,200.00</u>		
2021		<u>\$514,221,200.00</u>	
2020			<u>\$510,984,696.00</u>

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.

December 31, <u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2022	\$ 14,956,973.31	\$ 14,830,946.44	99.16%
2021	14,797,483.83	14,592,597.40	98.62%
2020	14,324,026.34	14,170,769.95	98.93%

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.

December 31, <u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2022	\$ 7,943.05	\$ 141,587.42	\$ 149,530.47	1.00%
2021	7,943.05	189,465.37	197,408.42	1.33%
2020	7,943.05	152,427.89	160,370.94	1.12%

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>
2022	\$ 17,810.00
2021	17,810.00
2020	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2022	\$ 1,671,910.29	\$ 1,362,874.11
2021	1,035,918.30	1,057,294.17
2020	1,276,362.18	1,232,752.85

*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	2022	\$ 839,234.17	\$ 496,084.78
	2021	829,167.97	492,299.33
	2020	722,919.12	438,915.25
Water and Sewer Utility Operating Fund	2022	\$ 743,201.51	\$ 397,007.20
	2021	444,478.04	234,429.74
	2020	566,615.11	158,464.21

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2022:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE SURETY</u>
James Davy	Mayor		
Catherine Chandler	Council President		
Deborah Gnatt	Councilperson		
John Valenza	Councilperson		
Charles Marciante	Councilperson		
Katrina Angarone	Councilperson		
Nadine Stern	Councilperson		
Donato Nieman	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
Alaina Wysocke	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, 2022**

BOROUGH OF PENNINGTON
COUNTY OF MERCER
YEAR ENDED DECEMBER 31, 2022

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4, as amended, 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 by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to (N.J.S.A. 40A:11-3c), except by contract or agreement.”

It is pointed out that the Borough Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Borough Attorney should be sought before a commitment is made.

The bidding threshold for the period under audit was \$17,500.00 in accordance with the provisions of N.J.S.A. 40A:11-3c as the Borough has not appointed a Qualified Purchasing Agent.

Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S.A. 40A:11-6.1)

N.J.S.A. 40A:11-6.1 states, “Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds fifteen percent of the bid threshold or \$2,625.00, at least two quotations as to the cost or price, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder.”

Reference is made to the Local Public Contract Guidelines and Local Public Contract Regulations promulgated by the New Jersey Division of Local Government Services in the Department of Community Affairs.

Collection of Interest on Delinquent Taxes and Other Municipal Charges

N.J.S.A. 54:4-47, as amended, provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body adopted the following resolution in January 2022 authorizing interest to be charged on delinquent taxes, assessments and utility bills:

“WHEREAS, R.S. 54:4-66 regulates the due dates for the payment of taxes and assessments, and

WHEREAS, Chapter 105, P.L. 1965, amending R.S. 54:4-67 authorizes the municipalities to provide a grace period not exceeding ten (10) days.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Pennington that the Collector is hereby authorized to allow a period of ten (10) days grace from the installment due date before charging interest; after ten (10) days, interest reverts back to the due date, and

BE IT FURTHER RESOLVED that the rate of interest to be charged for the payment of taxes or assessments or sewer and water utility bills, when they become delinquent, shall be at the rate of eight percent (8%) per annum on the first \$1,500.00 of the delinquency, and eighteen percent (18%) per annum in the excess of \$1,500.00 and an additional penalty of six percent (6%) on any delinquency in excess of \$10,000.00 for the prior year.

Tests of the Tax Collector’s records indicate that interest was collected in accordance with the provisions of the foregoing ordinance.

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

A tax sale was held in 2022 and was complete.

Revenues

Receipts from licenses, fees, fines and costs, etc., for all departments, including the Municipal Court, were checked to the records maintained to the extent deemed necessary. No exceptions were noted.

Purchase Order System and Encumbrance System

The Borough's budgetary operation is on a full encumbrance system with the exception of payrolls and other direct costs. All purchases are made directly by the purchasing department or subsequently confirmed on an emergency basis. Tests of the system disclosed no exceptions. Blanket orders and other outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

Cybersecurity

As part of its overall risk management, the Borough reviews security measures in place relating to its Information Technology (IT), including the use of specialized assessments. With the ever increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

Accrued Compensated Absences

The Borough allows for the accrual of unused vacation time, as disclosed in the notes to the financial statements.

Corrective Action Plan

In accordance with regulations promulgated by the Division of Local Government Services, all municipalities are required to prepare and submit to the Division of Local Government Services a Corrective Action Plan with regard to audit deficiencies. This plan must be approved by formal resolution of the Governing Body and submitted within 60 days from the date the audit is received. No findings were noted for the audit ended December 31, 2021 and therefore no corrective action plan was required.

GENERAL COMMENTS

Miscellaneous

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

A statutory report on the operations of the Municipal Court was prepared as part of our examination and copies were filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

A separate report on the operations of the Uniform Construction Code office was also prepared and filed with the New Jersey Division of Local Government Services.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions for pensions, withholding tax, social security and other purposes from individual employee salaries was not verified as part of this examination.

Activity of the State Unemployment Compensation Insurance Trust Fund, established for the accumulation of pertinent payroll deductions, municipal contributions and interest on deposits, appears in Section "B" of the report.

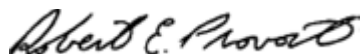
A copy of this report was filed with the New Jersey Division of Local Government Services.

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

We would be pleased to confer on any questions that might arise with respect to any matters in this report.

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

Respectfully submitted,



Robert Provost, CPA
Registered Municipal Accountant, No. 582

June 29, 2023