BOROUGH OF PENNINGTON
COUNTY OF MERCER
NEW JERSEY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

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MERCER COUNTY, NEW JERSEY

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MERCER COUNTY, NEW JERSEY

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BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2015 and 2014, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough, as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management,

as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do no present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Pennington, County of Mercer, New Jersey, as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2015 and 2014, and the results of its operations and changes in fund balance – regulatory basis for the years then ended, on the basis of accounting described in Note 2.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Pennington, County of Mercer, New Jersey. The information included in Part II – Required Supplementary Information and Part III – Supplementary Schedules and Part IV – Other Reporting Required by Regulation and Part V – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Pennington, County of Mercer, New Jersey.

The information included in Part III – Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Untied States of America, and in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis, taken as a whole.

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

Other Reporting Required by Regulations

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued a report dated May 10, 2016 on our consideration of the Borough of Pennington's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Borough of Pennington's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

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

Robert S. Morrison

Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
May 10, 2016

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Pennington as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Pennington's basic financial statements and have issued our report thereon dated May 10, 2016. Our report was modified due to the departure from accounting principles generally accepted in the United States of America that, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
May 10, 2016

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2015 AND 2014

ASSETS	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Cash and Investments - Treasurer	A-4	$ 1,171,094.64	$ 1,280,036.04
Change Funds	A-5	200.00	200.00
Due from State of NJ SC/Vet Deductions	A-7	4,699.20	
		1,175,993.84	1,280,236.04
Receivables and Other Assets With Full Reserves:			
Delinquent Prop. Taxes Receivable	A-6	149,406.87	172,487.03
Tax Title Liens Receivable	A-9	1,933.84	1,654.74
Property Acquired for Taxes (At Assessed Valuation)	A-8	17,810.00	17,810.00
Revenue Accounts Receivable	A-10	5,286.32	5,105.48
Interfunds Receivable	A-12	5,238.59	569.17
		179,675.62	197,626.42
Total Current Fund		1,355,669.46	1,477,862.46
Grant Fund:			
Cash And Investments	A-4	$ 86,146.28	$ 156,830.83
State and Federal Grants Receivable	A-17	1,250,020.77	991,314.46
Total Grant Fund		1,336,167.05	1,148,145.29
		$ 2,691,836.51	$ 2,626,007.75

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Liabilities:			
Appropriation Reserves	A-3, A-13	$ 150,881.49	$ 266,503.59
Prepaid Property Taxes	A-14	45,362.20	62,987.05
Tax Overpayments	A-15	15.61	1,201.57
Reserve for Encumbrances	A-3, A-13	74,085.82	84,526.18
Var. Reserves and Accts. Payable	A-16	43,869.62	33,182.62
Due to State of NJ SC/Vet Deductions	A-7		250.00
Interfunds Payable	A-12	716.51	8.24
Taxes Payable	A-11	7,857.15	2,743.72
		322,788.40	451,402.97
Reserve for Receivables	Reserve	179,675.62	197,626.42
Fund Balance	A-1	853,205.44	828,833.07
Total Current Fund		1,355,669.46	1,477,862.46
Grant Fund:			
Interfunds Payable	A-18		182,831.31
Reserve for State and Federal Grants:			
Appropriated	A-19	1,330,189.04	957,358.44
Unappropriated	A-20	5,978.01	7,955.54
Total Grant Fund		1,336,167.05	1,148,145.29
		$ 2,691,836.51	$ 2,626,007.75

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2015	YEAR 2014
Fund Balance Appropriated	A-1,A-2	$ 435,000.00	$ 506,082.09
Miscellaneous Revenues Anticipated	A-2	885,806.32	813,723.59
Receipts from Delinquent Taxes	A-2	154,070.37	151,137.73
Receipts from Current Taxes	A-2	13,052,821.56	12,789,152.61
Non-Budget Revenue	A-2	29,731.49	76,340.36
Other Credits to Income:			
Encumbrances Cancelled			462.50
Accounts Payable/Reserves Cancelled	A-16	250.00	2,027.54
Interfunds Returned(Net)			2,033.40
Other Accounts Receivable			8,667.42
Unexpended Balance of Approp. Reserves	A-13	279,637.78	238,585.32
Total Revenues		14,837,317.52	14,588,212.56
EXPENDITURES AND OTHER CHARGES			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,156,625.00	1,145,350.00
Other Expenses	A-3	1,729,159.86	1,706,583.41
Capital Improvements	A-3	65,000.00	15,000.00
Municipal Debt Service	A-3	206,146.25	281,885.02
Def. Charges and Statutory Expend.	A-3	212,883.00	191,570.60
Regional School Tax	A-11	7,680,959.00	7,428,434.00
County Tax	A-11	3,016,446.35	3,108,112.48
County Added Tax	A-11	7,857.15	2,743.72
Special District Tax	A-11	201,150.00	199,706.00
Local Open Space Tax	A-2,A-11	49,606.87	50,000.00
Prior Years Receipts Due to Open Space	A-4	50,000.00	
Interfund Loans Advanced (Net)	Var.	2,111.67	
Total Expenditures		14,377,945.15	14,129,385.23
Excess (Deficit) in Revenue (Balance Forward)		459,372.37	458,827.33

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	REF.	YEAR 2015	YEAR 2014
Statutory Excess (Deficit) to Fund Balance		$ 459,372.37	$ 458,827.33
FUND BALANCE			
Balance - January 1	A	828,833.07	876,087.83
		1,288,205.44	1,334,915.16
Decreased by:			
Utilization as Anticipated Revenue	A-1	435,000.00	506,082.09
Balance - December 31	A	$ 853,205.44	$ 828,833.07

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	REF.	ANTICIPATED 2015 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	$ 435,000.00	$	$ 435,000.00	$
Fees and Permits	A-10	6,900.00		14,949.00	$ 8,049.00
Fines and Costs:					-
Municipal Court	A-10	55,800.00		65,094.72	9,294.72
Interest and Costs on Taxes	A-10	27,741.87		40,033.59	12,291.72
Interest on Investments and Deposits	A-10	10,900.00		13,700.04	2,800.04
Trash Collection Fees	A-10	31,600.00		38,409.00	6,809.00
Consolidated Municipal Property Tax Relief Aid	A-10	233.00		233.00	-
Energy Receipts Taxes	A-10	187,348.00		187,348.00	-
Dedicated Uniform Construction Code Fees Offset					-
with Appropriations (N.J.S.A. 40A:4-36 and					-
N.J.A.C. 5:23-4.17):					-
Uniform Construction Code Fees	A-10	80,000.00		89,207.00	9,207.00
Public and Private Revenues Offset with Approps.:					-
Recycling Tonnage Grant	A-3	7,955.54		7,955.54	
Body Armor Fund	A-3		920.97	920.97	
NJDOT Transportation Trust Fund	A-3		289,432.00	289,432.00	
Hazard Mitigation Grant	A-3		83,000.00	83,000.00	
Clean Communities	A-3		5,579.35	5,579.35	-
Other Special Items:					
Interlocal with Hopewell Township Senior Center	A-10	5,626.00		5,626.35	0.35
Administrative Charge to Library	A-10	4,000.00		4,000.00	-
Verizon/Comcast Franchise Fee	A-10	40,318.00		40,317.76	(0.24)
Total Miscellaneous Revenues	A-1	458,422.41	378,932.32	885,806.32	48,451.59
Receipts from Delinquent Taxes	A-1, A-2,A-6	165,701.00		154,070.37	(11,630.63)
Subtotal General Revenues		624,123.41	378,932.32	1,039,876.69	36,820.96
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes		2,066,395.30		2,174,285.36	107,890.06
Minimum Library Tax		167,516.83		167,516.83	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,233,912.13		2,341,802.19	107,890.06
Budget Totals		3,293,035.54	378,932.32	3,816,678.88	$ 144,711.02
Non-Budget Revenues	A-1,A-9			29,731.49	
		$ 3,293,035.54	$ 378,932.32	$ 3,846,410.37	
	Ref.	A-3	A-3		

Analysis of Non-Budget Revenues:

Recycling	$ 688.20
Rent	900.00
Miscellaneous Fees & Permits	28,143.29
	$ 29,731.49

( ) Denotes Deficit

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Tax Collections:			
2015 Collections	A-6	12,970,885.31	
Prepaid Taxes Applied	A-6	62,987.05	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	18,949.20	
	A-1		$ 13,052,821.56
Allocated to:			
Regional School Tax	A-11	7,680,959.00	
County Taxes	A-11	3,016,446.35	
Added County Taxes	A-11	7,857.15	
Special District Tax	A-11	201,150.00	
Local Open Space Tax	A-1	49,606.87	
			10,956,019.37
			2,096,802.19
Add: Reserve for Uncollected Taxes	A-3		245,000.00
Amount for Support of Municipal Budget	A-2		$ 2,341,802.19
Allocation of Delinquent Tax Collections:			
Collections	A-6		$ 154,070.37
	A-2		$ 154,070.37

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS"						
GENERAL GOVERNMENT:						
Office of Business Administrator						
Salaries and Wages	$ 35,125.00	$ 45,125.00	$ 44,275.71	$	$ 849.29	
Other Expenses	16,200.00	15,200.00	12,777.74	1,183.18	1,239.08	
Elections						
Other Expenses	2,000.00	2,000.00	1,200.00		800.00	
Financial Administration						
Salaries and Wages	34,000.00	36,500.00	36,020.88		479.12	
Other Expenses	18,650.00	18,650.00	17,886.14		763.86	
Assessment of Taxes						
Salaries and Wages	12,300.00	12,300.00	12,240.00		60.00	
Other Expenses						
Maintenance of Tax Map	4,400.00	4,400.00	1,048.50	30.00	3,321.50	
Misc. Other Expenses	4,400.00	4,400.00	2,513.91		1,886.09	
Collection of Taxes						
Salaries and Wages	29,000.00	29,000.00	28,822.59		177.41	
Other Expenses	5,700.00	5,700.00	4,329.30	100.00	1,270.70	
Mayor & Council						
Other Expenses	1,000.00	1,000.00	676.69		323.31	
Office of the Borough Clerk						
Salaries and Wages	43,000.00	43,000.00	42,020.52		979.48	
Other Expenses	12,200.00	12,200.00	4,524.07	78.48	7,597.45	
Municipal Court						
Salaries and Wages	28,500.00	28,500.00	26,761.64		1,738.36	
Other Expenses	4,500.00	4,500.00	2,941.11	297.69	1,261.20	
Public Defender						
Other Expenses	1,400.00	1,400.00	1,343.00		57.00	
Legal Services and Costs						
Other Expenses	42,500.00	57,500.00	41,022.19	11,741.69	4,736.12	
Municipal Prosecutor						
Other Expenses	7,200.00	7,200.00	5,100.00		2,100.00	
Engineering Services and Costs						
Other Expenses	90,000.00	90,000.00	32,448.00	8,643.75	48,908.25	
Public Bldgs. and Grounds						
Salaries and Wages	15,200.00	15,200.00	12,062.83		3,137.17	
Other Expenses	42,600.00	37,600.00	28,422.33	8,391.03	786.64	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	47,000.00	47,500.00	47,253.61		246.39	
Other Expenses	7,000.00	7,000.00	4,708.49	684.55	1,606.96	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Operations Within "CAPS" (Cont'd.)	2015 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
GENERAL GOVERNMENT:						
Shade Tree						
Salaries and Wages	$		$		$	
Other Expenses	9,500.00	9,500.00	5,968.60		3,531.40	
Insurance						
Group Insurance	282,000.00	273,700.00	272,709.27		990.73	
Workers Compensation	30,322.00	30,322.00	30,321.27		0.73	
Liability and Other Insurance	37,913.00	37,913.00	37,912.55		0.45	
Surety Bonds						
PUBLIC SAFETY:						
Police						
Salaries and Wages	485,500.00	525,500.00	513,577.69		11,922.31	
Other Expenses	46,000.00	54,000.00	49,865.18	1,650.90	2,483.92	
First Aid Organization - Contribution	24,263.00	24,263.00	24,263.00			
STREETS AND ROADS:						
Road Repairs and Maintenance						
Salaries and Wages	220,000.00	227,000.00	226,082.58		917.42	
Other Expenses	87,000.00	54,500.00	37,187.33	9,769.85	7,542.82	
Street Lighting						
Other Expenses	32,800.00	32,800.00	30,021.38		2,778.62	
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	89,000.00	88,500.00	88,020.15		479.85	
Other Expenses	130,300.00	115,100.00	90,064.66	16,931.80	8,103.54	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
HEALTH AND WELFARE:						
Board of Health						
Other Expenses	$ 500.00	500.00	$ 95.00	$	405.00	
RECREATION AND EDUCATION:						
Recreation Committee						
Other Expenses	6,600.00	6,600.00	5,822.71	35.00	742.29	
Celebration of Public Event						
Other Expenses	2,500.00	2,500.00	2,319.78	180.00	0.22	
OTHER BOARDS & COMMISSIONS						
Environmental Commission						
Other Expenses	500.00	500.00			500.00	
Economic Development Commission						
Other Expenses	500.00	500.00	270.80	168.00	61.20	
Historic Preservation						
Other Expenses	500.00	500.00			500.00	
Uniform Construction Code - Appropriations						
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code						
(N.J.S.A. 52:27D-120 et seq.)						
Office of the Construction Code Official						
Salaries and Wages	58,000.00	58,500.00	58,499.99		0.01	
Other Expenses	1,300.00	2,600.00	1,050.00	1,286.36	263.64	
UNCLASSIFIED:						
Telephone	17,100.00	17,100.00	16,598.74	427.92	73.34	
Electricity	24,000.00	24,000.00	19,682.75	1,242.41	3,074.84	
Gasoline & Lubricants	48,500.00	38,500.00	22,299.76	1,709.78	14,490.46	
Natural Gas	13,500.00	11,500.00	7,622.36	594.61	3,283.03	
Salary & Wage Adjustment	10,500.00	500.00			500.00	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	$ 2,162,473.00	2,162,773.00	$ 1,950,654.80	$ 65,147.00	$ 146,971.20	
Total Operations Including Contingent Within "CAPS"	2,162,473.00	2,162,773.00	1,950,654.80	65,147.00	146,971.20	
DETAIL:						
Salaries and Wages	1,096,625.00	1,156,625.00	1,135,638.19		20,986.81	
Other Expenses	1,065,848.00	1,006,148.00	815,016.61	65,147.00	125,984.39	
Deferred Charges and REGULATORY Expend. - Municipal Within "CAPS":						
REGULATORY Expenditures:						
Contribution to:						
Public Employees Retirement System	57,413.00	57,413.00	57,412.60		0.40	
Police and Firemen's Retirement	59,470.00	59,470.00	59,470.00			
Unemployment Insurance	5,000.00	5,000.00	4,952.75		47.25	
Social Security System (O.A.S.I.)	95,000.00	91,000.00	84,698.20	5,035.20	1,266.60	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	216,883.00	212,883.00	206,533.55	5,035.20	1,314.25	
Total General Approp. for Municipal Purposes Within "CAPS"	2,379,356.00	2,375,656.00	2,157,188.35	70,182.20	148,285.45	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
OPERATIONS EXCLUDED FROM "CAPS"						
Due to Fire District						
Group Insurance						
Maintenance of Free Public Library	167,517.00	167,517.00	166,463.25	1,043.62	10.13	
L.O.S.A.P. Contribution:						
First aid Organization	10,000.00	11,700.00	10,191.61		1,508.39	
Interlocal Service Agreements:						
Emergency 911 and Dispatch	67,626.00	69,626.00	66,660.00	2,860.00	106.00	
Health Services	38,190.00	38,190.00	38,190.00			
Recycling Agreement	24,011.00	24,011.00	24,010.68		0.32	
Administration of Municipal Alliance Program	1,500.00	1,500.00	1,500.00			
Janitorial Services	2,500.00	2,500.00	1,528.80		971.20	
Animal Control	10,580.00	10,580.00	10,580.00			
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	2,500.00	2,500.00	2,500.00			
State and Federal Programs Offset by Revenues:						
Recycling Tonnage Grant	7,955.54	7,955.54	7,955.54			
Hazard Mitigation Grant		83,000.00	83,000.00			
Clean Communities Program		5,579.35	5,579.35			
NJ DOT Transportation Trust Fund		289,432.00	289,432.00			
Body Armor Fund		920.97	920.97			
Total Operations - Excluded from "CAPS"	340,379.54	723,011.86	716,512.20	3,903.62	2,596.04	
DETAIL:						
Salaries and Wages						
Other Expenses	340,379.54	723,011.86	716,512.20	3,903.62	2,596.04	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

		2015 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Capital Improvements - Excluded from "CAPS"							
Capital Improvement Fund		$ 15,000.00	15,000.00	$ 15,000.00	$	$	
Local Share of Costs: 2015 Bond Ordinance		50,000.00	50,000.00	50,000.00			
Total Capital Improvements - Excluded from "CAPS"		65,000.00	65,000.00	65,000.00			
Municipal Debt Service - Excluded from "CAPS":							
Payment of Bond Principal		150,000.00	150,000.00	150,000.00			
Payment of Bond Anticipation Notes		57,000.00	57,000.00				57,000.00
Interest on Bonds		56,300.00	56,300.00	56,146.25			153.75
Total Municipal Debt Service - Excluded from "CAPS"		263,300.00	263,300.00	206,146.25			57,153.75
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		668,679.54	1,051,311.86	987,658.45	3,903.62	2,596.04	57,153.75
Subtotal General Appropriations		3,048,035.54	3,426,967.86	3,144,846.80	74,085.82	150,881.49	57,153.75
Reserve for Uncollected Taxes		245,000.00	245,000.00	245,000.00			
Total General Appropriations		$ 3,293,035.54	$ 3,671,967.86	$ 3,389,846.80	$ 74,085.82	$ 150,881.49	57,153.75
	Ref.	A-2		A-1	A,A-1	A, A-1	

	Ref.	
Adopted Budget	A-2	$ 3,293,035.54
Added by N.J.S.A. 40A:4-87	A-2	378,932.32
		$ 3,671,967.86

Disbursed	A-4	$ 2,757,958.94
Reserve for Uncollected Taxes	A-2	245,000.00
Public & Private Programs Approp.	A-2	386,887.86
		$ 3,389,846.80

Note: See Notes to Financial Statements

Exhibit - B

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

ASSETS	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Animal Control Fund:			
Cash - Treasurer	B-1	$ 9,521.59	$ 7,409.77
Total Animal Control Fund		9,521.59	7,409.77
Trust-Other Fund:			
Cash - Treasurer	B-1	1,332,217.91	913,680.72
Due from General Capital Fund - Open Space Trust Fund	B-1		217,977.40
Due from Current Fund	B-1	716.51	
Amounts Held by Plan Administrator-LOSAP (Unaudited)		652,611.84	679,163.08
Total Trust-Other Fund		1,985,546.26	1,810,821.20
		$ 1,995,067.85	$ 1,818,230.97

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Animal Control Fund:			
Due to Current Fund	B-1	$ 2,738.59	$ 569.17
Reserve to Pay Animal Control Fund Expenditures	B-1	6,783.00	6,840.60
Total Animal Control Fund		9,521.59	7,409.77
Trust-Other Fund:			
Reserve for:			
Unemployment Claims	B-1	17,083.34	17,976.71
Affordable Housing (COAH)	B-1	362,507.95	364,042.47
Recreation Funds	B-1	1,855.74	1,386.49
Law Enforcement Trust	B-1	7,892.79	6,419.57
Public Defender	B-1	107.50	57.00
Shade Tree	B-1	1,022.00	880.00
POAA	B-1	1,506.00	1,406.00
Verizon	B-1	100.00	100.00
Police Donations	B-1	10,210.27	8,870.98
Tax Sale Premiums	B-1	39,000.00	12,000.00
Open Space Reserves	B-1	515,589.79	350,690.92
Escrow Funds	B-1	376,059.04	367,827.98
Reserve for LOSAP Plan (Unaudited)		652,611.84	679,163.08
Total Trust-Other Fund		1,985,546.26	1,810,821.20
		$ 1,995,067.85	$ 1,818,230.97

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2015 AND 2014

ASSETS	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Cash and Investments - Treasurer	C-2	$ 801,876.24	$ 158,120.76
Grants Receivable	C-4	212,500.00	98,187.93
Due from Grant Fund	C-5		182,831.31
Due from Current Fund	C-6		8.24
Deferred Charges to Future Taxation:			
Funded	C-7	1,433,000.00	1,583,000.00
Unfunded	C-9	1,078,347.97	1,041,897.97
		$ 3,525,724.21	$ 3,064,046.21

LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	$ 1,433,000.00	$ 1,583,000.00
Due to Open Space Fund	C-8		217,977.40
Improvement Authorizations:			
Funded	C-10	1,042,527.00	99,853.35
Unfunded	C-10	923,250.00	910,482.00
Capital Improv. Fund	C-12	16,068.45	5,618.45
Reserve for Encumbrances	C-10	12,500.00	148,736.25
Fund Balance	C-1	98,378.76	98,378.76
		$ 3,525,724.21	$ 3,064,046.21

There were Bonds and Notes Authorized but not Issued on December 31, 2015 in the amount of $1,078,347.97 (Exhibit C-13).

Note: See Notes to Financial Statements

Exhibit - C-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	REF.	
Balance - December 31, 2014	C	$98,378.76
Balance - December 31, 2015	C	$98,378.76

Note: See Notes to Financial Statements

Exhibit - D

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2015 AND 2014

ASSETS	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Operating Fund:			
Cash and Investments - Treasurer	D-5	$ 273,759.56	$ 206,318.13
		273,759.56	206,318.13
Receivables With Full Reserves:			
Consumer Accounts Receivable	D-7	72,136.74	73,633.63
		72,136.74	73,633.63
Total Operating Fund		345,896.30	279,951.76
Capital Fund:			
Cash and Investments - Treasurer	D-5	896.37	6,338.60
Fixed Capital	D-9	5,634,544.34	5,591,176.26
Fixed Capital - Authorized and Uncompleted	D-10	571,496.26	614,864.34
Total Capital Fund		6,206,936.97	6,212,379.20
		$ 6,552,833.27	$ 6,492,330.96

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4, D-11	$ 93,524.26	$ 45,150.99
Reserve for Encumbrances	D-4,D-11	208.91	24,685.98
Rent Overpayments	D-8	770.51	628.27
Accrued Interest on Bonds & Notes	D-12	22,931.61	24,774.94
		117,435.29	95,240.18
Reserve for Receivables	Reserve	72,136.74	73,633.63
Fund Balance	D-1	156,324.27	111,077.95
Total Operating Fund		345,896.30	279,951.76
Capital Fund:			
Serial Bonds Payable	D-17	1,571,000.00	1,746,000.00
Bond Anticipation Notes	D-18	85,000.00	135,000.00
Due To Current Fund	D-16	2,500.00	
Improvement Authorizations			
Funded	D-13	9,897.42	9,897.42
Unfunded	D-13	561,598.84	560,191.07
Reserve for Encumbrances	D-14		9,350.00
Capital Improvement Fund	D-14	123.55	123.55
Reserve for Amortization	D-15	3,943,969.96	3,718,969.96
Fund Balance	D-2	32,847.20	32,847.20
Total Capital Fund		6,206,936.97	6,179,532.00
		$ 6,552,833.27	$ 6,459,483.76

There were Bonds and Notes Authorized but not Issued at December 31, 2015 in the amount of $606,070.64 . (Exhibit D-19).

Note: See Notes to Financial Statements

Exhibit - D-1

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

REVENUE AND OTHER INCOME REALIZED	REF.	YEAR 2015	YEAR 2014
Fund Balance	D-1, D-2	$ 66,191.50	$ 109,045.28
Water and Sewer Rents	D-3,D-7	1,180,359.20	1,104,471.63
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-3,D-5	4,836.76	4,604.26
Interest on Investments	D-3,D-5	988.38	1,112.93
Stonybrook Rebate	D-12	3,760.68	
Miscellaneous	D-3,D-5	4,152.67	10,148.77
Accounts Payable Cancelled			10,772.50
Unexpended Balance of Approp. Reserves	D-11	48,772.55	79,383.53
Total Revenues		1,309,061.74	1,319,538.90
EXPENDITURES			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	162,000.00	195,580.00
Other Expenses	D-4	713,020.00	690,638.87
Debt Service	D-4	285,997.92	284,888.63
Statutory Expenditures	D-4	36,606.00	39,011.40
Total Expenditures		1,197,623.92	1,210,118.90
Excess in Revenues		111,437.82	109,420.00
FUND BALANCE			
Balance - January 1	D	111,077.95	110,703.23
		222,515.77	220,123.23
Decreased by:			
Utilization as Anticipated Revenue	D- 1	66,191.50	109,045.28
Balance - December 31	D	$ 156,324.27	$ 111,077.95

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	REF.	
Balance - December 31, 2014	D	$ 32,847.20
Balance - December 31, 2015	D	$ 32,847.20

Note: See Notes to Financial Statements

Exhibit - D-3

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	REF.	2015 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance	D-1	$ 66,191.50	$ 66,191.50	$
Water and Sewer Rents	D-1,D-7	1,148,650.50	1,180,359.20	31,708.70
Interest on Delinquencies	D-1,D-5	3,500.00	4,836.76	1,336.76
Interest on Investments	D-1,D-5		988.38	988.38
Stonybrook Rebate	D-1,D-5		3,760.68	3,760.68
Miscellaneous	D-1,D-5		4,152.67	4,152.67
		$ 1,218,342.00	$ 1,260,289.19	$ 41,947.19
	Ref.	D-4		

Note: See Notes to Financial Statements

Exhibit - D-4

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

		2015 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELLED
Operating:							
Salaries and Wages		$ 135,000.00	$ 162,000.00	$ 154,450.38	$	$ 7,549.62	$
Other Expenses		289,950.00	262,950.00	185,625.56	208.91	77,115.53	
Sewer Service Fee		295,826.00	295,826.00	295,825.74		0.26	
Group Insurance		125,000.00	125,000.00	116,875.39		8,124.61	
Workers' Compensation Insurance		12,995.00	12,995.00	12,995.00			
Liability Insurance		16,249.00	16,249.00	16,248.06		0.94	
Debt Service:							
Payment of Bond Principal		175,000.00	175,000.00	175,000.00			
Payment of Bond Anticipation Notes and Capital Notes		50,000.00	50,000.00	50,000.00			
Interest on Bonds		61,000.00	61,000.00	58,972.92			2,027.08
Interest on Notes		2,100.00	2,100.00	2,025.00			75.00
NJEIT Principal		10,000.00	10,000.00				10,000.00
NJEIT Interest		8,616.00	8,616.00				8,616.00
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System		24,606.00	24,606.00	24,605.40		0.60	
Social Security System (O.A.S.I.)		12,000.00	12,000.00	11,267.30		732.70	
Total Water & Sewer Utility Appropriations		$ 1,218,342.00	$ 1,218,342.00	$ 1,103,890.75	$ 208.91	$ 93,524.26	$ 20,718.08
	Ref.	D-3			D,D-1	D, D-1	
Disbursed	D-5			$ 1,042,892.83			
Accrued Interest on Bonds and Notes	D-12			60,997.92			
				$ 1,103,890.75			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2015 AND 2014

ASSETS	REF.	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Cash and Investments - Treasurer	E-1	$ 14,733.73	$ 14,145.30
		$ 14,733.73	$ 14,145.30
LIABILITIES, RESERVES AND FUND BALANCE			
Payroll Deductions Payable	E-1	$ 14,733.73	$ 14,145.30
		$ 14,733.73	$ 14,145.30

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
REGULATORY BASIS
DECEMBER 31, 2015

	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
Governmental Fixed Assets:		
Land/Buildings	$ 8,959,300.00	$ 8,959,300.00
Equipment	2,301,529.00	1,952,764.00
Total Governmental Fixed Assets	$ 11,260,829.00	$ 10,912,064.00
Investment in Governmental Fixed Assets	$ 11,260,829.00	$ 10,912,064.00

Nots: See Notes to Financial Statements

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

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

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

The Trust Fund also includes the status of the Length of Service Awards Program (LOSAP) which, pursuant to regulation, subject to an annual review.

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

B. Description of Funds (Cont'd.)

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

Water and Sewer Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

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.

The Borough has maintained a record of general fixed assets and the statement of general fixed assets, required under accounting principles applicable to municipalities as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 dos not require the presentation of entity-wide statements of financial position and activities. GAAP requires such a presentation, excluding only fiduciary funds.

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

C. Basis of Accounting (Cont'd.)

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

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

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

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

C. Basis of Accounting (Cont'd.)

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

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

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

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

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

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

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 8 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements it proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

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

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

Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This statement provides guidance for determining the fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value instruments.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

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

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

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

C. Basis of Accounting (Cont'd.)

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

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

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

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

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

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.

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. Summary of Municipal Debt for Capital Projects

	YEAR 2015	YEAR 2014
Issued:		
General:		
Bonds & Notes	$ 1,433,000.00	$ 1,583,000.00
Water & Sewer Util:		
Bonds & Notes	1,656,000.00	1,881,000.00
Total Debt Issued	3,089,000.00	3,464,000.00
Authorized but not Issued:		
General:		
Bonds & Notes	1,078,347.97	1,041,897.97
Water & Sewer Util:		
Bonds & Notes	606,070.64	606,070.64
Total Authorized but not Issued	1,684,418.61	1,647,968.61
Net Bonds & Notes Issued and Authorized but not Issued	$ 4,773,418.61	$ 5,111,968.61

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

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

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2015 and 2014:

	2015	2014
General Debt:		
$2,125,000 General Improvement Bonds Series 2004, due in annual installments of $240,000 to $95,000 through September 15, 2019, interest at 2.50% to 4.00%	$ 400,000.00	$ 505,000.00
$1,148,000 General Improvement Bonds Series 2010, due in annual installments of $300,000 to $83,000 through July 15, 2030, interest at 2.25% to 4.00%	1,033,000.00	1,078,000.00
$75,000, Bond Anticipation Notes issued September 30 2013, due Sept. 30, 2014 at interst of 1.46%. The notes were originally issued on September 30, 2013		
Total General Debt	1,433,000.00	1,583,000.00
Utility Debt:		
$1,775,000 Water & Sewer Utility Bonds Series 2004, due in annual installments of $180,000 to $90,000 through September 15, 2019, interest at 3.00% to 4.00%	395,000.00	500,000.00
$1,366,000 Water & Sewer Utility Bonds Series 2010, due in annual installments of $55,000 to $86,000 through July 15, 2030, interest at 2.25% to 4.00%	1,176,000.00	1,246,000.00
$135,000, Bond Anticipation Notes issued December 31, 2014, due December. 31, 2016 at interst of 1.50%. The notes were originally issued on December 31, 2014.	85,000.00	135,000.00
Total Utility Debt	1,656,000.00	1,881,000.00
Total Debt Issued and Outstanding	$ 3,089,000.00	$ 3,464,000.00

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:

2015	Gross Debt	Deductions	Net Debt
Regional School District Debt	$2,613,005.56	$2,613,005.56	$
Water & Sewer Utility Debt	2,262,070.64	2,262,070.64	
General Debt	2,511,347.97		2,511,347.97
	$7,386,424.17	$4,875,076.20	$2,511,347.97

Net Debt $2,511,347.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $503,650,720.67 = 0.498%.

2015
Equalized Valuation Basis

2013 Equalized Valuation Basis of Real Property	501,661,647.00
2014 Equalized Valuation Basis of Real Property	500,840,746.00
2015 Equalized Valuation Basis of Real Property	508,449,769.00
Average Equalized Valuation	$ 503,650,720.67

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

3 1/2% of Equalized Valuation Basis Municipal	17,627,775.22
Net Debt	2,511,347.97
Remaining Borrowing Power	$ 15,116,427.25

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:

2014	Gross Debt	Deductions	Net Debt
Regional School District Debt	$2,624,897.97	$2,624,897.97	$
Water & Sewer Utility Debt	2,487,070.64	2,487,070.64	
General Debt	2,994,723.97		2,994,723.97
	$8,106,692.58	$5,111,968.61	$2,994,723.97

Net Debt $2,994,723.97 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $495,984,139.33 = 0.603%.

2014
Equalized Valuation Basis

2012 Equalized Valuation Basis of Real Property		485,450,025.00
2013 Equalized Valuation Basis of Real Property		501,661,647.00
2014 Equalized Valuation Basis of Real Property		500,840,746.00
Average Equalized Valuation	$	495,984,139.33

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

3 1/2% of Equalized Valuation Basis Municipal		17,359,444.88
Net Debt		2,994,723.97
Remaining Borrowing Power	$	14,364,720.91

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

2015

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

Cash Receipts from Fees, Rents or Other Charges for Year		$ 1,260,289.19
Deductions:		
Operating & Maintenance Cost	911,626.00	
Debt Service Per Water & Sewer Acct.	285,997.92	
Total Deductions		1,197,623.92
Excess/(Deficit) in Revenues		$ 62,665.27

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

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

Excess/ (Deficit) in Revenues - Cash Basis (D-1)	$ 111,437.82
Less:	
Unexpended Balance of Appropriation Reserves	48,772.55
Excess/ (Deficit) in Revenues	$ 62,665.27

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

2014

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

Cash Receipts from Fees, Rents or Other Charges for Year		$ 1,240,155.37
Deductions:		
Operating & Maintenance Cost	925,230.27	
Debt Service Per Water & Sewer Acct.	284,888.63	
Total Deductions		1,210,118.90
Excess/(Deficit) in Revenues		$ 30,036.47

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

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

Excess/ (Deficit) in Revenues - Cash Basis (D-1)	$ 109,420.00
Less:	
Unexpended Balance of Appropriation Reserves	79,383.53
Excess/ (Deficit) in Revenues	$ 30,036.47

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, 2015

Calendar	General		Water and Sewer Utility		
Year	Principle	Interest	Principle	Interest	Total
2016	$ 155,000.00	$ 51,551.25	$ 185,000.00	$ 54,496.25	$ 446,047.50
2017	160,000.00	46,626.25	190,000.00	48,583.75	445,210.00
2018	165,000.00	41,226.25	200,000.00	42,096.25	448,322.50
2019	170,000.00	35,276.25	205,000.00	34,871.25	445,147.50
2020	60,000.00	29,226.25	60,000.00	28,571.25	177,797.50
Subtotal	710,000.00	203,906.25	840,000.00	208,618.75	1,962,525.00
2021	60,000.00	27,276.25	60,000.00	26,621.25	173,897.50
2022	65,000.00	25,326.25	65,000.00	24,508.75	179,835.00
2023	65,000.00	23,051.25	65,000.00	22,193.13	175,244.38
2024	70,000.00	20,695.00	70,000.00	19,746.25	180,441.25
2025	70,000.00	18,157.50	70,000.00	17,165.00	175,322.50
Subtotal	330,000.00	114,506.25	330,000.00	110,234.38	884,740.63
2026	75,000.00	15,532.50	75,000.00	14,399.38	179,931.88
2027	75,000.00	12,626.25	75,000.00	11,493.13	174,119.38
2028	80,000.00	9,720.00	80,000.00	8,440.00	178,160.00
2029	80,000.00	6,520.00	85,000.00	5,140.00	176,660.00
2030	83,000.00	3,320.00	86,000.00	1,720.00	174,040.00
Subtotal	393,000.00	47,718.75	401,000.00	41,192.51	882,911.26
	$ 1,433,000.00	$ 366,131.25	$ 1,571,000.00	$ 360,045.64	$ 3,730,176.89

Note 4: 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 the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2015 and 2014 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2015 and 2014 were as follows:

	Balance December 31, 2015	Utilized in 2016 Budget *	Balance December 31, 2014	Utilized in 2015 Budget
Current Fund	$853,205.44	$581,611.11	$828,833.07	$435,000.00
Water and Sewer Operating Fund	156,324.27	94,946.00	111,077.95	66,191.50

Note 6: 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 that $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.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

At December 31, 2015 and 2014, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	2015	2014
Cash (Demand Accts.)	$3,758,791.32	$2,876,275.75
Change Funds (On-Hand)	200.00	200.00
Total	$3,758,991.32	$2,876,275.75

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was $3,758,991.32 and the book balance was $3,690,446.33. Of the bank balance, $500,000.00 was covered by Federal depository insurance and $3,258,791.32 was covered under the provisions of NJGUDPA.

At December 31, 2015, 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 in possession of an outside party.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

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

As of December 31, 2015, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough's bank balance was considered exposed to custodial credit risk.

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;

2. Government money market mutual funds;

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;

6. Local government investment pools;

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities, if:

    a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3);
    b. the custody of collateral is transferred to a third party;
    c. the maturity of the agreement is more than 30 days; and
    d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2015, 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 7: 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 know.

Note 8: PENSION AND RETIREMENT PLANS

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

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

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

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	166,637
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	259,161
Total	426,501

Contributing Employers – 1,710

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2015, the State was required to make a minimum contribution representing 4/7th of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Note 8: PENSION AND RETIREMENT PLANS (CONT'D)

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, 2015 the Borough's total payroll for all employees was $1,340,226.79. Total PERS covered payroll was $697,842. Due to payroll system limitations, 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 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The Borough's cash basis contributions to the Plan for the years ended December 31, 2014 and 2015 were $70,038 and $82,018 respectively. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PERS for the years ending December 31, 2014 and 2015 consisted of the following:

	2014	2015
Normal Cost	$ 12,761	$ 13,654
Amortization of Accrued Liability	56,106	63,161
Total Pension	68,867	76,815
NCGI Premiums	1,171	5,203
Total Regular Billing	70,038	82,018
Total PERS Payment	$70,038	$82,018

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

Note 8: PENSION AND RETIREMENT PLANS (CONT'D)

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.

At June 30, 2014, the PERS reported a net pension liability of $18,722,735,003 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was $1,862,722 or 0.000994%. At June 30, 2015, the PERS reported a net pension liability of $22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was $2,222,732 or 0.00990%.

Actuarial Assumptions- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases (2012-2021)	2.15-4.40% Based on age
Thereafter	3.15-5.40% Based on age
Investment rate of return	7.90%

Note 8: PENSION AND RETIREMENT PLANS (CONT'D)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for male and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years or males and setback 1 year for females) are used to value disable retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

The long-term expected rate of return on pension plan investments 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, 2015 are summarized in the following table:

Asset Class	
Cash	1.04%
U.S. Treasuries	1.64%
Investment Grade Credit	1.79%
Mortgages	1.62%
High Yield Bonds	4.03%
Inflation-Indexed Bonds	3.25%
Broad US Equities	8.52%
Developed Foreign Equities	6.88%
Emerging Market Equities	10.00%
Private Equity	12.41%
Hedge Funds/Absolute Return	4.72%
Real Estate (Property)	6.83%
Commodities	5.32%
Global Debt ex US	-0.40%
REIT	5.12%

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 4.90%

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease	At current discount rate	At 1% increase
PERS	$55,702,235,475	$46,170,131,655	$38,191,749,890

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2015 was $28,553,566,906. Information regarding the portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group was not available.

NOTE 8. PENSION PLANS (CONT'D.):

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, 2015:

Inactive plan members or beneficiaries currently receiving benefits	44,252
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	40,359
Total	84,662

Contributing Employers – 585

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2015, the State was required to make a minimum contribution representing 4/7th of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

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

For the year ended December 31, 2015 the Borough's total payroll for all employees was $1,340,226.79. Total PFRS covered payroll was $198,399. Due to payroll system limitations, 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. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2014 and 2015 were $54,544 and $59,470, respectively. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PFRS made in the years ending December 31, 2014 and 2015 consisted of the following:

NOTE 8. PENSION PLANS (CONT'D.):

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

	2014	2015
Normal Cost	$24,865	$ 25,857
Amortization of Accrued Liability	27,345	30,521
Total Pension	52,210	56,378
NCGI Premiums	2,334	3,092
Total Regular Billing	54,544	59,470
Total PFRS Payment	$54,544	$59,470

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:

Tier	Definition
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 basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2014, the PFRS reported a net pension liability of $12,579,072,492 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 $973,972, or 0.0007742%. At June 30, 2015, the PFRS reported a net pension liability of $16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was $1,313,176 or 0.000788%.

NOTE 8. PENSION PLANS (CONT'D.):

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

Actuarial Assumptions- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases (2012-2021)	2.60-9.48% based on age
Thereafter	3.60-10.48% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected on year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The long-term expected rate of return on pension plan investments 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, 2015 are summarized in the following table:

Asset Class	
Cash	1.04%
U.S. Treasuries	1.64%
Investment Grade Credit	1.79%
Mortgages	1.62%
High Yield Bonds	4.03%
Inflation-Indexed Bonds	3.25%
Broad US Equities	8.52%
Developed Foreign Equities	6.88%
Emerging Market Equities	10.00%
Private Equity	12.41%
Hedge Funds/Absolute Return	4.72%
Real Estate (Property)	6.83%
Commodities	5.32%
Global Debt ex US	-0.40%
REIT	5.12%

Discount Rate – The discount rate used to measure the pension liabilities of PFRS was 5.79%

NOTE 8. PENSION PLANS (CONT'D.):

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

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease	At current discount rate	At 1% increase
PFRS	$23,072,855,582	$17,486,678,618	$12,872,088,327

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2015 was $25,106,858,921.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least $5,000 annually. At June 30, 2014, the membership in the DCRP, based on the information within the Division's database, was 28,270.

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

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

For the year ended December 31, 2015 the Borough had no employees eligible for enrollment in the DCRP.

Note 9: POST RETIREMENT HEALTH BENEFITS

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

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

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

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

Cost sharing requirements for retirees are as follows:

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

The Borough of Pennington contributions to SHBP for the years ended December 31, 2015 and 2014π for retiree health insurance premiums were $95,974.67 and $122,037.48 respectively, which equaled the required contributions for each year.

Note 10: 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.

Note 11: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) – UNAUDITED

The Borough has instituted 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 firefighters and first aid and rescue squad members who meet specific service criteria. In accordance with State of New Jersey regulations, LOSAP is subject to an accountant's review report and is unaudited. The unaudited LOSAP balance are included within the Trust Fund.

Note 12: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Mid Jersey Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, law enforcement liability and workers compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2015. The Fund will be self-sustaining through member premiums, reported as an expenditure in the Borough's financial statements. The Fund contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, law enforcement liability and workers' compensation. The Borough continues to carry commercial insurance for other risks of loss, principally employee health insurance.

For the year ending December 31, 2015, the fund provided coverage for Property, Boiler & Machinery, Auto Physical Damage, Blanket Bond, Auto Liability, General Liability, Excess Liability, Workers Compensation, Public Official Liability and Employers Liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees

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

Note 13: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2015:

Fund:	Interfund Receivables	Interfund Payables
Current Fund	$5,238.59	$716.51
Trust Other Fund	716.51	
Water & Sewer Capital Fund		2,500.00
Animal Control Fund	0.00	2,738.59
Totals	$5,955.10	$5,955.10

Note 14: LEASE OBLIGATIONS

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

Year	Total Payments
2016	$3,058.80
2017	3,058.80
2018	3,058.80
2019	1,529.40
Total Payments	$10,705.80

Note 15: 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 11). 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, 2015 the Borough does not believe that any material liabilities will result from such audits.

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

Note 16: SUBSEQUENT EVENTS

A. The following bond ordinances were authorized:

Description	Bonds/Notes Authorized
Acquisition of Generator	$80,750
King George Road/Park Ave. Water Main Replacement	1,125,000
East Curlis/Weidel Dr. Water Main Replacement	920,000

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART II

REQUIRED SUPPLEMENTARY INFORMATION

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

Last 10 Fiscal Years*

	2013	2014	2015
Borough's Proportion of the Net Pension Liability	0.000092953	0.000099490	0.000099017
Borough's Proportionate Share of the Net Pension Liability	$1,776,512	$1,862,722	$2,222,732
Borough's Covered-Employee Payroll	$664,027	$675,511	$697,842
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	267.54%	275.75%	318.52%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	55.99%

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

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

Last 10 Fiscal Years*

	2014	2015
Contractually Required Contribution	$ 70,038	$ 82,018
Contribution in Relation to Contractually Required Contribution	$ (70,038)	$ (82,018)
Contribution deficiency (excess)	$ -	$ -
Borough's Proportionate Share of the Payroll	$ 675,511	$ 697,842
Contributions as a percentage of Covered Employee Payroll	10.37%	11.75%

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

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

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

Last 10 Fiscal Years*

	2013	2014	2015
Proportion of the Non-State Employer Group Net Pension Liability attributable to the Borough	0.00007476	0.00007743	0.00007884
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	$993,881	$973,972	$1,313,176
Borough's Covered-Employee Payroll	$179,356	$186,289	$198,399
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the Borough's Covered-Employee Payroll	554.14%	522.83%	661.89%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	55.71%	58.86%	58.09%

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

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

	Last 10 Fiscal Years*	
	2014	2015
Contractually Required Contribution	$ 54,544	$ 59,470
Contribution in Relation to Contractually Required Contribution	$ (54,544)	$ (59,470)
Contribution deficiency (excess)	$ -	$ -
Borough's Proportionate Share of the Payroll	$ 192,050	$ 198,399
Contributions as a percentage of Covered Employee Payroll	28.40%	29.97%

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

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

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

BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
DECEMBER 31, 2015

NOTE 1. CHANGES IN ASSUMPTIONS

Changes in Assumptions were applicable for current fiscal year.

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY SCHEDULES

Current Fund

Exhibit - A-4

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	CURRENT FUND		GRANT FUND	
Balance - December 31, 2014	A		$1,280,036.04		$ 156,830.83
Increased by Receipts:					
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	14,000.00			
Taxes Receivable	A-6	13,124,955.68			
Tax Overpayments	A-15	14,476.03			
Revenue Accounts Receivable	A-9	528,469.11			
Interfund Loans Received/Returned	A-12	1,285.68			
Prepaid Property Taxes	A-14	45,362.20			
Various Payables and Reserves	A-16	17,374.00			
State and Federal Grants Receivable	A-17			120,226.01	
State and Federal Grants - Unappropriated	A-20			5,978.01	
			13,745,922.70		126,204.02
			$15,025,958.74		$283,034.85
Decreased by Disbursements:					
Budget Expenditures	A-3	2,757,958.94			
2014 Appropriation Reserves	A-13	70,981.99			
Prior Year Receipt due to Open Space	A-1	50,000.00			
Interfund Loans Disbursed/Returned	A-12,A-18	2,508.24		182,831.31	
Tax Overpayments	A-15	15,661.99			
Various Payables and Reserves	A-16	6,847.00			
Reserve for State and Federal Grants Appropriated	A-19			14,057.26	
Taxes Payable	A-11	10,950,905.94			
			13,854,864.10		196,888.57
Balance - December 31, 2015	A		$1,171,094.64		$ 86,146.28

Exhibit - A-5

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

DEPARTMENT	BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2015
Tax Collector	$200.00	$200.00
	$200.00	$200.00
Ref.	A	A

Exhibit - A-6

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
CURRENT FUND

YEAR	BALANCE DEC. 31, 2014	2015 LEVY	COLLECTIONS BY CASH 2014	COLLECTIONS BY CASH 2015	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	TRANSFER TO TTL	BALANCE DEC. 31, 2015
2014	$172,487.03			154,070.37				18,416.66
	172,487.03			154,070.37				18,416.66
2015		13,219,792.63	62,987.05	12,970,885.31	18,949.20	35,701.76	279.10	130,990.21
	$172,487.03	$13,219,792.63	$62,987.05	$13,124,955.68	$18,949.20	$35,701.76	$279.10	$149,406.87
Ref.	A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A-9	A

Analysis of 2015 Property Tax Levy:

	Ref.		
Tax Yield:			
General Purpose		$ 13,016,404.20	
Special District Taxes		203,388.43	
			$13,219,792.63
Tax Levy:			
Regional School Tax (Abstract)	A-11	7,680,959.00	
Special District Tax	A-11	201,150.00	
County Tax (Abstract)	A-11	2,891,482.12	
County Open Space Tax (Abstract)	A-11	124,964.23	
Added County Tax	A-11	7,857.15	
			10,906,412.50
Local Open Space Tax	A-2	49,606.87	
Local Tax for Mun. Purposes (Abstract)	A-2	2,233,912.13	
Add: Additional Tax Levied		29,861.13	
			2,313,380.13
			$13,219,792.63

Exhibit - A-7

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

	REF.		
Balance - December 31, 2014	A		
Due to State of New Jersey			$250.00
Increased by:			
Collection	A-4	$14,000.00	
			14,000.00
			14,250.00
Decreased by:			
Deductions Allowed by Tax Billings	A-7	14,000.00	
2015 Deductions Allowed by Collector	A-1	4,949.20	
			18,949.20
Balance - December 31, 2015			
Due from State of New Jersey	A		$4,699.20

Analysis of Realized Revenue for 2015:

Deductions Allowed Per Tax Billings	A-7	$14,000.00	
2015 Deductions Allowed by Collector	A-7	4,949.20	
			$18,949.20
Realized as Revenue - 2015	A-6		$18,949.20

Exhibit - A-8

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

	REF.	
Balance - December 31, 2014	A	$17,810.00
Balance - December 31, 2015	A	$17,810.00

Exhibit - A-9

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	REF.		
Balance - December 31, 2014	A		$1,654.74
Increased by:			
Transfer from Taxes Receivable	A - 6	279.10	
			279.10
Balance - December 31, 2015	A		$1,933.84

Exhibit - A-10

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

Anticipated Miscellaneous Revenues:	REF.	BALANCE DEC. 31, 2014	ACCRUED IN 2015	COLLECTED	BALANCE DEC. 31, 2015
Fees and Permits	A-2	$	$ 14,949.00	$ 14,949.00	$
Fines and Costs - Municipal Court	A-2	5,105.48	65,275.56	65,094.72	5,286.32
Interest and Costs on Taxes	A-2		40,033.59	40,033.59	
Interest on Investments and Deposits	A-2		13,700.04	13,700.04	
Trash Collection Fees	A-2		38,409.00	38,409.00	
Consolidated Municipal Property Tax Relief Aid	A-2		233.00	233.00	
Energy Receipts Taxes	A-2		187,348.00	187,348.00	
Uniform Construction Code Fees	A-2		89,207.00	89,207.00	
Administrative Charge to Library	A-2		4,000.00	4,000.00	
Verizon/Comcast Franchise Fee	A-2		40,317.76	40,317.76	
Interlocal Agreement - Hopewell Boro/Twp.	A-2		5,626.35	5,626.35	
Miscellaneous Revenue Not Anticipated	A-2		29,550.65	29,550.65	
		$ 5,105.48	$ 528,649.95	$ 528,469.11	$ 5,286.32
	Ref.	A	Reserve	A- 4	A

Exhibit A-11

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	12/31/14	Taxes Levied	Cash Disbursements	12/31/15
County - General	$ -	$ 2,891,482.12	$ (2,891,482.12)	$ -
County - Open Space	-	124,964.23	(124,964.23)	-
County - Added & Omitted	2,743.72	7,857.15	(2,743.72)	7,857.15
Regional School Taxes	-	7,680,959.00	(7,680,959.00)	-
Local Open Space	-	49,606.87	(49,606.87)	-
Fire Districts	-	201,150.00	(201,150.00)	-
Total	$ 2,743.72	$ 10,956,019.37	$ (10,950,905.94)	$ 7,857.15
Ref.	A	A-1,A-2,A-6	A-4	A

Exhibit A-12

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	12/31/14	Cash Receipts	Cash Disbursements	Adjustments	12/31/15
Interfunds:					
Law Enforcement Trust	-	716.51			716.51
Sewer Capital Fund	-		(2,500.00)		(2,500.00)
General Capital Fund	8.24		(8.24)		
Animal Control Trust Fund	(569.17)	569.17		(2,738.59)	(2,738.59)
Interfunds Receivable	(569.17)				(5,238.59)
Interfunds Payable	8.24				716.51
Total	(560.93)	1,285.68	(2,508.24)	(2,738.59)	(4,522.08)
Ref.	A	A-4	A-4	Reserve	A

SCHEDULE OF 2014 APPROPRIATION RESERVES

	BALANCE DEC. 31 2014	ENCUMBERED DEC. 31, 2014	BALANCE AFTER MODIFICATION	PAID OR CHARGED	ACCOUNTS PAYABLE DECEMBER 31, 2015	BALANCE LAPSED
Salaries and Wages:						
Inside "CAPS":						
Administrative & Executive	$ 4,712.58	$	$ 4,712.58	$	$	$ 4,712.58
Financial Administrator	6,891.91		6,891.91			6,891.91
Assessment of Taxes	2,200.00		2,200.00			2,200.00
Collection of Taxes	76.51		76.51			76.51
Borough Clerk	438.12		438.12			438.12
Municipal Prosecutor	31.98		31.98			31.98
Public Buildings and Grounds	3,731.40		3,731.40			3,731.40
Planning and Zoning	2,399.75		2,399.75			2,399.75
Shade Tree	3,258.59		3,258.59			3,258.59
Police	6.32		6.32			6.32
Road Repair and Maintenance	43,149.27		43,149.27			43,149.27
Garbage & Trash Removal	613.94		613.94			613.94
Recreation	2,547.43		2,547.43			2,547.43
Construction Code Official	1,545.90		1,545.90			1,545.90
Municipal Court	795.78		795.78	90.00		705.78
Total Salaries and Wages	72,399.48		72,399.48	90.00		72,309.48
Other Expenses:						
Inside "CAPS":						
Administrative and Executive	6.28	2,896.05	2,902.33	2,896.05		6.28
Elections	440.00		440.00			440.00
Financial Administration	552.86	1,451.68	2,004.54	1,513.18		491.36
Revision of Tax Map	3,217.50		3,217.50			3,217.50
Misc. Other Expenses	1,130.85	1,500.00	2,630.85			2,630.85
Collection of Taxes	1,703.93	6.36	1,710.29	6.36		1,703.93
Mayor and Council	8.48		8.48			8.48
Borough Clerk	3,053.62	225.55	3,279.17	2,225.55		1,053.62
Municipal Court	1,026.90	570.63	1,597.53	380.71		1,216.82
Public Defender	1,400.00		1,400.00			1,400.00
Legal Services & Costs	11,937.22	1,698.50	13,635.72	4,614.50		9,021.22
Engineering Services and Costs	9,573.25	23,991.00	33,564.25	3,477.75		30,086.50
Public Buildings and Grounds	5,057.89	5,456.10	10,513.99	5,630.10		4,883.89
Planning and Zoning Board	7,103.64	255.85	7,359.49	255.85		7,103.64
Shade Tree	4,539.45	4,146.00	8,685.45	4,146.00		4,539.45
Police	5,697.12	2,334.19	8,031.31	1,543.35		6,487.96
Road Repair and Maintenance	31,511.12	5,940.83	34,451.95	5,611.46	410.00	28,430.49
Street Lighting	1,355.43	106.92	1,462.35	106.92		1,355.43
Garbage & Trash Removal	29,751.24	9,594.72	39,345.96	9,594.72		29,751.24
Board of Health	380.00	25.00	405.00	25.00		380.00
Recreation	12.18	1,300.00	1,312.18	1,300.00		12.18

SCHEDULE OF 2014 APPROPRIATION RESERVES

	BALANCE DEC. 31 2014	ENCUMBERED DEC. 31, 2014	BALANCE AFTER MODIFICATION	PAID OR CHARGED	ACCOUNTS PAYABLE DECEMBER 31, 2015	BALANCE LAPSED
Other Expenses:						
Inside "CAPS":						
Celebration of Public Events	$ 116.55	$ 35.00	$ 151.55	$	$	151.55
Environmental Commission	210.00		210.00			210.00
Economic Development Commission	356.05		356.05			356.05
Historic Preservation	500.00		500.00			500.00
Constr. Code Official	0.19		0.19			0.19
Telephone	226.46	1,054.87	1,281.33	1,054.87		226.46
Electricity	1,473.47	4,005.57	5,479.04	4,005.57		1,473.47
Gasoline & Lubricants	10,920.00	2,153.41	13,073.41	1,756.44		11,316.97
Natural Gas	1,835.17	1,512.68	3,347.85	1,512.68		1,835.17
Social Security	3.92		3,003.92	2,954.02		49.90
Group Plan for Employees	54,375.31		54,375.31			54,375.31
Surety Bonds	653.00		653.00			653.00
Accumulated Sick Leave	127.20		127.20			127.20
Other Expenses:						
Out of "CAPS":						
Due to Fire District		915.00	915.00	915.00		
First Aid LOSAP Contribution	1,037.63		1,037.63			1,037.63
Recycling Agreement	0.56		0.56			0.56
Janitorial Services	794.00	2,083.20	2,877.20	2,083.20		794.00
Free Public Library-Maintenance	2,015.64	11,267.07	13,282.71	13,282.71		
Total Other Expenses	194,104.11	84,526.18	278,630.29	70,891.99	410.00	207,328.30
Total Operations	$ 266,503.59	$ 84,526.18	$ 351,029.77	$ 70,981.99	$ 410.00	279,637.78
Ref.	A	A		A-4	A-16	A-1

Exhibit - A-14

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	REF.	
Balance - December 31, 2014	A	$62,987.05
Increased by:		
2016 Taxes Prepaid	A-4	45,362.20
		108,349.25
Decreased by:		
Applied to 2015 Taxes Receivable	A-6	62,987.05
Balance - December 31, 2015	A	$45,362.20

Exhibit - A-15

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	REF.	
Balance - December 31, 2014	A	$1,201.57
Increased by:		
Cash Received	A-4	14,476.03
		15,677.60
Decreased by:		
Refunded	A-4	15,661.99
Balance - December 31, 2015	A	$15.61

Exhibit A-16

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLE & RESERVES

	12/31/14	Cash Receipts	Cash Disbursements	Adjustments	12/31/15
Accounts Payable:					
Vendor Accounts Payable	$ 6,229.93			$ 410.00	$ 6,639.93
Due to Taxpayer	250.00			(250.00)	-
Marriage License Filing Fees	25.00	75.00	(50.00)		50.00
State Training Fees	2,180.00	5,759.00	(6,797.00)		1,142.00
Subtotal	8,684.93	5,834.00	(6,847.00)	160.00	7,831.93
Reserve for:					-
Master Plan	593.75				593.75
Property Revaluation	7,629.50				7,629.50
Sale of Municipal Assets	14,236.25	10,636.00			24,872.25
State Library Aid	2,038.19	904.00			2,942.19
Subtotal	24,497.69	11,540.00	-	-	36,037.69
Total	$ 33,182.62	$ 17,374.00	$ (6,847.00)	$ 160.00	$ 43,869.62
Ref.	A	A-4	A-4		A

	Ref.	
Appropriation Reserves	A-13	$ 410.00
Accounts Payable Cancelled	A-1	(250.00)
		$ 160.00

Exhibit - A-17

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

GRANT	BALANCE DEC. 31, 2014	2015 BUDGET REVENUE REALIZED	CHAPTER 159'S	COLLECTED 2015	TRANSFERRED FROM GRANTS UNAPPROPRIATED	BALANCE DEC. 31, 2015
N.J.D.O.T. - Transportation Trust Fund - 2007 (Hale St.)	2,709.69					2,709.69
N.J.D.O.T. - Transportation Trust Fund - 2009 (King George Rd..)	37,828.17					37,828.17
N.J.D.O.T. - Transportation Trust Fund - 2010(Green Ave.)	109,875.08					109,875.08
N.J.D.O.T. - Transportation Trust Fund - 2011 (SKED St.)	14,052.95					14,052.95
N.J.D.O.T. - Transportation Trust Fund - 2013 (CURLIS)	73,649.33			58,725.69		14,923.64
N.J.D.O.T. - Transportation Trust Fund - 2014	283,500.00					283,500.00
N.J.D.O.T. - Transportation Trust Fund - 2015 (Park Ave.)			289,432.00			289,432.00
Community Stewardship Program	6,000.00					6,000.00
Safe Routes to School	0.42					0.42
Green Acres Planning Incentive	400,000.00					400,000.00
Association of Environmental Commission	925.00					925.00
Clean Communities			5,579.35	5,579.35		
N.J. D.O.T. Streetscape Improvements	55,000.00			55,000.00		
Hazard Mitigation Grant			83,000.00			83,000.00
Body Armor Replacement Grant			920.97	920.97		
Recycling Tonnage Grants		7,955.54			7,955.54	
Emergency Road Repair Fund	5,073.82					5,073.82
Green Communities Challenge Grant	2,700.00					2,700.00
	$ 991,314.46	$ 7,955.54	$ 378,932.32	$ 120,226.01	$ 7,955.54	$ 1,250,020.77
Ref.	A	A-19	A-19	A-4	A-18	A

Exhibit A-18

GRANT FUND
STATEMENT OF INTERFUNDS PAYABLE

	12/31/14	Cash Disbursements
Interfunds:		
General Capital Fund	182,831.31	(182,831.31)
Total	$ 182,831.31	$ (182,831.31)
Ref.	A	A-4

Exhibit - A-19

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

GRANT/AID PROGRAM	BALANCE DEC. 31, 2014	TRANSFERRED FROM 2015 BUDGET	CHAPTER 159'S	PAID OR CHARGED	BALANCE DEC. 31, 2015
N.J.D.O.T. - Transportation Trust Fund - 2009 (Lower KG Rd.)	$ 37,953.17	$		$	$ 37,953.17
N.J.D.O.T. - Transportation Trust Fund - 2010(Green Ave.)	113,619.63				113,619.63
N.J.D.O.T. - Transportation Trust Fund - 2011 (Sked St.)	15,228.95				15,228.95
N.J.D.O.T. - Transportation Trust Fund - 2013 (King Gg/Curlis)	25,953.64				25,953.64
N.J.D.O.T. - Transportation Trust Fund - 2014	283,500.00				283,500.00
N.J.D.O.T. - Transportation Trust Fund - 2015 (Park Ave.)			289,432.00		289,432.00
Emergency Road Repair Fund	3,880.00				3,880.00
Open Space Stewardship	925.00				925.00
Clean Communities Program	21,537.10		5,579.35	1,402.90	25,713.55
Sustainable Jersey Small Grant	3.00				3.00
Pennington School	6,646.87				6,646.87
Body Armor Replacement Fund	7,533.19		920.97	4,123.35	4,330.81
Forestry Grant	4,935.00				4,935.00
Drunk Driving Enforcement Grant	204.92				204.92
Green Communities Challenge Grant	2,000.00				2,000.00
Green Acres Planning Incentive	400,000.00				400,000.00
Solid Waste Recycling Grant-2003	16,020.50				16,020.50
Pennington Day Grant	1,750.00			344.95	1,405.05
Safe Routes to Schools Grants	0.42				0.42
Municipal Alcohol Ed.	985.89				985.89
Assoc. of NJ Environmental Commission	120.00				120.00
Community Stewardship Program	4,359.50				4,359.50
NJDEP Stormwater Regulation	368.00				368.00
Special Legislative Grants:					
Cemetery Restoration	2,683.65				2,683.65
Hazard Mitigation Grant			83,000.00		83,000.00
Recycling Tonnage Grant	7,150.01	7,955.54		8,186.06	6,919.49
	$ 957,358.44	$ 7,955.54	$ 378,932.32	$ 14,057.26	$ 1,330,189.04
Ref.	A	A-17	A-17	A-4	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

GRANTS	BALANCE DEC. 31, 2014	COLLECTED 2015	APPLIED TO GRANTS RECEIVABLE	BALANCE DEC. 31, 2015
Recycling Tonnage Grant	7,955.54	5,978.01	7,955.54	5,978.01
	$ $7,955.54	$ $5,978.01	$ $7,955.54	$ $5,978.01
Ref.	A	A-4	A-17	A

Trust Fund

Exhibit B-1

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/14	Cash Receipts	Cash Disbursements	Adjustments	Balance 12/31/15
Animal Control:					
Due Current Fund	569.17		(569.17)	2,738.59	2,738.59
Due NJ - State License Fees	-	783.60	(783.60)		-
Animal Control Reserves	6,840.60	3,096.00	(415.01)	(2,738.59)	6,783.00
Total	7,409.77	3,879.60	(1,767.78)	-	9,521.59
Trust - Other Funds:					
Due from Current Fund	-			(716.51)	(716.51)
Unemployment Claims	17,976.71	4,409.48	(5,302.85)		17,083.34
Affordable Housing	364,042.47	17,761.02	(19,295.54)		362,507.95
Recreation Funds	1,386.49	798.75	(329.50)		1,855.74
Law Enforcement Trust	6,419.57	756.71		716.51	7,892.79
Public Defender	57.00	507.50	(457.00)		107.50
Shade Tree	880.00	720.00	(578.00)		1,022.00
POAA	1,406.00	100.00			1,506.00
Verizon	100.00				100.00
Tax Sale Premium	12,000.00	27,000.00			39,000.00
Police Donations	8,870.98	3,100.00	(1,760.71)		10,210.27
Open Space Preservation Fund	350,690.92	100,993.75	(9,577.48)	73,482.60	515,589.79
Developer Escrow Funds	367,827.98	101,191.20	(92,960.14)		376,059.04
Due to/from General Capital Fund	(217,977.40)	291,460.00		(73,482.60)	-
Total	913,680.72	548,798.41	(130,261.22)	-	1,332,217.91
Total	921,090.49	552,678.01	(132,029.00)	-	1,341,739.50
Ref.	B				B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

Year	Amount
2013	$ 3,451.20
2014	3,331.80
	$ 6,783.00

Footnote: N.J.S.A. 4:19-15.11

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

General Capital Fund

Exhibit - C-2

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	REF.		
Balance - December 31, 2014	C		$158,120.76
Increased by:			
Due from Grant Fund	C-5	182,831.31	
Due from Current Fund	C-6	8.24	
Grants Receivable	C-4	880,687.93	
Deferred Charges Unfunded	C-9	50,000.00	
Capital Improvement Fund	C-12	15,000.00	
			1,128,527.48
			1,286,648.24
Decreased by:			
Due to Open Space Fund	C-8	291,460.00	
Improvement Authorizations	C-10	193,312.00	
			484,772.00
Balance - December 31, 2015	C		$801,876.24

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

		BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2015
	Fund Balance	$98,378.76	$ 98,378.76
	Capital Improvement Fund	5,618.45	16,068.45
	Reserve for Encumbrances	148,736.25	12,500.00
	State Grants Receivable	(98,187.93)	(212,500.00)
	Due to/from Grant Fund	(182,831.31)	
	Due to/from Current Fund	(8.24)	
	Due to/from Open Space Trust Fund	217,977.40	
	IMPROVEMENT AUTHORIZATIONS:		
Ord. No.	General Improvements:		
1994-9	Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
1995-9	Pub. Works Vehicles & Equip.		
2003-9	Var. Capital Improvements	26,049.26	47,205.51
2013-08	Cons. Of Lawrence Hopewell Trail	73,482.60	
2013-09	Renovations to Borough Hall	321.49	321.49
2014-10	Acquisition of Real Property		782,500.00
2014-13	Road Repairs/Raidos/Vehicles	(130,892.00)	(130,792.00)
2015-05	Carter Road (Green Acres Trust)		212,500.00
2015-07	Acquisition of Equipment		(23,782.00)
		$158,120.76	$801,876.24
	Ref.	C-2	C-2

SCHEDULE OF GRANTS RECEIVABLE
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2014	C	$ 98,187.93
Increased by:		
Deferred Charges Unfunded	C-9	995,000.00
		1,093,187.93
Decreased by:		
Cash Receipts	C-2	880,687.93
Balance - December 31, 2015	C	$ 212,500.00

Analysis of Balance - December 31, 2015:

Ordinance No. 2015-05 Mercer County Assistance	$ 212,500.00

Exhibit - C- 5

SCHEDULE OF DUE TO/FROM GRANT FUND
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2014	C	$ 182,831.31
Decreased by:		
Cash Receipts	C-2	$ 182,831.31

Exhibit - C-6

SCHEDULE OF DUE TO/FROM CURRENT FUND
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2014	C	$ 8.24
Decreased by:		
Cash Receipts	C-2	$ 8.24

Exhibit - C-7

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

	Ref.	
Balance - December 31, 2014	C	$1,583,000.00
General Serial Bonds Paid by Budget Appropriation	C-11	150,000.00
Balance - December 31, 2015	C	$1,433,000.00

Exhibit - C-8

SCHEDULE OF DUE TO/FROM OPEN SPACE FUND
GENERAL CAPITAL FUND

	Ref.	
Balance - December 31, 2014 (Due to Open Space Trust Fund)	C	$217,977.40
Increased by:		
Improvement Authorizations Cancelled	C-10	73,482.60
		291,460.00
Decreased by:		
Disbursements	C-2	$291,460.00

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

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2014	2015 AUTHORIZED	OTHER FUNDING	BALANCE DEC. 31, 2015	ANALYSIS OF BALANCE DEC. 31, 2015 EXPEND-ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System	$523.97			$523.97	$523.97	
2003-09	Var. Capital Improvements	473,274.00			473,274.00		473,274.00
2012-1	Improv. Safe Routes to School						
2014-10	Acquisition of Real Property		782,500.00	782,500.00			
2014-13	Road Repairs/Radios/Vehicles	568,100.00			568,100.00	130,792.00	437,308.00
2015-05	Carter Road (Green Acres Trust)		212,500.00	212,500.00			
2015-7	Acquistion of Equipment		86,450.00	50,000.00	36,450.00	23,782.00	12,668.00
	Ref.	$1,041,897.97	$1,081,450.00	$1,045,000.00	$1,078,347.97	$155,097.97	$923,250.00
		C	C-10		C		

Grants Receivable	C-4	$995,000.00
Paid by Budget Appropriation	C-2	50,000.00
		$1,045,000.00

Exhibit - C-10

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	AMOUNT	BALANCE DEC. 31, 2014 FUNDED	BALANCE DEC. 31, 2014 UNFUNDED	ENCUMBERED 12/31/14	2015 AUTHORIZED UNFUNDED	2015 AUTHORIZED CAP. IMPROV. FUND	2015 AUTHORIZED OTHER FUNDING	PAID OR CHARGED	CANCELLED	ENCUMBERED 12/31/15	BALANCE DEC. 31, 2015 FUNDED	BALANCE DEC. 31, 2015 UNFUNDED
	General Improvements:													
2003-09	Var. Capital Improvements	8/4/03	754,500.00	26,049.26	473,274.00	23,903.25				(9,753.00)		12,500.00	47,205.51	473,274.00
2013-8	Construction of Lawrence Hopewell Trail	9/9/13	486,460.00	73,482.60							73,482.60			
2013-9	Renovations to Borough Hall	10/7/13	15,000.00	321.49									321.49	
2014-13	Road Repairs/Radios/Vehicles	6/2/14	598,000.00		437,208.00	124,833.00				124,733.00				437,308.00
2014-10	Acquisition of Real Property	5/15/14	782,500.00						782,500.00				782,500.00	
2015-05	Carter Road (Green Acres Trust)	5/15/15	212,500.00						212,500.00				212,500.00	
2015-7	Acquisition of Equipment	5/15/15	91,000.00				86,450.00	4,550.00		78,332.00				12,668.00
				$ 99,853.35	$ 910,482.00	148,736.25	$ 86,450.00	$ 4,550.00	$ 995,000.00	$ 193,312.00	$ 73,482.60	12,500.00	$ 1,042,527.00	$ 923,250.00
			Ref.	C	C	C	C-9	C-12	C-9	C-2	C-8	C	C	C

Exhibit - C-11

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Purpose	ORIGINAL ISSUE DATE	ORIGINAL ISSUE AMOUNT	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2015 DATE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2015 AMOUNT	INTEREST RATE	BALANCE DEC. 31, 2014	DECREASES	BALANCE DEC. 31, 2015
2004 Refunding Bonds	2/1/04	$2,125,000	9/15/07	165,000.00	2.500%			
			9/15/08	240,000.00	2.100%			
			9/15/09	230,000.00	2.375%			
			9/15/10	225,000.00	3.000%			
			9/15/11	90,000.00	3.000%			
			9/15/12	110,000.00	3.000%			
			9/15/13	110,000.00	3.125%			
			9/15/14	105,000.00	3.375%			
			9/15/15	105,000.00	3.400%			
			9/15/16	105,000.00	3.500%			
			9/15/17	100,000.00	3.750%			
			9/15/18	100,000.00	4.000%			
			9/15/19	95,000.00	4.000%	$505,000.00	$ 105,000.00	$ 400,000.00
2010 General Improv. Bonds	6/1/10	$1,148,000	7/15/13	30,000.00	2.250%			
			7/15/14	40,000.00	2.500%			
			7/15/15	45,000.00	2.500%			
			7/15/16	50,000.00	2.500%			
			7/15/17	60,000.00	2.750%			
			7/15/18	65,000.00	3.000%			
			7/15/19	75,000.00	3.000%			
			7/15/20	60,000.00	3.250%			
			7/15/21	60,000.00	3.250%			
			7/15/22	65,000.00	3.500%			
			7/15/23	65,000.00	3.625%			
			7/15/24	70,000.00	3.625%			
			7/15/25	70,000.00	3.750%			
			7/15/26	75,000.00	3.875%			
			7/15/27	75,000.00	3.875%			
			7/15/28	80,000.00	4.000%			
			7/15/29	80,000.00	4.000%			
			7/15/30	83,000.00	4.000%	1,078,000.00	45,000.00	1,033,000.00
						$ 1,583,000.00	$ 150,000.00	$ 1,433,000.00
					Ref.	C	C-7	C

Exhibit - C-12

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	REF.	
Balance - December 31, 2014	C	$5,618.45
Increased by:		
Budget Appropriation	C-2	15,000.00
		20,618.45
Decreased by:		
Improvement Authorizations	C-10	4,550.00
Balance - December 31, 2015	C	$16,068.45

Exhibit - C-13

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2014	2015 AUTHORIZED	OTHER FUNDING	BALANCE DEC. 31, 2015
276	Constr. Of Sanitary Sewer System	$ 523.97	$	$	$ 523.97
2003-09	Various Capital Improvements	473,274.00			473,274.00
2014-13	Road Repairs/Radios/Vehicles	568,100.00			568,100.00
2015-7	Acquisition of Equipment		86,450.00	50,000.00	36,450.00
		$ 1,041,897.97	$ 86,450.00	50,000.00	$ 1,078,347.97
	Ref.				Footnote C

Water and Sewer Utility Fund

Exhibit - D-5

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	OPERATING FUND		CAPITAL FUND	
Balance - December 31, 2014	D		$ 206,318.13		$ 6,338.60
Increased by Receipts:					
Consumer Accounts Receivable	D-7	1,180,359.20			
Interest on Investments	D-3	988.38			
Stonybrook Rebate	D-3	3,760.68			
Interest on Delinquencies	D-3	4,836.76			
Miscellaneous	D-3	4,152.67			
Rent Overpayments	D-8	142.24			
Due to Current Fund	D-16			2,500.00	
			1,194,239.93		2,500.00
			1,400,558.06		8,838.60
Decreased by Disbursements:					
2015 Budget Expenditures	D-4	1,042,892.83			
2014 Appro. Reserve	D-11	21,064.42			
Accrued Interest on Bonds, Notes and Loans	D-12	62,841.25			
Improvement Authorizations	D-13			7,942.23	
			1,126,798.50		7,942.23
Balance - December 31, 2015	D		$ 273,759.56		$ 896.37

Exhibit - D-6

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2015
	Fund Balance	$ 32,847.20	$ 32,847.20
	Capital Improvement Fund	123.55	123.55
	Due to Current Fund		2,500.00
	Reserve for Encumbrances	9,350.00	-
ORD. NO.	IMPROVEMENT AUTHORIZATIONS		
		-	
	Tank and Appurtenances,	-	
	Replacement of Water Mains	(10,670.64)	(10,670.64)
03-08	Var. Water/Sewer Improv.	9,897.42	9,897.42
07-09	Var. Water/Sewer Improvements	(35,208.93)	(33,801.16)
		$ 6,338.60	$ 896.37
		D	D

( ) Denotes Deficit or Deduction

Exhibit - D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	REF.	
Balance - December 31, 2014	D	$73,633.63
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	1,178,862.31
		1,252,495.94
Decreased by:		
Collected	D-5	1,180,359.20
Balance - December 31, 2015	D	$72,136.74

Exhibit - D-8

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

	REF.	
Balance - December 31, 2014	D	$628.27
Increased by:		
Cash Receipts	D-4	142.24
Balance - December 31, 2015	D	$770.51

Exhibit - D-9

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

ACCOUNT	BALANCE DEC. 31, 2014	FIXED CAPITAL AUTHORIZED AND UNCOMPLETED	BALANCE DEC. 31, 2015
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	2,677,147.59	43,368.08	2,720,515.67
Service Pipes & Stops	6,419.97		6,419.97
Meters, Boxes and Vaults, etc.	17,627.11		17,627.11
Fire Hydrants & Cisterns	7,438.34		7,438.34
General Equipment	940.20		940.20
Engineering & Superintendence	581,439.09		581,439.09
Legal Expense	10,200.35		10,200.35
Interest During Construction	3,703.82		3,703.82
Miscellaneous	85,451.51		85,451.51
Water Wells	1,296,420.26		1,296,420.26
Buildings & Improvements	500,000.00		500,000.00
Vehicles	69,888.00		69,888.00
	$5,591,176.26	43,368.08	$5,634,544.34
Ref.	D	D-10	D

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

Exhibit - D-10

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

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2014	TRANSFERRED TO FIXED CAPITAL	BALANCE DEC. 31, 2015
	General Improvements:					
2003-08	Var. Improv. To Water/Sewer	10/6/08	404,500.00	9,897.42		9,897.42
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	604,966.92	43,368.08	561,598.84
				$ 614,864.34	$ 43,368.08	$ 571,496.26
			Ref.	D	D-9	D

Exhibit - D-11

SCHEDULE OF 2014 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31, 2014	RESERVE FOR ENCUMBRANCES DEC. 31, 2014	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	$ 11,065.11	$	$ 11,065.11		$ 11,065.11
Other Expenses	9,583.02	24,685.98	34,269.00	21,064.42	13,204.58
Sewer Service Fee	4,333.00		4,333.00		4,333.00
Group Insurance for Employees	17,344.74		17,344.74		17,344.74
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	2,825.12		2,825.12		2,825.12
	$ 45,150.99	$ 24,685.98	$ 69,836.97	$ 21,064.42	$ 48,772.55
Ref.	D	D		D-5	D-1

Exhibit - D-12

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

	REF.	
Balance - December 31, 2014	D	$ 24,774.94
Increased by:		
Accrued Interest Charged to:		
2015 Budget Appropriations	D-4	60,997.92
		85,772.86
Decreased by:		
Payment	D-5	62,841.25
Balance - December 31, 2015	D	$ 22,931.61

Analysis of Balance - December 31, 2015:

Principal Outstanding Dec. 31, 2015	Interest Rate	From	To	Period	Amount
Bonds:					
105,000.00	3.500%	9/15/14	12/31/14	3.5 mos.	1,071.88
100,000.00	3.750%	9/15/14	12/31/14	3.5 mos.	1,093.75
100,000.00	4.000%	9/15/14	12/31/14	3.5 mos.	1,166.67
90,000.00	4.000%	9/15/14	12/31/14	3.5 mos.	1,050.00
80,000.00	2.500%	6/1/14	12/31/14	5.5 mos.	916.67
90,000.00	2.750%	6/1/14	12/31/14	5.5 mos.	1,134.37
100,000.00	3.000%	6/1/14	12/31/14	5.5 mos.	1,375.00
115,000.00	3.000%	6/1/14	12/31/14	5.5 mos.	1,581.25
60,000.00	3.250%	6/1/14	12/31/14	5.5 mos.	893.75
60,000.00	3.250%	6/1/14	12/31/14	5.5 mos.	893.75
65,000.00	3.500%	6/1/14	12/31/14	5.5 mos.	1,042.70
65,000.00	3.625%	6/1/14	12/31/14	5.5 mos.	1,079.95
70,000.00	3.625%	6/1/14	12/31/14	5.5 mos.	1,163.02
70,000.00	3.750%	6/1/14	12/31/14	5.5 mos.	1,203.13
75,000.00	3.875%	6/1/14	12/31/14	5.5 mos.	1,332.03
75,000.00	3.875%	6/1/14	12/31/14	5.5 mos.	1,332.03
80,000.00	4.000%	6/1/14	12/31/14	5.5 mos.	1,466.67
85,000.00	4.000%	6/1/14	12/31/14	5.5 mos.	1,558.33
86,000.00	4.000%	6/1/14	12/31/14	5.5 mos.	1,576.69
$1,571,000.00					$22,931.61

Exhibit - D-13

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DEC. 31, 2014 FUNDED	BALANCE DEC. 31, 2014 UNFUNDED	RESERVE FOR ENCUMBRANCES DEC. 31, 2014	PAID OR CHARGED	BALANCE DEC. 31, 2015 FUNDED	BALANCE DEC. 31, 2015 UNFUNDED
	General Improvements:								
2003-8	Various Water & Sewer Utility Improvements		404,500.00	9,897.42				9,897.42	
2007-9	Various Water & Sewer Utility Improvements	11/15/07	1,200,000.00		560,191.07	9,350.00	7,942.23		561,598.84
				$ 9,897.42	$ 560,191.07	$ 9,350.00	$ 7,942.23	$ 9,897.42	$ 561,598.84
			Ref.	D	D	D	D-5	D	D

Exhibit - D-14

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
WATER AND SEWER UTILITY CAPITAL FUND

	REF.	
Balance - December 31, 2014	D	$123.55
Balance - December 31, 2015	D	$123.55

Exhibit - D-15

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	REF.		
Balance - December 31, 2014	D		$ 3,718,969.96
Increased by:			
Serial Bonds Paid	D-18	175,000.00	
BAN Paydowns	D-19	50,000.00	
			225,000.00
Balance - December 31, 2015	D		$ 3,943,969.96

Exhibit - D-16

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

Increased by:	
Cash Receipts	$ 2,500.00
Balance - December 31, 2015	$ 2,500.00

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2015 DATE	AMOUNT	INTEREST RATE	BALANCE DEC. 31, 2014	DECREASE	BALANCE DEC. 31, 2015
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000.00	9/15/12	180,000.00	3.000%			
			9/15/13	110,000.00	3.125%			
			9/15/14	105,000.00	3.375%			
			9/15/15	105,000.00	3.400%			
			9/15/16	105,000.00	3.500%			
			9/15/17	100,000.00	3.750%			
			9/15/18	100,000.00	4.000%			
			9/15/19	90,000.00	4.000%	500,000.00	105,000.00	395,000.00
2010 Sewer Utility Bonds	6/1/10	1,366,000.00	7/15/13	55,000.00	2.250%			
			7/15/14	65,000.00	2.500%			
			7/15/15	70,000.00	2.500%			
			7/15/16	80,000.00	2.500%			
			7/15/17	90,000.00	2.750%			
			7/15/18	100,000.00	3.000%			
			7/15/19	115,000.00	3.000%			
			7/15/20	60,000.00	3.250%			
			7/15/21	60,000.00	3.250%			
			7/15/22	65,000.00	3.500%			
			7/15/23	65,000.00	3.625%			
			7/15/24	70,000.00	3.625%			
			7/15/25	70,000.00	3.750%			
			7/15/26	75,000.00	3.875%			
			7/15/27	75,000.00	3.875%			
			7/15/28	80,000.00	4.000%			
			7/15/29	85,000.00	4.000%			
			7/15/30	86,000.00	4.000%	1,246,000.00	70,000.00	1,176,000.00
						$1,746,000.00	$175,000.00	$1,571,000.00
					Ref.	D	D-15	D

Exhibit D- 18

SCHEDULE OF BOND ANTICIPATION NOTES

ORD NO.	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2014	B.A.N.S REDEEMED	BALANCE DEC. 31, 2015
	General Improvements:							
2007-9	Various Water & Sewer Utilty Improvemens	12/31/14	12/31/15	12/30/16	1.50%	$135,000.00	$50,000.00	$85,000.00
						$135,000.00	$50,000.00	$85,000.00
					Ref.	D	D-15	D

Exhibit - D-19

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2015
	Tank and Appurtenances, Replacement of Water Mains	$10,670.64	$10,670.64
2007-9	Various Water & Sewer Utility Improvements	595,400.00	595,400.00
		$606,070.64	$606,070.64
	Ref.		Footnote D

Payroll Fund

Exhibit - E-1

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2015 AND 2014

AGENCY/CATEGORY	BALANCE DEC. 31, 2015	BALANCE DEC. 31, 2014
PW Assoc. Fees	$	$ 481.04
NJ State Unemployment	(8.51)	
Health Benefits	4,662.90	3,246.84
PERS	4,661.05	5,444.01
PFRS	4,144.40	4,838.18
PW Union Dues	507.54	
Colonial Penn Disability	766.35	135.23
	$ 14,733.73	$ 14,145.30
Ref.	E	E

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART IV

OTHER REPORTING REQUIRED BY REGULATION

Length of Service Award Program (LOSAP) (Unaudited)

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Pennington Length of Service Award Program (LOSAP) as of December 31, 2015, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

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

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

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
May 10, 2016

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

L.O.S.A.P. PLAN BALANCE SHEET
REGULATORY BASIS(UNAUDITED)
DECEMBER 31, 2015

ASSETS

Plan Assets Held by Trustee	$652,611.84

LIABILITIES AND PLAN BALANCE

LOSAP Plan Balance	$652,611.84

See Accountant's Review report

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF CHANGES IN L.O.S.A.P. PLAN BALANCE
REGULATORY BASIS(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

INCREASES TO PLAN BALANCE:	
Contributions	$ 24,024.77
Earnings(Losses)	4,464.59
TOTAL PLAN INCREASES	28,489.36
DECREASES TO PLAN BALANCE:	
Cash Distributions	55,040.60
TOTAL PLAN DECREASES	55,040.60
TOTAL INCREASE (DECREASE)	(26,551.24)
Balance - December 31, 2014	$679,163.08
Balance - December 31, 2015	$652,611.84

See Accountant's Review report

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

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

B. Basis of Presentation

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

C. Description of Program

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

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

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

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

C. Description of Program (Cont'd.)

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

D. Amount of Contribution

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

NOTE 2: QUALIFICATIONS

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

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

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

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

a) Provide services on an ambulance at least one night a week or an equivalent forty (40) hours a month during weekdays or weekends;

b) Attend at least fifty (50) percent of all regularly scheduled and special drills/training exercises (not less than twelve (12) a year) averaging two hours each;

c) Recertify every other year for CPR;

d) Complete forty-eight (48) hours of New Jersey State approved continuing education credits every three years;

e) Attend annual refresher courses in hazardous material, infectious disease control and ambulance safety;

f) Attend annually an EMT-D refresher course;

g) Attend at least twenty-five (25) percent of all regularly scheduled and special meetings of the squad, missing no more than three in a row.

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART V

SUPPLEMENTARY DATA

Other Supplementary Data

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY TOTALS DEC. 31,2015	MEMORANDUM ONLY TOTALS DEC. 31,2014
Cash and Investments	$ 1,257,440.92	$ 1,341,739.50	$ 801,876.24	$ 274,655.93	$ 14,733.73	$	$ 3,690,446.32	$ 2,743,080.15
Amounts Held by Plan Admin.		652,611.84					652,611.84	679,163.08
Accounts Receivable:								
State & Federal Grants Receivable	1,250,020.77		212,500.00				1,462,520.77	1,089,502.39
Taxes, Assessments, Liens & Utility Charges	151,340.71			72,136.74			223,477.45	247,775.40
Interfund Loans	5,238.59	716.51					5,955.10	401,386.12
Other Accounts Receivable	9,985.52						9,985.52	5,105.48
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						11,260,829.00	11,260,829.00	10,912,064.00
Fixed Capital - Utility				5,591,176.26			5,591,176.26	5,591,176.26
Fixed Capital - Authorized and Uncompleted - Utility				614,864.34			614,864.34	614,864.34
Deferred Charges to Revenue of Succeeding Years								
Deferred Charges to Future Taxation: General Capital Fund			2,511,347.97				2,511,347.97	2,624,897.70
	$ 2,691,836.51	$ 1,995,067.85	$ 3,525,724.21	$ 6,552,833.27	$ 14,733.73	$ 11,260,829.00	$ 26,041,024.57	$ 24,926,824.92

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. 31,2015	MEMORANDUM ONLY TOTALS DEC. 31,2014
Bonds and Notes Payable	$	$	$ 1,433,000.00	$ 1,656,000.00	$	$	$ 3,089,000.00	$ 3,464,000.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	45,362.20						45,362.20	62,987.05
Tax, Assessment, Lien, License and Utility Charge Overpayments	15.61			770.51			786.12	1,829.84
Appropriation Reserves	150,881.49			93,524.26			244,405.75	311,654.58
Reserve for Encumbrances/ Accounts Payable	74,085.82		12,500.00	208.91			86,794.73	267,298.41
Other Liabilities	51,726.77			22,931.61	14,733.73		89,392.11	75,096.58
Amts. Pledged to Specific Purposes	1,336,167.05	1,616,270.22	16,068.45	123.55			2,968,629.27	2,414,409.20
Escrow Funds		376,059.04					376,059.04	367,827.98
Improvement Authorizations			1,965,777.00	571,496.26			2,537,273.26	1,580,423.84
Interfund Loans	716.51	2,738.59		2,500.00			5,955.10	401,386.12
Investments in General Fixed Assets						11,260,829.00	11,260,829.00	10,912,063.73
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				3,943,969.96			3,943,969.96	3,718,969.96
Reserve for Certain Assets Acquired or Receivables & Inventories	179,675.62			72,136.74			251,812.36	271,260.05
Fund Balance	853,205.44		98,378.76	189,171.47			1,140,755.67	1,077,617.58
	$ 2,691,836.51	$ 1,995,067.85	$ 3,525,724.21	$ 6,552,833.27	$ 14,733.73	$ 11,260,829.00	$ 26,041,024.57	$ 24,926,824.92

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

Revenue and Other Income Realized	Year 2015 Amount	%	Year 2014 Amount	%
Fund Balance Utilized	$435,000.00	2.93	$506,082.09	3.47
Miscellaneous - From Other Than Local Property Tax Levies	1,195,425.59	8.06	1,141,840.13	7.83
Collection of Delinquent Taxes and Tax Title Liens	154,070.37	1.04	151,137.73	1.04
Collection of Current Tax Levy	13,052,821.56	87.97	12,789,152.61	87.67
Total Income	14,837,317.52	100.00	14,588,212.56	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	3,369,814.11	23.44	3,340,389.03	23.64
County Taxes	3,024,303.50	21.03	3,110,856.20	22.02
Regional School Taxes	7,680,959.00	53.42	7,428,434.00	52.57
Fire District Taxes	201,150.00	1.40	199,706.00	1.41
Other Expenditures	101,718.54	0.71	50,000.00	0.35
Total Expenditures	14,377,945.15	100.00	14,129,385.23	100.00
Excess in Revenue	459,372.37		458,827.33	
Fund Balance January 1	828,833.07		876,087.83	
	1,288,205.44		1,334,915.16	
Less:				
Utilization as Anticipated Revenue	435,000.00		506,082.09	
Fund Balance December 31	$853,205.44		$828,833.07	

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

Revenue and Other Income Realized	Year 2015 Amount	Year 2015 %	Year 2014 Amount	Year 2014 %
Fund Balance Utilized	$66,191.50	5.06	$109,045.28	8.27
Collection of Water and Sewer Rents	1,180,359.20	90.17	1,104,471.63	83.72
Miscellaneous - From Other Than Water and Sewer Rents	62,511.04	4.78	105,721.99	8.01
Total Income	1,309,061.74	100.00	1,319,238.90	100.00
Expenditures				
Budget Expenditures:				
Operating	875,020.00	73.06	886,218.87	73.23
Debt Service	285,997.92	23.88	284,888.63	23.54
Deferred Charges and Statutory Expenditures	36,606.00	3.06	39,011.40	3.22
Total Expenditures	1,197,623.92	100.00	1,210,118.90	100.00
Statutory Excess to Fund Balance	111,437.82		109,120.00	
Fund Balance January 1	111,077.95		110,703.23	
	222,515.77		219,823.23	
Less:				
Utilization as Anticipated Revenue	66,191.50		109,045.28	
Fund Balance December 31	$156,324.27		$110,777.95	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2015	2014	2013
Tax Rate:	$2.617	$2.562	$2.443
Apportionment of Tax Rate:			
Municipal	0.417	0.403	0.404
Local Libraray	0.034	0.034	0.033
Local Open Space	0.010	0.010	0.010
County	0.608	0.624	0.588
Regional School	1.548	1.491	1.408

Assessed Valuation (Taxable):

2015	$496,068,718.00		
2014		$498,293,851.00	
2013			$501,539,914.00

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Mercer County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be $14,000.00 for the year 2015.

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.

		CURRENTLY	
Year	Tax Levy	Cash Collections	Percentage of Collection
2015	$13,219,792.63	$13,052,821.56	98.74%
2014	12,977,526.20	12,789,152.61	98.55%
2013	12,423,056.63	12,217,810.74	98.35%

DELINQUENT TAXES AND TAX TITLE LIENS

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

Dec. 31 Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2015	$1,933.84	$149,406.87	151,340.71	1.14%
2014	1,654.74	172,487.03	174,141.77	1.34%
2013	1,103.12	151,137.73	152,240.85	1.23%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

Year	Amount
2015	$17,810.00
2014	17,810.00
2013	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

Year	Billings	*Collections
2015	$1,178,862.31	$1,180,359.20
2014	1,096,366.99	1,104,471.63
2013	1,117,229.93	1,110,126.10

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund	2015	$853,205.44	$581,611.11
	2014	828,833.07	435,000.00
	2013	876,087.83	506,082.09
	2012	809,494.70	440,892.75
	2011	235,534.41	100,000.00
Water and Sewer Utility Operating Fund	2015	$156,324.27	$94,946.00
	2014	111,077.95	66,191.50
	2013	110,703.23	100,045.28
	2012	78,312.31	76,500.00
	2011	44,323.24	44,087.60

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2015:

NAME	TITLE	AMOUNT OF BOND	NAME OF CORPORATE SURETY
Anthony Persichilli	Mayor		
Joseph Lawver	President of Council		
Catherine Chandler	Councilperson		
Deborah Gnatt	Councilperson		
Glen Griffiths	Councilperson		
Charles Marciante	Councilperson		
James Davy	Councilperson		
Elizabeth Sterling	Borough Clerk		
Sandra Webb	Chief Financial Officer		
Wayne Blauth	Tax Collector, Tax Search Officer	$1,000,000.00	Mid Jersey JIF
Marianne Busher	Tax Assessor		
Elizabeth Sterling	Registrar of Vital Statistics		
Eric Perkins	Borough Magistrate	$1,000,000.00	Mid Jersey JIF
Nancy MacLean	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		
Carmela Roberts	Borough Engineer (Roberts Engineering Group)		
William Meytrott	Public Safety Director		
Craig Hubert	Boro Prosecutor		

All of the above bonds were examined and properly executed.

BOROUGH OF PENNINGTON

MERCER COUNTY, NEW JERSEY

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

BOROUGH OF PENNINGTON
COUNTY OF MERCER, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2015

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Pennington, County of Mercer, New Jersey, for the year ended December 31, 2015, has been completed. The General Comments are herewith set forth:

Scope of Audit

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

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

Compliance Matters

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

Internal Control Matters

In planning and performing our audit of the financial statements of the Borough of Pennington, County of Mercer, New Jersey as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness to the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

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

GENERAL COMMENTS

Internal Control Matters (Cont'd)

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

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

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

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

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

Control Deficiencies

A. Segregation of Duties

Utility Collector's Office

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

Other Offices and Officials Collecting Fees

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

The deficiency in internal control was not considered by us to be a significant deficiency. While basic internal control design objectives include the limiting of any individual's control over a transaction from start to finish, the volume of transactions in the various offices does not justify the hiring of additional staff solely to improve internal control. Instead, we suggest that monitoring controls, including analytical procedures and intra-period comparisons, be utilized to identify unexpected changes in transactional levels for further review.

GENERAL COMMENTS

Internal Control Matters (Cont'd)

B. Transaction Posting

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

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

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

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

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

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

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items as disclosed in the official minutes:

Contracts:

Road Improvements and Repairs; Sidewalks and Curbing; Painting

State Approved Contract for the Following Purchases:

Police Vehicles, Police Radios

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

GENERAL COMMENTS

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

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

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

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on April 7, 1980 adopted a resolution increasing interest to be charged on delinquent taxes. The resolution provides for interest to be charged at the rate of 8% per annum on the first $1,500 of the delinquency and 18% per annum to be charged on any amount in excess of $1,500. No interest shall be charged if payment is made within ten days after the date upon which the same becomes payable.

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

During 1991, legislation which permits the charging of a 6% penalty on any delinquency in excess of $10,000, if not paid by the end of the fiscal year, was enacted and codified as an amendment to N.J.S.A. 54:4-67. As of January 3, 2006 the Borough passed a resolution requiring charging a 6% penalty for delinquent accounts in excess of $10,000.

GENERAL COMMENTS

Interfund Balances

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

Fund	Interfunds Receivable	Interfunds Payable
Current Fund	$5,238.59	$716.51
Trust Other Fund	716.51	
Water/Sewer Capital Fund		2,500.00
Animal Control Fund	0.00	2,738.59
Total	$5,955.10	$5,955.10

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

Cash Management/Investment of Idle Funds

The Chief Financial Officer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2015 and 2014.

All cash and investments held by the Borough were directly confirmed as of December 31, 2015.

Condition of Records – Payrolls

During 2015 the payroll records were in good condition. Entries made in the Net Payroll and Deductions Ledger were referenced to their sources. A tracking was maintained of all void and/or reissued check which provided assurance that adjustments are made on the computerized record of earnings and deductions.

Payment of Claims

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

GENERAL COMMENTS

Purchase Order and Encumbrance System

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

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting systems during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. Purchase orders were available for all cash disbursement transactions selected by us for testing.

Other Officials Collecting Fees

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

There were fees collected for recreation programs during 2015 in the amount of $798.75. The amount of expenditures for dedicated recreation programs was $329.50 during 2015. This resulted in a net increase in available funds of $469.25. This use of undesignated balances and/or accumulated program receipts benefits both the participants and the taxpayers. We believe that an annual status review, either formal or informal, of recreation program financing and needs assessment should continue for future periods.

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2015. A review of surety bond coverage as of December 31, 2015, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Collector.

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

GENERAL COMMENTS

Municipal Court

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

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

Condition of Records - Finance Office

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

Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2015, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process, matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for he separate recording of grant activity. The examination of these grant programs indicated that the Borough of Pennington had expended grant funds during 2015 for the purpose authorized and monitoring procedures appeared adequate to assure that grant objectives were met.

A review of outstanding prior year grant receivable balance with little or no activity within the past 3 years indicated a net accounts receivable balance of $7,049.01 at the end of 2015. Any grants that become uncollectible must be cancelled timely. Any cancelled receivable that is not offset by an unexpended grant appropriation balance must be funded by an appropriation in the next municipal budget. The raising of these uncollectible, expended receivables is subject to the limitations of both the appropriations and the tax levy cap laws. Prior to cancellation, any receivable balance should be reviewed to determine that all requisite filings and collection efforts have been made to assure that the balance are truly collectible.

A similar review was conducted for unexpended grant appropriation balances to identify programs with unspent funds and little or no financial activity during the last three years. Grant balances meeting these criteria aggregated to $89,491.66 at year end. For some programs, offsetting cancellations of the receivable and unexpended balance for which all grant proceeds have been received must then be reviewed to determine if eligible program costs were inadvertently charged to operating budgets. In these circumstances, cancellation of the reported grant balances will generate additional Current Fund Surplus when the cancelled balances are transferred. True unexpended grant balances should be refunded to the grantor agencies.

GENERAL COMMENTS

Administration and Accounting for State & Federal Grants

As of the date of this report, management has not determined if accounts receivable have been earned and are collectible, and to identify any grant appropriation balances that are no longer operative or for which eligible costs had been incurred in prior periods.

It is recommended that a review be undertaken of the grant receivable and grant appropriation balances to determine whether they should be cancelled.

Condition of Records - Tax Office

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

Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to $1,309,061.74 and expenditures amounted to $1,197,623.92 resulting in excess revenues of $111,437.82. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in an excess for debt statement purposes of $62,665.27. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

GENERAL COMMENTS

Deferred Compensation Retirement Plan

The audit identified an employee that is required by law to be enrolled in the DCRP pension plan who had not been enrolled. Further, this omission was not identified by the pension certifying agent for corrective actions.

It is recommended that the pension Certifying Agent perform an annual inspection of the employee census information and prepare documentation of 1) every employee who is not enrolled in a pension system and 2) the statutory/regulatory authority for the exclusion of each employee on the list. This document file should be made available to the independent auditors annually to assist in their compliance testing. It is further recommended that the Certifying Agent contact the DCRP and determine the corrective action necessary to mitigate any fiduciary damages that may have resulted from this omission.

Compliance with Technical Accounting Directives

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

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

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

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

Compliance with Local Finance Notices

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

RECOMMENDATIONS

That a review be undertaken of the grant receivable and grant appropriation balances to determine whether they should be cancelled.

That the pension Certifying Agent perform an annual inspection of the employee census information and prepare documentation of 1) every employee who is not enrolled in a pension system and 2) the statutory/regulatory authority for the exclusion of each employee on the list. This document file should be made available to the independent auditors annually to assist in their compliance testing. It is further recommended that the Certifying Agent contact the DCRP and determine the corrective action necessary to mitigate any fiduciary damages that may have resulted from this omission.

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ACKNOWLEDGMENT

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

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

Respectfully submitted,

HODULIK & MORRISON, P.A.

Robert S. Morrison
Registered Municipal Accountant
No. 412