

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

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

HODULIK & MORRISON, P.A.

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

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

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MERCER COUNTY, NEW JERSEY**

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



**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 of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 2014 and 2013, 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 and the governmental fixed assets for the year ended December 31, 2014, 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 requirement 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 between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Pennington, County of Mercer, New Jersey, as of December 31, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The State of New Jersey, Department of Community Affairs, Division of Local Government Services has promulgated regulations relating to the maintenance of accounting records and the financial reporting of Governmental Fixed Assets, including related note disclosure. Governmental Accounting Standards Board Statement 34 establishes required disclosures relating to governmental fixed assets. In accordance with Governmental Accounting Standards Board Statement 34 the notes to the financial statements should include beginning balances, capital acquisitions and sales or other dispositions. The Borough of Pennington has implemented record of its governmental fixed assets as required under the prescribed regulatory basis of accounting and, accordingly, a statement of governmental fixed assets is included in the Borough’s basic financial statements as of December 31, 2014. However, the inventory did not identify beginning balances, capital acquisitions and sales or other dispositions resulting in an incomplete presentation of the basic financial statements in accordance with the other comprehensive basis of accounting as more fully described in Note 2. The amounts to identify beginning balances, capital acquisitions and sales or other dispositions that should be reported as required by disclosures have not been determined.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and fixed asset account group of the Borough of Pennington, County of Mercer, New Jersey as of December 31, 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 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 III – Supplementary Data 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 September 9, 2015 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
September 9, 2015

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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, 2014, 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 September 9, 2015. Our report was modified due to the departure from accounting principles generally accepted in the United State of America that, as disclosed in Note 2, are embodied in the regulatory basis of accounting that is followed by the auditee and our report based upon the other comprehensive basis of accounting financial statement presentation was modified due to inadequacies of the required disclosures for the statement of governmental fixed assets that is required under the regulatory basis of accounting as disclosed in Note 2D.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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



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

Highland Park, New Jersey
September 9, 2015

FINANCIAL STATEMENTS

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - A

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2014</u>	<u>BALANCE DEC. 31, 2013</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2014</u>	<u>BALANCE DEC. 31, 2013</u>
Cash and Investments - Treasurer	A-4	\$ 1,280,036.04	\$ 1,370,131.26	Liabilities:			
Change Funds	A-5	<u>200.00</u>	<u>200.00</u>	Appropriation Reserves	A-3, A-13	\$ 266,503.59	\$ 237,976.25
		<u>1,280,236.04</u>	<u>1,370,331.26</u>	Prepaid Property Taxes	A-14	62,987.05	56,214.46
				Tax Overpayments	A-15	1,201.57	301.96
Receivables and Other Assets With				Reserve for Encumbrances	A-3, A-13	84,526.18	153,902.78
Full Reserves:				Var. Reserves and Accts. Payable	A-16	33,182.62	41,103.91
Delinquent Prop. Taxes Receivable	A-6	172,487.03	151,137.73	Due to State of NJ SC/Vet Deductions	A-7	250.00	
Tax Title Liens Receivable	A-9	1,654.74	1,103.12	Interfunds Payable	A-12	8.24	
Property Acquired for Taxes (At				Taxes Payable	A-11	<u>2,743.72</u>	<u>4,744.07</u>
Assessed Valuation)	A-8	17,810.00	17,810.00			451,402.97	494,243.43
Revenue Accounts Receivable	A10	5,105.48	12,016.44				
Interfunds Receivable	A-12	<u>569.17</u>	<u>2,033.40</u>	Reserve for Receivables	Reserve	197,626.42	184,100.69
		<u>197,626.42</u>	<u>184,100.69</u>	Fund Balance	A-1	<u>828,833.07</u>	<u>876,087.83</u>
Total Current Fund		<u>1,477,862.46</u>	<u>1,554,431.95</u>	Total Current Fund		<u>1,477,862.46</u>	<u>1,554,431.95</u>
Grant Fund:				Grant Fund:			
Cash And Investments	A-4	\$ 156,830.83	\$ 48,697.76	Reserve for Encumbrances	A-19	\$ 33,087.42	\$ 33,087.42
State and Federal Grants Receivable	A-17	<u>991,314.46</u>	<u>892,494.63</u>	Interfunds Payable	A-18	182,831.31	10,440.76
Total Grant Fund		<u>1,148,145.29</u>	<u>941,192.39</u>	Reserve for State and Federal Grants:			
				Appropriated	A-19	957,358.44	888,518.37
				Unappropriated	A-20	<u>7,955.54</u>	<u>9,145.84</u>
				Total Grant Fund		<u>1,148,145.29</u>	<u>941,192.39</u>
		<u>\$ 2,626,007.75</u>	<u>\$ 2,495,624.34</u>			<u>\$ 2,626,007.75</u>	<u>\$ 2,495,624.34</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2014</u>	<u>YEAR 2013</u>
Fund Balance Appropriated	A-1,A-2	\$ 506,082.09	\$ 455,892.75
Miscellaneous Revenues Anticipated	A-2	813,723.59	758,985.01
Receipts from Delinquent Taxes	A-2	151,137.73	114,465.03
Receipts from Current Taxes	A-2	12,789,152.61	12,217,810.74
Non-Budget Revenue	A-2	76,340.36	131,081.24
Other Credits to Income:			
Encumbrances Cancelled		462.50	
Accounts Payable/Reserves Cancelled	A-16	2,027.54	
Interfunds Returned(Net)	Various	2,033.40	30,405.10
Other Accounts Receivable	A-10	8,667.42	
Adjustment for Senior Citizens Balance			1,005.00
Unexpended Balance of Approp. Reserves	A-13	<u>238,585.32</u>	<u>168,991.62</u>
Total Revenues		<u>14,588,212.56</u>	<u>13,878,636.49</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	A-3	1,145,350.00	1,029,100.00
Other Expenses	A-3	1,706,583.41	1,610,054.67
Capital Improvements	A-3	15,000.00	15,000.00
Municipal Debt Service	A-3	281,885.02	236,462.51
Def. Charges and Statutory Expend.	A-3	191,570.60	249,871.00
Regional School Tax	A-11	7,428,434.00	7,063,393.00
County Tax	A-11	3,108,112.48	2,947,497.04
County Added Tax	A-11	2,743.72	4,744.07
Special District Tax	A-11	199,706.00	149,000.00
Local Open Space Tax	A-2,A-11	50,000.00	50,000.00
Prior Years Senior Cit./Vet. Deductions			250.00
Refund of Prior Years Revenues			<u>778.32</u>
Total Expenditures		<u>14,129,385.23</u>	<u>13,356,150.61</u>
Excess (Deficit) in Revenue (Balance Forward)		458,827.33	522,485.88

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, 2014 AND 2013

	<u>REF.</u>	<u>YEAR 2014</u>	<u>YEAR 2013</u>
Statutory Excess (Deficit) to Fund Balance		\$ 458,827.33	\$ 522,485.88
 <u>FUND BALANCE</u>			
Balance - January 1	A	<u>876,087.83</u>	<u>809,494.70</u>
		1,334,915.16	1,331,980.58
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>506,082.09</u>	<u>455,892.75</u>
Balance - December 31	A	<u>\$ 828,833.07</u>	<u>\$ 876,087.83</u>

Note: See Notes to Financial Statements

CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	REF.	ANTICIPATED 2014 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 506,082.09	\$	\$ 506,082.09	\$
Fees and Permits	A-10	18,915.00		6,999.00	\$ -11,916.00
Fines and Costs:					
Municipal Court	A-10	82,000.00		65,834.83	-16,165.17
Interest and Costs on Taxes	A-10	32,000.00		43,521.97	11,521.97
Interest on Investments and Deposits	A-10	11,000.00		10,962.78	-37.22
Trash Collection Fees	A-10	37,500.00		36,662.62	-837.38
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	78,255.41		119,440.00	41,184.59
Public and Private Revenues Offset with Approps.:					
N.J. Transportation Trust Fund Authority Act	A-3		283,500.00	283,500.00	
Open Space Stewardship	A-3	925.00		925.00	
Recycling Tonnage Grant	A-3	7,150.01		7,150.01	
Body Armor Grant	A-3	1,070.83	921.76	1,992.59	
Pennington Day Grant	A-3		750.00	750.00	
Clean Communities	A-3		4,590.43	4,590.43	
Other Special Items:					
Interlocal with Hopewell Township Senior Center	A-10	5,626.35		5,626.34	
Verizon/Comcast Franchise Fee	A-10	38,187.02		38,187.02	
Total Miscellaneous Revenues	A-1	500,210.62	289,762.19	813,723.59	23,750.79
Receipts from Delinquent Taxes	A-1, A-2, A-6	151,000.00		151,137.73	137.73
Subtotal General Revenues		651,210.62	289,762.19	964,861.32	23,888.52
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes Including Reserve for Uncollected Taxes		2,009,695.44		2,077,307.72	67,612.28
Minimum Library Tax		167,848.69		167,848.69	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	2,177,544.13		2,245,156.41	67,612.28
Budget Totals		3,334,836.84	289,762.19	3,716,099.82	\$ 91,500.80
Non-Budget Revenues	A-1, A-9			76,340.36	
		\$ 3,334,836.84	\$ 289,762.19	\$ 3,792,440.18	
	Ref.	A-3	A-3		

Analysis of Non-Budget Revenues:

FEMA	\$ 29,208.66
Rent	10,000.00
Miscellaneous Fees & Permits	37,131.70
	<u>\$ 76,340.36</u>

() Denotes Deficit

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

**CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>	
<u>Allocation of Current Tax Collections:</u>		
2014 Collections	A-6	12,718,136.19
Prepaid Taxes Applied	A-6	56,214.46
Overpayments Applied	A-6	301.96
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6	<u>14,500.00</u>
	A-1	\$ 12,789,152.61
Allocated to:		
Regional School Tax	A-11	7,428,434.00
County Taxes	A-11	3,108,112.48
Added County Taxes	A-11	2,743.72
Special District Tax	A-11	199,706.00
Local Open Space Tax	A-1	<u>50,000.00</u>
		<u>10,788,996.20</u>
		2,000,156.41
Add: Reserve for Uncollected Taxes	A-3	<u>245,000.00</u>
Amount for Support of Municipal Budget	A-2	\$ <u><u>2,245,156.41</u></u>
<u>Allocation of Delinquent Tax Collections:</u>		
Collections	A-6	\$ <u>151,137.73</u>
	A-2	\$ <u><u>151,137.73</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Office of Business Administrator						
Salaries and Wages	\$ 35,000.00	\$ 29,000.00	\$ 24,287.42		\$ 4,712.58	
Other Expenses	13,500.00	13,500.00	10,597.67	2,896.05	6.28	
Elections						
Other Expenses	2,000.00	2,000.00	1,560.00		440.00	
Financial Administration						
Salaries and Wages	34,000.00	34,000.00	27,108.09		6,891.91	
Other Expenses	17,000.00	17,000.00	14,995.46	1,451.68	552.86	
Assessment of Taxes						
Salaries and Wages	14,200.00	14,200.00	12,000.00		2,200.00	
Other Expenses						
Maintenance of Tax Map	6,000.00	6,000.00	2,782.50		3,217.50	
Misc. Other Expenses	5,000.00	5,000.00	2,369.15	1,500.00	1,130.85	
Collection of Taxes						
Salaries and Wages	21,300.00	23,800.00	23,723.49		76.51	
Other Expenses	6,500.00	6,500.00	4,789.71	6.36	1,703.93	
Mayor & Council						
Other Expenses	1,000.00	1,000.00	991.52		8.48	
Office of the Borough Clerk						
Salaries and Wages	46,000.00	54,800.00	54,361.88		438.12	
Other Expenses	12,500.00	12,500.00	9,220.83	225.55	3,053.62	
Municipal Court						
Salaries and Wages	28,250.00	28,250.00	27,454.22		795.78	
Other Expenses	4,250.00	4,250.00	2,652.47	570.63	1,026.90	
Public Defender						
Other Expenses	1,400.00	1,400.00			1,400.00	
Legal Services and Costs						
Other Expenses	52,000.00	46,700.00	33,064.28	1,698.50	11,937.22	
Municipal Prosecutor						
Salaries and Wages	3,800.00	3,800.00	3,768.02		31.98	
Engineering Services and Costs						
Other Expenses	83,000.00	83,000.00	49,435.75	23,991.00	9,573.25	
Public Bldgs. and Grounds						
Salaries and Wages	14,000.00	19,000.00	15,268.60		3,731.40	
Other Expenses	39,000.00	39,000.00	28,486.01	5,456.10	5,057.89	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Salaries and Wages	47,000.00	48,500.00	46,100.25		2,399.75	
Other Expenses	10,000.00	10,000.00	2,640.51	255.85	7,103.64	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
<u>GENERAL GOVERNMENT:</u>						
Shade Tree						
Salaries and Wages	\$ 7,500.00	7,500.00	\$ 4,241.41		\$ 3,258.59	
Other Expenses	12,500.00	12,500.00	3,814.55	4,146.00	4,539.45	
Insurance						
Group Insurance	291,381.00	277,381.00	223,005.69		54,375.31	
Workers Compensation	33,436.62	33,436.62	33,436.62			
Liability and Other Insurance	31,073.07	31,073.07	31,073.07			
Surety Bonds	1,500.00	1,500.00	847.00		653.00	
<u>PUBLIC SAFETY:</u>						
Police						
Salaries and Wages	481,000.00	488,500.00	488,493.68		6.32	
Other Expenses	46,000.00	46,000.00	37,968.69	2,334.19	5,697.12	
First Aid Organization - Contribution	27,004.00	27,004.00	27,004.00			
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	265,000.00	280,000.00	236,850.73		43,149.27	
Other Expenses	87,000.00	87,000.00	49,548.05	5,940.83	31,511.12	
Street Lighting						
Other Expenses	32,000.00	32,000.00	30,537.65	106.92	1,355.43	
Sanitation						
Garbage and Trash Removal						
Salaries and Wages	45,000.00	45,000.00	44,386.06		613.94	
Other Expenses	145,000.00	145,000.00	105,654.04	9,594.72	29,751.24	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Operations Within "CAPS" (Cont'd.)						
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Other Expenses	\$ 500.00	500.00	\$ 95.00	25.00	\$ 380.00	
<u>RECREATION AND EDUCATION:</u>						
Recreation Committee						
Salaries and Wages	11,000.00	11,000.00	8,452.57		2,547.43	
Other Expenses	6,600.00	6,600.00	5,287.82	1,300.00	12.18	
Celebration of Public Event						
Other Expenses	1,500.00	1,500.00	1,348.45	35.00	116.55	
<u>OTHER BOARDS & COMMISSIONS</u>						
Environmental Commission						
Other Expenses	500.00	500.00	290.00		210.00	
Economic Development Commission						
Other Expenses	500.00	500.00	143.95		356.05	
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	58,000.00	56,454.10		1,545.90	
Other Expenses	1,300.00	1,300.00	1,299.81		0.19	
<u>UNCLASSIFIED:</u>						
Telephone	16,500.00	16,500.00	15,218.67	1,054.87	226.46	
Electricity	24,000.00	24,000.00	18,520.96	4,005.57	1,473.47	
Gasoline & Lubricants	49,000.00	49,000.00	35,926.59	2,153.41	10,920.00	
Natural Gas	14,500.00	14,500.00	11,152.15	1,512.68	1,835.17	
Salary & Wage Adjustment	15,000.00					
Accumulated Sick Leave	12,000.00	12,000.00	11,872.80		127.20	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Operations Within "CAPS" (Contd.)						
Total Operations Within "CAPS"	\$ 2,213,494.69	2,213,494.69	\$ 1,880,581.94	\$ 70,260.91	\$ 262,651.84	
Total Operations Including Contingent Within "CAPS"	2,213,494.69	2,213,494.69	1,880,581.94	70,260.91	262,651.84	
DETAIL:						
Salaries and Wages	1,111,050.00	1,145,350.00	1,072,950.52		72,399.48	
Other Expenses	1,102,444.69	1,068,144.69	807,631.42	70,260.91	190,252.36	
Deferred Charges and REGULATORY Expend. - Municipal Within "CAPS":						
Deferred Charges: Operating Deficit						
REGULATORY Expenditures:						
Contribution to:						
Public Employees Retirement System	49,026.60	49,026.60	49,026.60			
Police and Firemen's Retirement	54,544.00	54,544.00	54,544.00			
Unemployment Insurance	5,000.00	5,000.00	5,000.00			
Social Security System (O.A.S.I.)	83,000.00	83,000.00	82,996.08		3.92	
Total Deferred Charges and REGULATORY Expenditures - Municipal Within "CAPS"	191,570.60	191,570.60	191,566.68		3.92	
Total General Approp. for Municipal Purposes Within "CAPS"	2,405,065.29	2,405,065.29	2,072,148.62	70,260.91	262,655.76	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Due to Fire District	915.00	915.00		915.00		
Group Insurance	6,019.00	6,019.00	6,019.00			
Maintenance of Free Public Library	167,848.69	167,848.69	154,565.98	11,267.07	2,015.64	
L.O.S.A.P. Contribution:						
First aid Organization	9,500.00	9,500.00	8,462.37		1,037.63	
Interlocal Service Agreements:						
Emergency 911 and Dispatch	66,300.00	66,300.00	66,300.00			
Health Services	37,450.00	37,450.00	37,450.00			
Recycling Agreement	23,618.00	23,618.00	23,617.44		0.56	
Administration of Municipal Alliance Program	1,500.00	1,500.00	1,500.00			
Janitorial Services	8,000.00	8,000.00	5,122.80	2,083.20	794.00	
Animal Control	10,380.00	10,380.00	10,380.00			
Basic Life Support Services.	3,000.00	3,000.00	3,000.00			
Senior Services	5,000.00	5,000.00	5,000.00			
State and Federal Programs Offset by Revenues:						
Recycling Tonnage Grant	7,150.01	7,150.01	7,150.01			
Clean Communities		4,590.43	4,590.43			
BodyArmor Replacement Fund	1,070.83	1,992.59	1,992.59			
USDOT		283,500.00	283,500.00			
Pennington Day		750.00	750.00			
Open Space Stewardship	925.00	925.00	925.00			
Total Operations - Excluded from "CAPS"	<u>348,676.53</u>	<u>638,438.72</u>	<u>620,325.62</u>	<u>14,265.27</u>	<u>3,847.83</u>	
DETAIL:						
Salaries and Wages						
Other Expenses	<u>348,676.53</u>	<u>638,438.72</u>	<u>620,325.62</u>	<u>14,265.27</u>	<u>3,847.83</u>	

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	\$ 15,000.00	15,000.00	\$ 15,000.00	\$	\$	
Total Capital Improvements - Excluded from "CAPS"	15,000.00	15,000.00	15,000.00			
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
Payment of Bond Principal	184,210.00	184,210.00	145,000.00			39,210.00
Payment of Bond Anticipation Notes	75,000.00	75,000.00	75,000.00			
Interest on Bonds	60,790.02	60,790.02	60,790.02			
Interest on Notes	1,095.00	1,095.00	1,095.00			
Total Municipal Debt Service - Excluded from "CAPS"	321,095.02	321,095.02	281,885.02			39,210.00

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>684,771.55</u>	<u>974,533.74</u>	<u>917,210.64</u>	<u>14,265.27</u>	<u>3,847.83</u>	<u>39,210.00</u>
Subtotal General Appropriations	3,089,836.84	3,379,599.03	2,989,359.26	84,526.18	266,503.59	39,210.00
Reserve for Uncollected Taxes	<u>245,000.00</u>	<u>245,000.00</u>	<u>245,000.00</u>			
Total General Appropriations	<u>\$ 3,334,836.84</u>	<u>\$ 3,624,599.03</u>	<u>\$ 3,234,359.26</u>	<u>\$ 84,526.18</u>	<u>\$ 266,503.59</u>	<u>39,210.00</u>
	<u>Ref.</u>	<u>A-2</u>	<u>A-1</u>	<u>A,A-1</u>	<u>A, A-1</u>	
Adopted Budget	A-2	\$ 3,334,836.84				
Added by N.J.S.A. 40A:4-87	A-2	<u>289,762.19</u>				
		<u>\$ 3,624,599.03</u>				
Disbursed	A-4		\$ 2,690,451.23			
Reserve for Uncollected Taxes	A-2		245,000.00			
Public & Private Programs Approp.	A-2		<u>298,908.03</u>			
			<u>\$ 3,234,359.26</u>			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

ASSETS	REF.	BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2013	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2014	BALANCE DEC. 31, 2013
Animal Control Fund:				Animal Control Fund:			
Cash - Treasurer	B-1	\$ <u>7,409.77</u>	\$ <u>6,928.40</u>	Due to Current Fund	B-1	\$ 569.17	\$ 2,033.40
				Reserve to Pay Animal Control			
Total Animal Control Fund		<u>7,409.77</u>	<u>6,928.40</u>	Fund Expenditures	B-1	<u>6,840.60</u>	<u>4,895.00</u>
				Total Animal Control Fund		<u>7,409.77</u>	<u>6,928.40</u>
Trust-Other Fund:				Trust-Other Fund:			
Cash - Treasurer	B-1	913,680.72	771,877.22	Due To General Capital Fund -			
Due from General Capital Fund -				Open Space Trust Fund	B-1		182,167.36
Open Space Trust Fund	B-1	217,977.40		Reserve for:			
Amounts Held by Plan				Unemployment Claims	B-1	17,976.71	14,300.73
Administrator-LOSAP		<u>679,163.08</u>	<u>596,113.97</u>	Affordable Housing (COAH)	B-1	364,042.47	347,290.51
				Recreation Funds	B-1	1,386.49	1,536.49
				Law Enforcement Trust	B-1	6,419.57	6,380.96
				Public Defender	B-1	57.00	701.00
				Shade Tree	B-1	880.00	880.00
				POAA	B-1	1,406.00	1,340.00
				Verizon	B-1	100.00	100.00
				Police Donations	B-1	8,870.98	8,225.98
				Tax Sale Premiums	B-1	12,000.00	12,000.00
				Open Space Reserves	B-1	350,690.92	139,281.06
				Escrow Funds	B-1	367,827.98	57,673.13
				Reserve for LOSAP Plan		<u>679,163.08</u>	<u>596,113.97</u>
Total Trust-Other Fund		<u>1,810,821.20</u>	<u>1,367,991.19</u>	Total Trust-Other Fund		<u>1,810,821.20</u>	<u>1,367,991.19</u>
		<u>\$ 1,818,230.97</u>	<u>\$ 1,374,919.59</u>			<u>\$ 1,818,230.97</u>	<u>\$ 1,374,919.59</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>
Cash and Investments - Treasurer	C-2	\$ 158,120.76	\$ 225,875.33
Grants Receivable	C-4	98,187.93	281,019.24
Due from Grant Fund	C-5	182,831.31	10,440.76
Due from Current Fund	C-6	8.24	
Due from Open Space Fund	C-8		182,167.36
Deferred Charges to Future Taxation:			
Funded	C-7	1,583,000.00	1,728,000.00
Unfunded	C-9	<u>1,041,897.97</u>	<u>918,623.97</u>
		<u>\$ 3,064,046.21</u>	<u>\$ 3,346,126.66</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds	C-11	\$ 1,583,000.00	\$ 1,728,000.00
Bond Anticipation Notes	C-13		75,000.00
Due to Open Space Fund	C-8	217,977.40	
Improvement Authorizations:			
Funded	C-10	99,853.35	545,835.21
Unfunded	C-10	910,482.00	901,277.97
Capital Improv. Fund	C-12	5,618.45	20,518.45
Reserve for Encumbrances	C-10	148,736.25	49,002.75
Fund Balance	C-1	<u>98,378.76</u>	<u>26,492.28</u>
		<u>\$ 3,064,046.21</u>	<u>\$ 3,346,126.66</u>

There were Bonds and Notes Authorized but not Issued on December 31, 2014 in the amount of \$1,041,897.97(Exhibit C-14).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>REF.</u>	
Balance - December 31, 2013	C	\$26,492.28
Increased by:		
Improvement Authorizations Cancelled	C-10	<u>71,886.48</u>
Balance - December 31, 2014	C	<u><u>\$98,378.76</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - D

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2014</u>	<u>BALANCE DEC. 31, 2013</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2014</u>	<u>BALANCE DEC. 31, 2013</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ <u>206,318.13</u>	\$ <u>265,145.61</u>	Liabilities:			
		<u>206,318.13</u>	<u>265,145.61</u>	Appropriation Reserves	D-4, D-11	\$ 45,150.99	\$ 74,746.74
				Reserve for Encumbrances	D-4, D-11	24,685.98	39,337.96
				Accounts Payable	D-12		10,772.50
				Rent Overpayments	D-8	628.27	2,983.87
				Accrued Interest on Bonds & Notes	D-13	<u>24,774.94</u>	<u>26,601.31</u>
Receivables With Full Reserves:							
Consumer Accounts Receivable	D-7	<u>73,633.63</u>	<u>81,738.27</u>	Reserve for Receivables	Reserve	95,240.18	154,442.38
		<u>73,633.63</u>	<u>81,738.27</u>	Fund Balance	D-1	<u>73,633.63</u>	<u>81,738.27</u>
						<u>111,077.95</u>	<u>110,703.23</u>
Total Operating Fund		<u>279,951.76</u>	<u>346,883.88</u>	Total Operating Fund		<u>279,951.76</u>	<u>346,883.88</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	6,338.60	8,920.35	Serial Bonds Payable	D-18	1,746,000.00	1,916,000.00
Fixed Capital	D-9	5,591,176.26	5,619,908.48	Bond Anticipation Notes	D-19	135,000.00	50,000.00
Fixed Capital - Authorized and				Improvement Authorizations			
Uncompleted	D-10	<u>614,864.34</u>	<u>618,979.32</u>	Funded	D-1	9,897.42	42,744.62
		<u>6,212,379.20</u>	<u>6,247,808.15</u>	Unfunded	D-14	560,191.07	704,491.07
Total Capital Fund		<u>6,212,379.20</u>	<u>6,247,808.15</u>	Reserve for Encumbrances	D-14	9,350.00	2,631.75
				Capital Improvement Fund	D-15	123.55	123.55
				Reserve for Amortization	D-16	3,718,969.96	3,503,305.16
				Deferred Reserve for Amortization	D-17		28,512.00
				Fund Balance	D-2	<u>32,847.20</u>	<u>32,847.20</u>
				Total Capital Fund		<u>6,212,379.20</u>	<u>6,247,808.15</u>
		<u>\$ 6,492,330.96</u>	<u>\$ 6,594,692.03</u>			<u>\$ 6,492,330.96</u>	<u>\$ 6,594,692.03</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2014 in the amount of \$606,070.64. (Exhibit D-20).

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
 STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2014</u>	<u>YEAR 2013</u>
Fund Balance	D-1, D-2	\$ 109,045.28	\$ 76,500.00
Water and Sewer Rents	D-2,D-7	1,104,471.63	1,110,126.10
Miscellaneous Revenues not Anticipated:			
Interest on Delinquencies	D-2,D-5	4,604.26	3,961.51
Interest on Investments	D-2,D-5	1,112.93	1,264.82
Stonybrook Rebate	D-12		7,290.95
Miscellaneous	D-2,D-5	10,148.77	5,857.36
Accounts Payable Cancelled	D-12	10,772.50	
Unexpended Balance of Approp. Reserves	D-11	<u>79,383.53</u>	<u>52,961.57</u>
 Total Revenues		 <u>1,319,538.90</u>	 <u>1,257,962.31</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	195,580.00	191,580.00
Other Expenses	D-4	690,638.87	676,042.00
Debt Service	D-4	284,888.63	234,705.39
Statutory Expenditures	D-4	<u>39,011.40</u>	<u>46,744.00</u>
 Total Expenditures		 <u>1,210,118.90</u>	 <u>1,149,071.39</u>
 Excess in Revenues		 109,420.00	 108,890.92
 <u>FUND BALANCE</u>			
Balance - January 1	D	<u>110,703.23</u>	<u>78,312.31</u>
		220,123.23	187,203.23
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>109,045.28</u>	<u>76,500.00</u>
 Balance - December 31	D	 <u>\$ 111,077.95</u>	 <u>\$ 110,703.23</u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND
 STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>REF.</u>	
Increased by:		
Improvement Authorizations Cancelled	D-16	<u>\$ 32,847.20</u>
Balance - December 31, 2014	D	<u><u>\$ 32,847.20</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>REF.</u>	2014 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 109,045.28	\$ 109,045.28	\$
Water and Sewer Rents	D-1,D-7	1,109,000.00	1,104,471.63	(4,528.37)
Interest on Delinquencies	D-1,D-5	3,900.00	4,604.26	704.26
Interest on Investments	D-1,D-5		1,112.93	1,112.93
Miscellaneous	D-1,D-5		<u>10,148.77</u>	<u>10,148.77</u>
		<u>\$ 1,221,945.28</u>	<u>\$ 1,229,382.87</u>	<u>\$ 7,437.59</u>
	<u>Ref.</u>		D-4	

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

Exhibit - D-4

WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
						<u>CANCELLED</u>
Operating:						
Salaries and Wages	\$ 195,580.00	\$ 195,580.00	\$ 184,514.89		\$ 11,065.11	
Other Expenses	232,000.00	232,000.00	197,731.00	24,685.98	9,583.02	
Sewer Service Fee	307,391.86	307,391.86	303,058.86		4,333.00	
Group Insurance	123,600.00	123,600.00	106,255.26		17,344.74	
Workers' Compensation Insurance	14,329.98	14,329.98	14,329.98			
Liability Insurance	13,317.03	13,317.03	13,317.03			
Debt Service:						
Payment of Bond Principal	180,000.00	180,000.00	170,000.00			10,000.00
Payment of Bond Anticipation Notes and Capital Notes	50,000.00	50,000.00	50,000.00			
Interest on Bonds	65,985.01	65,985.01	64,206.62			1,778.39
Interest on Notes	730.00	730.00	682.01			47.99
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	21,011.40	21,011.40	21,011.40			
Social Security System (O.A.S.I.)	18,000.00	18,000.00	15,174.88		2,825.12	
Total Water & Sewer Utility Appropriations	\$ 1,221,945.28	\$ 1,221,945.28	\$ 1,140,281.93	\$ 24,685.98	\$ 45,150.99	\$ 11,826.38
<u>Ref.</u>	D-3		D-1	D,D-1	D, D-1	
Disbursed	D-5		\$ 1,075,393.30			
Accrued Interest on Bonds and Notes	D-13		64,888.63			
			<u>\$ 1,140,281.93</u>			

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

PAYROLL FUND
 COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>
Cash and Investments - Treasurer	E-1	\$ <u>14,145.30</u>	\$ <u>11,384.96</u>
		\$ <u><u>14,145.30</u></u>	\$ <u><u>11,384.96</u></u>
<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Payroll Deductions Payable	E-1	\$ <u>14,145.30</u>	\$ <u>11,384.96</u>
		\$ <u><u>14,145.30</u></u>	\$ <u><u>11,384.96</u></u>

Note: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
 REGULATORY BASIS
DECEMBER 31, 2014

	<u>BALANCE DEC. 31, 2014</u>
Governmental Fixed Assets:	
Land/Buildings	\$ 8,959,300.00
Equipment	1,952,764.00
	<hr/>
Total Governmental Fixed Assets	<u>\$ 10,912,064.00</u>
Investment in Governmental Fixed Assets	<u>\$ 10,912,064.00</u>

Notes: See Notes to Financial Statements

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014 AND 2013

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)

NOTES TO FINANCIAL STATEMENTS

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

B. Description of Funds (Cont'd.)

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

Water and Sewer Utility Fund - 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 does not require the presentation of entity-wide statements of financial position and activities. GAAP requires such a presentation, excluding only fiduciary funds.

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

C. Basis of Accounting (Cont'd.)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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

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

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

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

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

Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in these utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets. 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 utilities.

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

C. Basis of Accounting (Cont'd.)

General Fixed Assets - Technical Accounting Directive No. 85-2, issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, established a mandate for fixed accounting by municipalities, effective December 31, 1985. Assets acquired through that date were to be valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. Assets acquired subsequent to December 31, 1985 were required to be valued based on actual costs. Assets having a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit are required to be capitalized in the general fixed asset account group. Infrastructure assets are excluded from the general fixed asset account group. Depreciation is not recorded in the general fixed asset account group.

Recent Accounting Standards

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations in January 2013. This Statement establishes account and financial reporting standards related to government combinations and disposals of government operations.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical date, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" in November 2013. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability.

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.

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.

D. Departure from Other Comprehensive Basis of Accounting

The Borough has implemented a record of general fixed assets and the statement of general fixed assets, required under accounting principles to municipalities as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, has been included in the basic financial statements. However, as required by note disclosure beginning balances, capital acquisitions and sales or other dispositions have been omitted.

Comparative Data

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

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2014</u>	<u>YEAR 2013</u>
<u>Issued:</u>		
General:		
Bonds & Notes	\$ 1,583,000.00	\$ 1,803,000.00
Water & Sewer Util:		
Bonds & Notes	<u>1,881,000.00</u>	<u>1,966,000.00</u>
Total Debt Issued	<u>3,464,000.00</u>	<u>3,769,000.00</u>
 <u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	1,041,897.97	843,623.97
Water & Sewer Util:		
Bonds & Notes	<u>606,070.64</u>	<u>791,070.64</u>
Total Authorized but not Issued	<u>1,647,968.61</u>	<u>1,634,694.61</u>
Net Bonds & Notes Issued and Authorized but not Issued	 \$ <u><u>5,111,968.61</u></u>	 \$ <u><u>5,403,694.61</u></u>

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>General Debt:</u>		
\$2,125,000 General Improvement Bonds Series 2004, due in annual installments of \$240,000 to \$95,000 through September 15, 2019, interest at 2.50% to 4.00%	\$ 505,000.00	\$ 610,000.00
\$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%	1,078,000.00	1,118,000.00
\$75,000, Bond Anticipation Notes issued September 30 2013, due Sept. 30, 2014 at interest of 1.46%. The notes were originally issued on September 30, 2013		<u>75,000.00</u>
Total General Debt	<u>1,583,000.00</u>	<u>1,803,000.00</u>
<u>Utility Debt:</u>		
\$1,775,000 Water & Sewer Utility Bonds Series 2004, due in annual installments of \$180,000 to \$90,000 through September 15, 2019, interest at 3.00% to 4.00%	500,000.00	605,000.00
\$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%	1,246,000.00	1,311,000.00
\$135,000, Bond Anticipation Notes issued December 31, 2014, due December. 31, 2015 at interest of 1506%. The notes were originally issued on December 31, 2014.	135,000.00	
\$50,000, Bond Anticipation Notes issued December 13, 2013, due Sept. 30, 2014 at interest of 1.46%. The notes were originally issued on September 30, 2013		<u>500,000.00</u>
Total Utility Debt	<u>1,881,000.00</u>	<u>2,416,000.00</u>
Total Debt Issued and Outstanding	<u>\$ 3,464,000.00</u>	<u>\$ 4,219,000.00</u>

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

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

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

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.	<u>284,888.63</u>
Total Deductions	<u>1,210,118.90</u>
Excess/(Deficit) in Revenues	<u>\$ 30,036.47</u>

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

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

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

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

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

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

2013

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		\$ 1,205,000.74
Deductions:		
Operating & Maintenance Cost	914,366.00	
Debt Service Per Water & Sewer Acct.	<u>234,705.39</u>	
Total Deductions		<u>1,149,071.39</u>
Excess/(Deficit) in Revenues		<u>\$ 55,929.35</u>

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

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

Excess/ (Deficit) in Revenues - Cash Basis (D-1)		\$ 108,890.92
Less:		
Unexpended Balance of Appropriation Reserves	<u>52,961.57</u>	
		<u>52,961.57</u>
Excess/ (Deficit) in Revenues		<u>\$ 55,929.35</u>

NOTES TO FINANCIAL STATEMENTS

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

C. Schedule of Annual Debt Service for Principal and Interest
for Bonded Debt Issued and Outstanding at December 31, 2014

Calendar Year	General		Water and Sewer Utility		Total
	Principle	Interest	Principle	Interest	
2015	\$ 150,000.00	\$ 56,246.25	\$ 175,000.00	\$ 59,941.25	441,187.50
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
Subtotal	<u>800,000.00</u>	<u>230,926.25</u>	<u>955,000.00</u>	<u>239,988.75</u>	<u>2,225,915.00</u>
2020	60,000.00	29,226.25	60,000.00	28,571.25	177,797.50
2021	60,000.00	27,276.25	60,000.00	26,621.25	173,897.50
2022	65,000.00	25,326.25	65,000.00	24,508.75	179,835.00
2023	65,000.00	23,051.25	65,000.00	22,193.13	175,244.38
2024	70,000.00	20,695.00	70,000.00	19,746.25	180,441.25
Subtotal	<u>320,000.00</u>	<u>125,575.00</u>	<u>320,000.00</u>	<u>121,640.63</u>	<u>887,215.63</u>
2025	70,000.00	18,157.50	70,000.00	17,165.00	175,322.50
2026	75,000.00	15,532.50	75,000.00	14,399.38	179,931.88
2027	75,000.00	12,626.25	75,000.00	11,493.13	174,119.38
2028	80,000.00	9,720.00	80,000.00	8,440.00	178,160.00
2029	80,000.00	6,520.00	85,000.00	5,140.00	176,660.00
Subtotal	<u>380,000.00</u>	<u>62,556.25</u>	<u>385,000.00</u>	<u>56,637.51</u>	<u>884,193.76</u>
2030	83,000.00	3,320.00	86,000.00	1,720.00	174,040.00
Subtotal	<u>83,000.00</u>	<u>3,320.00</u>	<u>86,000.00</u>	<u>1,720.00</u>	<u>174,040.00</u>
	<u>\$ 1,583,000.00</u>	<u>\$ 422,377.50</u>	<u>\$ 1,746,000.00</u>	<u>\$ 419,986.89</u>	<u>\$ 4,171,364.39</u>

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

	<u>Balance</u> <u>December 31, 2014</u>	<u>Utilized in</u> <u>2015 Budget</u>	<u>Balance</u> <u>December 31, 2013</u>	<u>Utilized in</u> <u>2014 Budget</u>
Current Fund	\$828,833.07	\$435,000.00	\$876,087.83	\$506,082.09
Water and Sewer				
Operating Fund	100,305.45	66,191.50	110,703.23	100,045.28

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 than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

NOTES TO FINANCIAL STATEMENTS

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

At December 31, 2014 and 2013, the cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash (Demand Accts.)	\$2,876,275.75	\$2,686,534.13
Change Funds (On-Hand)	<u>200.00</u>	<u>200.00</u>
Total	<u>\$2,876,275.75</u>	<u>\$2,686,734.13</u>

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was \$2,876,275.75 and the book balance was \$2,744,997.11. Of the bank balance, \$500,000.00 was covered by Federal depository insurance and \$2,376,275.75 was covered under the provisions of NJGUDPA.

At December 31, 2014, 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.

NOTES TO FINANCIAL STATEMENTS

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, 2014, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough's bank balance was considered exposed to custodial credit risk.

Investments

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

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

NOTES TO FINANCIAL STATEMENTS

Note 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, 2014, 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 or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 8: PENSION AND RETIREMENT PLANS

Employees of the Borough of Pennington are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plans are not available.

Note 8: PENSION AND RETIREMENT PLANS (Cont'd)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Funding Policy: Employees enrolled in the PERS systems were required to contribute 6.92% of covered payroll during the first half of 2014, then 7.06% of covered payroll through year-end. Additional annual increases of .14% per annum will continue until the contribution rate reaches 7.5%. Employees enrolled in the PFRS system were required to contribute 10% of covered payroll during 2014.

Required employer contributions for 2014 were 10.92% and 23.25% of Plan Year 2011-12 covered wages. Pennington's contributions in 2014 and 2013 were \$70,038 and \$82,126 respectively for PERS and \$54,544 and \$51,489 respectively for PFRS.

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 SHBP's post-retirement benefit program through a resolution approved by the Council. The Borough of Pennington covers all retirees with the following requirements: fifteen years of service and the age of sixty-two, and twenty-five years of service or a disability retirement. All active full-time employees are covered by the SHBP.

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

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. Currently there is no cost-sharing requirement for retirees.

The Borough of Pennington contributions to SHBP for the years ended December 31, 2014 and 2013 for retiree health insurance premiums were \$61,737.61 and \$70,224.76 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: 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, 2014. 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, 2014, the fund provided coverage for Property, Boiler & Machinery, Auto Physical Damage, Blanket Bond, Auto Liability, General Liability, Excess Liability, Workers Compensation, Public Official Liability and Employers Liability. The coverage is subject to certain policy limits and deductible amounts. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees

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

NOTES TO FINANCIAL STATEMENTS

Note 12: INTERFUNDS

The following Interfund balances remained on the balance sheet at December 31, 2014:

<u>Fund:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$569.17	\$8.24
Grant Fund		182,831.31
Trust Other Fund	217,977.40	
General Capital Fund	182,839.55	217,977.40
Animal Control Fund	<u>0.00</u>	<u>569.17</u>
Totals	<u>\$401,386.12</u>	<u>\$401,386.12</u>

Note 13: LEASE OBLIGATIONS

The Borough is obligated under a lease agreement with the State of New Jersey for copiers. Each copier lease has a specified end date. 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 total amounts of lease payment requirements during 2014 were charged to the 2014 Municipal Budget.

Year	Payment
2015	\$6,268.92
2016	6,268.92
2017	6,268.92
2018	6,268.92
2019	<u>6,268.92</u>
	<u>\$31,344.60</u>

Note 14: 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, 2014 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.

NOTES TO FINANCIAL STATEMENTS

Note 15: SUBSEQUENT EVENTS

The following bond ordinance was authorized:

<u>Description</u>	<u>Bonds/Notes Authorized</u>
Acquisition of Equipment	\$86,450

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY



PART II
SUPPLEMENTARY SCHEDULES

Current Fund

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance - December 31, 2013	A	\$1,370,131.26	\$ 48,697.76
Increased by Receipts:			
Due from State of N.J. - Ch. 73, P.L. 1976	A-7	14,750.00	
Taxes Receivable	A-6	12,869,273.92	
Tax Overpayments	A-15	14,049.20	
Revenue Accounts Receivable	A-9	599,823.34	
Interfund Loans Received/Returned	A-12, A-18	2,041.64	182,831.31
Prepaid Property Taxes	A-14	62,987.05	
Various Payables and Reserves	A-16	7,587.00	
State and Federal Grants Receivable	A-17		190,942.36
State and Federal Grants - Unappropriated	A-20		7,955.54
		<u>13,570,512.15</u>	<u>381,729.21</u>
		\$14,940,643.41	\$430,426.97
Decreased by Disbursements:			
Budget Expenditures	A-3	2,690,451.23	
2013 Appropriation Reserves	A-13	152,801.21	
Interfund Loans Disbursed/Returned	A-18		10,440.76
Tax Overpayments	A-15	12,847.63	
Various Payables and Reserves	A-16	13,510.75	
Reserve for State and Federal Grants			
Appropriated	A-19		263,155.38
Taxes Payable	A-11	<u>10,790,996.55</u>	
		<u>13,660,607.37</u>	<u>273,596.14</u>
Balance - December 31, 2014	A	<u>\$1,280,036.04</u>	<u>\$ 156,830.83</u>

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE DEC. 31, 2013</u>	<u>BALANCE DEC. 31, 2014</u>
Tax Collector	<u>\$200.00</u>	<u>\$200.00</u>
	<u>\$200.00</u>	<u>\$200.00</u>
<u>Ref.</u>	A	A

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

Exhibit - A-6

YEAR	BALANCE	2014 LEVY	COLLECTIONS BY CASH		STATE SHARE	REMITTED	OVERPAYMENT	TRANSFER	BALANCE
	DEC. 31, 2013		2013	2014	OF SR. CIT & VET. DEDUCTIONS	OR CANCELLED	APPLIED	TO TTL	DEC. 31, 2014
2013	\$151,137.73			151,137.73					\$
	151,137.73			151,137.73					
2014		12,977,526.20	56,214.46	12,718,136.19	14,500.00	15,334.94	301.96	551.62	172,487.03
	\$151,137.73	\$12,977,526.20	\$56,214.46	\$12,869,273.92	\$14,500.00	\$15,334.94	\$301.96	\$551.62	\$172,487.03
	Ref. A	Reserve	A-2, A-14	A-2, A-4	A-2, A-7	Reserve	A-2,A-15	A-9	A

Analysis of 2014 Property Tax Levy:

	Ref.	
<u>Tax Yield:</u>		
General Purpose		\$ 12,777,820.20
Special District Taxes		199,706.00
		<u>\$12,977,526.20</u>
<u>Tax Levy:</u>		
Regional School Tax (Abstract)	A-11	7,428,434.00
Special District Tax	A-11	199,706.00
County Tax (Abstract)	A-11	2,983,154.09
County Open Space Tax (Abstract)	A-11	124,958.39
Added County Tax	A-11	2,743.72
		10,738,996.20
Local Open Space Tax	A-2	50,000.00
Local Tax for Mun. Purposes (Abstract)	A-2	2,177,544.13
Add: Additional Tax Levied		10,985.87
		<u>2,238,530.00</u>
		<u>\$12,977,526.20</u>

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

REF.

Increased by:			
Collection	A-4	\$14,750.00	
2014 Deductions Disallowed by Collector	A-7	250.00	
			15,000.00
			15,000.00
Decreased by:			
Deductions Allowed Per Tax Billings	A-7		14,750.00
Balance - December 31, 2014			
Due to State of New Jersey	A		\$250.00

Analysis of Realized Revenue for 2014:

Deductions Allowed Per Tax Billings	A-7	\$14,750.00	
2014 Deductions Disallowed by Collector	A-7	250.00	
			\$14,500.00
Realized as Revenue - 2014			\$14,500.00

Exhibit - A-8

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

	<u>REF.</u>	
Balance - December 31, 2013	A	\$17,810.00
Balance - December 31, 2014	A	<u>\$17,810.00</u>

Exhibit - A-9

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2013			\$1,103.12
Increased by:			
Transfer from Taxes Receivable	A - 6	<u>551.62</u>	<u>551.62</u>
Balance - December 31, 2014	A		<u>\$1,654.74</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE - CURRENT FUND

<u>Anticipated Miscellaneous Revenues:</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>	<u>ACCRUED</u> <u>IN 2014</u>	<u>COLLECTED</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>
Fees and Permits	A-2	\$	\$ 6,999.00	\$ 6,999.00	\$
Fines and Costs - Municipal Court	A-2	3,349.02	67,591.29	65,834.83	5,105.48
Interest and Costs on Taxes	A-2		43,521.97	43,521.97	
Interest on Investments and Deposits	A-2		10,962.78	10,962.78	
Trash Collection Fees	A-2		36,662.62	36,662.62	
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		119,440.00	119,440.00	
Administrative Charge to Library	A-2	8,667.42		8,667.42	
Verizon/Comcast Franchise Fee	A-2		38,187.02	38,187.02	
Interlocal Agreement - Hopewell Boro/Twp.	A-2		5,626.34	5,626.34	
Miscellaneous Revenue Not Anticipated	A-2		76,340.36	76,340.36	
		\$ <u>12,016.44</u>	\$ <u>592,912.38</u>	\$ <u>599,823.34</u>	\$ <u>5,105.48</u>
	<u>Ref.</u>	A	Reserve	A- 4	A

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	01/01/14	Taxes Levied	Cash Disbursements	12/31/14
County - General	\$ -	\$ 2,983,154.09	\$ (2,983,154.09)	\$ -
County - Open Space	-	124,958.39	(124,958.39)	-
County - Added & Omitted	4,744.07	2,743.72	(4,744.07)	2,743.72
Regional School Taxes	-	7,428,434.00	(7,428,434.00)	-
Local Open Space	-	50,000.00	(50,000.00)	-
Fire Districts	-	199,706.00	(199,706.00)	-
Total	\$ 4,744.07	\$ 10,788,996.20	\$ (10,790,996.55)	\$ 2,743.72
<u>Ref.</u>	A	A-1,A-2,A-6	A-4	A

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	01/01/14	Cash Receipts	12/31/14
Interfunds:			
General Capital Fund	\$	\$ 8.24	\$ 8.24
Animal Control Trust Fund	(2,033.40)	2,033.40	
Interfunds Receivable	(2,033.40)		-
Interfunds Payable	\$		8.24
Total	\$ (2,033.40)	\$ 2,041.64	\$ 8.24
<u>Ref.</u>	A	A-4	A

SCHEDULE OF 2013 APPROPRIATION RESERVES

	BALANCE DEC. 31 <u>2013</u>	ENCUMBERED DEC. 31, 2013	BALANCE AFTER MODIFICATION	PAID OR CHARGED	ACCOUNTS PAYABLE December 31, 2014	BALANCE LAPSED
Salaries and Wages:						
Inside "CAPS":						
Administrative & Executive	\$ 5,000.00		\$ 5,000.00	\$ 250.00		\$ 4,750.00
Financial Administrator	2,459.50		2,459.50			2,459.50
Assessment of Taxes	1,040.70		1,040.70			1,040.70
Collection of Taxes	3,389.97		3,389.97			3,389.97
Borough Clerk	5,157.95		5,157.95			5,157.95
Municipal Prosecutor	7.67		7.67			7.67
Public Buildings and Grounds	110.61		110.61			110.61
Planning and Zoning	333.61		333.61			333.61
Shade Tree	361.87		361.87			361.87
Police	23,428.14		23,428.14	4,500.00		18,928.14
Road Repair and Maintenance	0.66	2,334.00	2,334.66	2,000.00		334.66
Garbage & Trash Removal	0.52	1,204.00	1,204.52	1,000.00		204.52
Recreation	16.00	1,200.00	1,216.00	1,000.00		216.00
Construction Code Official	415.84		415.84			415.84
Municipal Court	1,432.16		1,432.16			1,432.16
	<u>43,155.20</u>	<u>4,738.00</u>	<u>47,893.20</u>	<u>8,750.00</u>		<u>39,143.20</u>
Total Salaries and Wages						
Other Expenses:						
Inside "CAPS":						
Administrative and Executive	549.21	1,808.95	2,358.16	1,808.95		549.21
Elections	740.00		740.00			740.00
Financial Administration	422.52		422.52	84.43		338.09
Revision of Tax Map		736.00	736.00	235.00		501.00
Misc. Other Expenses	2,836.28	192.00	3,028.28	102.00		2,926.28
Collection of Taxes	1,205.91	371.80	1,577.71	371.80		1,205.91
Mayor and Council	382.72	322.28	705.00	322.28		382.72
Borough Clerk	6,502.16	143.96	6,646.12	143.96		6,502.16
Municipal Court	648.34	787.72	1,436.06	955.72		480.34
Public Defender	1,200.00		1,200.00			1,200.00
Legal Services & Costs	14,650.46	7,446.17	22,096.63	7,446.17		14,650.46
Engineering Services and Costs	6,982.75	11,787.00	18,769.75	6,009.25		12,760.50
Public Buildings and Grounds	881.20	7,382.68	8,263.88	3,912.18		4,351.70
Planning and Zoning Board	1,735.38	1,626.90	3,362.28	1,551.90		1,810.38
Shade Tree	2,196.27	8,523.08	10,719.35	8,523.08		2,196.27
Police	6,688.82	20,528.11	27,216.93	22,060.46		5,156.47
Road Repair and Maintenance	18,644.32	28,806.66	47,450.98	30,248.56	30.00	17,172.42
Street Lighting	1,516.58	5,719.34	7,235.92	5,719.34		1,516.58
Garbage & Trash Removal	25,099.46	19,622.89	44,722.35	19,622.89		25,099.46
Board of Health	305.00	75.00	380.00	75.00		305.00
Recreation	141.57	4,805.94	4,947.51	2,205.94		2,741.57

SCHEDULE OF 2013 APPROPRIATION RESERVES

	BALANCE DEC. 31 2013	ENCUMBERED DEC. 31, 2013	BALANCE AFTER MODIFICATION	PAID OR CHARGED	ACCOUNTS PAYABLE December 31, 2014	BALANCE LAPSED
Other Expenses:						
Inside "CAPS":						
Celebration of Public Events	\$ 802.63	\$ 35.00	\$ 837.63	\$		837.63
Environmental Commission	51.05	110.20	161.25	110.20		51.05
Economic Development Commission	383.00		383.00			383.00
Historic Preservation	149.64		149.64			149.64
Constr. Code Official	79.90		79.90			79.90
Telephone	1,090.68	2,666.08	3,756.76	2,666.08		1,090.68
Natural Gas	3,288.74	2,275.88	5,564.62	2,275.88		3,288.74
Electricity	3,101.28	2,543.11	5,644.39	2,543.11		3,101.28
Gasoline & Lubricants	12,078.94	5,396.21	17,475.15	5,396.21		12,078.94
Social Security	2,751.58	6,294.00	9,045.58	6,294.00		2,751.58
Group Plan for Employees	13,079.20		13,079.20			13,079.20
Liability and Other Insurance	2,439.51		2,439.51			2,439.51
Workers Compensation	1.02		1.02			1.02
Surety Bonds	653.00		653.00			653.00
Salary and Wage Adjustment	25,000.00		25,000.00			25,000.00
Unemployment Insurance	31,538.98		31,538.98			31,538.98
Other Expenses:						
Out of "CAPS":						
First Aid LOSAP Contribution	77.17		77.17			77.17
Janitorial Services	4,904.60	3,095.40	8,000.00	7,766.90		233.10
Free Public Library-Maintenance	21.18	5,599.92	5,621.10	5,599.92		21.18
Total Other Expenses	<u>194,821.05</u>	<u>148,702.28</u>	<u>343,523.33</u>	<u>144,051.21</u>	<u>30.00</u>	<u>199,442.12</u>
Total Operations	<u>\$ 237,976.25</u>	<u>\$ 153,440.28</u>	<u>\$ 391,416.53</u>	<u>\$ 152,801.21</u>	<u>\$ 30.00</u>	<u>\$ 238,585.32</u>
Ref.	A	A		A-4	A-16	A-1

SCHEDULE OF PREPAID TAXES - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2013	A	\$56,214.46
Increased by:		
2015 Taxes Prepaid	A-4	<u>62,987.05</u>
		119,201.51
Decreased by:		
Applied to 2014 Taxes Receivable	A-6	<u>56,214.46</u>
Balance - December 31, 2014	A	<u><u>\$62,987.05</u></u>

Exhibit - A-15

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2013	A		\$301.96
Increased by:			
Cash Received	A-4	<u>14,049.20</u>	<u>14,049.20</u>
			14,351.16
Decreased by:			
Refunded	A-4	12,847.63	
Applied to 2014 Taxes Receivable	A-6	<u>301.96</u>	<u>13,149.59</u>
Balance - December 31, 2014	A		<u><u>\$1,201.57</u></u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	1/1/14	Cash Receipts	Cash Disbursements	Adjustments	12/31/14
Accounts Payable:					
Vendor Accounts Payable	\$ 13,318.54		\$ (7,118.61)	\$ 30.00	\$ 6,229.93
Due to Taxpayer	250.00				250.00
Marriage License Filing Fees	50.00	225.00	(200.00)	(50.00)	25.00
State Training Fees	1,978.54	6,238.00	(4,059.00)	(1,977.54)	2,180.00
Subtotal	15,597.08	6,463.00	(11,377.61)	(1,997.54)	8,684.93
Reserve for:					
Master Plan	593.75				593.75
Property Revaluation	7,629.50				7,629.50
Sale of Municipal Assets	14,236.25				14,236.25
State Library Aid	3,047.33	1,124.00	(2,133.14)		2,038.19
Subtotal	25,506.83	1,124.00	(2,133.14)	-	24,497.69
Total	\$ 41,103.91	\$ 7,587.00	\$ (13,510.75)	\$ (1,997.54)	\$ 33,182.62
<u>Ref.</u>	A	A-4	A-4		A
Appropriation Reserves	A-13			\$ 30.00	
Accounts Payable Cancelled	A-1			(2,027.54)	
				\$ (1,997.54)	

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-17

<u>GRANT</u>	<u>BALANCE DEC. 31, 2013</u>	<u>2014 BUDGET REVENUE REALIZED</u>	<u>CHAPTER 159'S</u>	<u>COLLECTED 2014</u>	<u>TRANSFERRED FROM GRANTS UNAPPROPRIATED</u>	<u>BALANCE DEC. 31, 2014</u>
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)	249,500.00			175,850.67		73,649.33
N.J.D.O.T. - Transportation Trust Fund - 2014			283,500.00			283,500.00
Community Stewardship Program	6,000.00					6,000.00
Mercer at Play	8,354.50			8,354.50		
Safe Routes to School	0.42					0.42
Green Acres Planning Incentive	400,000.00					400,000.00
Association of Environmental Commission	1,400.00			475.00		925.00
Clean Communities			4,590.43	4,590.43		
N.J. D.O.T. Streetscape Improvements	55,000.00					55,000.00
Open Space Stewardship		925.00			925.00	
Body Armor Replacement Grant		1,070.83	921.76	921.76	1,070.83	
Pennigton Day			750.00	750.00		
Recycling Tonnage Grants		7,150.01			7,150.01	
Emergency Road Repair Fund	5,073.82					5,073.82
Green Communities Challenge Grant	2,700.00					2,700.00
	<u>\$ 892,494.63</u>	<u>\$ 9,145.84</u>	<u>\$ 289,762.19</u>	<u>\$ 190,942.36</u>	<u>\$ 9,145.84</u>	<u>\$ 991,314.46</u>
<u>Ref.</u>	A	A-19	A-19	A-4	A-18	A

GRANT FUND
STATEMENT OF INTERFUNDS PAYABLE

	01/01/14	Cash Receipts	Cash Disbursements	12/31/14
Interfunds:				
General Capital Fund	10,440.76	182,831.31	(10,440.76)	182,831.31
Total	<u>\$ 10,440.76</u>	<u>\$ 182,831.31</u>	<u>\$ (10,440.76)</u>	<u>\$ 182,831.31</u>
<u>Ref.</u>	A	A-4	A-4	A

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

<u>GRANT/AID PROGRAM</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>	<u>ENCUMBERED</u> <u>DEC. 31, 2013</u>	<u>TRANSFERRED</u> <u>FROM 2014</u> <u>BUDGET</u>	<u>CHAPTER</u> <u>159'S</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>
N.J.D.O.T. - Transportation Trust Fund - 2009 (Lower King Georj	\$ 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 (Curlis)	249,500.00				223,546.36	25,953.64
N.J.D.O.T. - Transportation Trust Fund - 2014				283,500.00		283,500.00
NJ DOT Streetscape Improvements		31,807.42			31,807.42	
Emergency Road Repair Fund	3,880.00					3,880.00
Open Space Stewardship			925.00			925.00
Clean Communities Program	16,946.67			4,590.43		21,537.10
Sustainable Jersey Small Grant	3.00					3.00
Pennington School	6,646.87					6,646.87
Body Armor Replacement Fund	5,540.60		1,070.83	921.76		7,533.19
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	1,000.00			750.00		1,750.00
Safe Routes to Schools Grants	0.42					0.42
Municipal Alcohol Ed.	985.89					985.89
Assoc. of NJ Environmental Commission	120.00	1,280.00			1,280.00	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
Recycling Tonnage Grant	6,521.60		7,150.01		6,521.60	7,150.01
	<u>\$ 888,518.37</u>	<u>\$ 33,087.42</u>	<u>\$ 9,145.84</u>	<u>\$ 289,762.19</u>	<u>\$ 263,155.38</u>	<u>\$ 957,358.44</u>
<u>Ref.</u>	<u>A</u>	<u>A</u>	<u>A-17</u>	<u>A-17</u>	<u>A-4</u>	<u>A</u>

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
 UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	BALANCE DEC. 31, 2013	COLLECTED 2014	APPLIED TO GRANTS RECEIVABLE	BALANCE DEC. 31, 2014
Body Armor Replacement Fund	\$ 1,070.83	\$	\$ 1,070.83	\$
2014 Open Space Stewardship	925.00		925.00	
Solid Waste Recycling	<u>7,150.01</u>	<u>7,955.54</u>	<u>7,150.01</u>	<u>7,955.54</u>
	<u>\$ 9,145.84</u>	<u>\$ 7,955.54</u>	<u>\$ 9,145.84</u>	<u>\$ 7,955.54</u>
<u>Ref.</u>	A	A-4	A-17	A

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	<u>Balance</u> <u>12/31/13</u>	<u>Receipts</u>	Cash <u>Disbursements</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/14</u>
Animal Control:					
Due Current Fund	2,033.40		(2,033.40)	569.17	569.17
Due NJ - State License Fees	-	306.60	(306.60)		-
Animal Control Reserves	4,895.00	3,858.80	(1,344.03)	(569.17)	6,840.60
Total	6,928.40	4,165.40	(3,684.03)	-	7,409.77
Trust - Other Funds:					
Unemployment Claims	14,300.73	5,066.26	(1,390.28)		17,976.71
Affordable Housing	347,290.51	17,639.38	(887.42)		364,042.47
Recreation Funds	1,536.49	84.00	(234.00)		1,386.49
Law Enforcement Trust	6,380.96	38.61			6,419.57
Public Defender	701.00	156.00	(800.00)		57.00
Shade Tree	880.00				880.00
POAA	1,340.00	66.00			1,406.00
Verizon	100.00				100.00
Tax Sale Premium	12,000.00				12,000.00
Police Donations	8,225.98	5,175.00	(4,530.00)		8,870.98
Open Space Preservation Fund	139,281.06	50,781.43	(13,841.23)	174,469.66	350,690.92
Developer Escrow Funds	57,673.13	387,870.15	(77,715.30)		367,827.98
Due to/from General Capital Fund	182,167.36		(225,675.10)	(174,469.66)	(217,977.40)
Total	771,877.22	466,876.83	(325,073.33)	-	913,680.72
Total	778,805.62	471,042.23	(328,757.36)	-	921,090.49
<u>Ref.</u>	<u>B</u>				<u>B</u>

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2012	3,389.40
2013	<u>3,451.20</u>
	<u><u>\$6,840.60</u></u>

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."

SCHEDULE OF CHANGES IN L.O.S.A.P. PLAN BALANCE

Balance - December 31, 2013		\$596,113.97
Increased by:		
Contributions to Plan for Volunteers:		
Borough of Pennington	25,469.88	
Other	8,462.37	
Gain/(Loss) on Investments	<u>49,116.86</u>	
		<u>83,049.11</u>
Balance - December 31, 2014		<u><u>\$679,163.08</u></u>

General Capital Fund

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2013	C		\$225,875.33
Increased by:			
Due from Grant Fund	C-5	10,440.76	
Capital Improvement Fund	C-12	<u>15,000.00</u>	
			<u>25,440.76</u>
			251,316.09
Decreased by:			
Due from Current Fund	C-6	8.24	
Improvement Authorizations	C-10	<u>93,187.09</u>	
			<u>93,195.33</u>
Balance - December 31, 2014	C		<u><u>\$158,120.76</u></u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

		<u>BALANCE</u> <u>DEC. 31, 2013</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>
	Fund Balance	\$26,492.28	\$ 98,378.76
	Capital Improvement Fund	20,518.45	5,618.45
	Reserve for Encumbrances	49,002.75	148,736.25
	State Grants Receivable	(281,019.24)	(98,187.93)
	Due to/from Grant Fund	(10,440.76)	(182,831.31)
	Due to/from Current Fund		(8.24)
	Due to/from Open Space Trust Fund	(182,167.36)	217,977.40
 <u>IMPROVEMENT AUTHORIZATIONS:</u>			
<u>Ord.</u>			
<u>No.</u>	<u>General Improvements:</u>		
1994-9	Reconstr. of Princeton Ave. Collection System	(523.97)	(523.97)
1995-9	Pub. Works Vehicles & Equip.		
2003-9	Var. Capital Improvements	58,177.97	26,049.26
2004-11	Amend Ord. 99-4 Purch. Of land Const. PW Building	66,765.81	
2006-13	Acqui. Of Leaf Loader	2,485.00	
2007-10	Acqui. Of Backhoe	2,253.00	
2012-12	Purchase of Boiler	382.67	
2013-08	Cons. Of Lawrence Hopewell Trail	473,627.36	73,482.60
2013-09	Renovations to Borough Hall	321.37	321.49
2014-13	Road Repairs/Raidos/Vehicles		(130,892.00)
		<u>\$225,875.33</u>	<u>\$158,120.76</u>
<u>Ref.</u>		C-2	C-2

SCHEDULE OF GRANTS RECEIVABLE
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance - December 31, 2013	C	\$ 281,019.24
Decreased by:		
Due from Grant Fund	C-5	<u>182,831.31</u>
Balance - December 31, 2014	C	<u><u>\$ 98,187.93</u></u>
Analysis of Balance - December 31, 2014:		
Ordinance No. 2013-8		<u><u>\$ 98,187.93</u></u>

SCHEDULE OF DUE TO/FROM GRANT FUND
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance - December 31, 2013	C	\$ 10,440.76
Increased by:		
Receipts Deposited to Grant Fund	C-4	<u>182,831.31</u>
		193,272.07
Decreased by:		
Cash Receipts	C-2	<u>10,440.76</u>
Balance - December 31, 2014	C	<u><u>\$ 182,831.31</u></u>

SCHEDULE OF DUE TO/FROM CURRENT FUND
GENERAL CAPITAL FUND

	<u>Ref.</u>	
Increased by:		
Cash Disbursements	C-2	<u>\$ 8.24</u>
Balance - December 31, 2014	C	<u><u>\$ 8.24</u></u>

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

	<u>Ref.</u>	
Balance - December 31, 2013	C	\$1,728,000.00
General Serial Bonds Paid by Budget Appropriation	C-11	<u>145,000.00</u>
Balance - December 31, 2014	C	<u><u>\$1,583,000.00</u></u>

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

	<u>Ref.</u>	
Balance - December 31, 2013 (Due from Open Space Trust Fund)	C	\$182,167.36
Decreased by: Disbursements made by Open Space Fund	C-10	<u>400,144.76</u>
Balance - December 31, 2014 (Due to Open Space Trust Fund)	C	<u><u>\$217,977.40</u></u>

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

ORDINANCE NUMBER	IMPROVEMENT	DESCRIPTION	BALANCE DEC. 31, 2013	2014 AUTHORIZED	OTHER FUNDING	CANCELLED	BALANCE DEC. 31, 2014	ANALYSIS OF BALANCE DEC. 31, 2014	
								EXPEND- ITURES	UNEXPEND. IMPROV. AUTH.
276	Constr. Of Sanitary Sewer System		\$523.97				\$523.97	\$523.97	
2003-09	Var. Capital Improvements		593,100.00		75,000.00	44,826.00	473,274.00		473,274.00
2012-1	Improv. Safe Routes to School		325,000.00			325,000.00			
2014-13	Road Repairs/Radios/Vehicles			568,100.00			568,100.00	130,892.00	437,208.00
		<u>Ref.</u>	<u>\$918,623.97</u>	<u>\$568,100.00</u>	<u>\$75,000.00</u>	<u>\$369,826.00</u>	<u>\$1,041,897.97</u>	<u>\$131,415.97</u>	<u>\$910,482.00</u>
			C	C-10	C-13	C-10	C		

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	AMOUNT	BALANCE DEC. 31, 2013		ENCUMBERED 12/31/13	2014 AUTHORIZED		PAID OR CHARGED	CANCELLED	ENCUMBERED 12/31/14	BALANCE DEC. 31, 2014	
				FUNDED	UNFUNDED		UNFUNDED	CAP IMPROV. FUND				FUNDED	UNFUNDED
General Improvements:													
2003-09	Var. Capital Improvements	8/4/03	754,500.00		576,277.97	34,324.12			42,549.58	44,826.00	23,903.25	26,049.26	473,274.00
2004-11	Amend Ord. 99-4 Purch. Land Const. PW Bldg.	12/6/11	1,000,000.00	66,765.81						66,765.81			
2006-13	Acquisition of Leaf Loader	7/10/14	22,000.00	2,485.00						2,485.00			
2007-10	Acquisition of Backhoe	11/5/07	75,000.00	2,253.00						2,253.00			
2012-1	Improv. Safe Routes to School (King George)	3/5/12	325,000.00		325,000.00								
2012-12	Purchase of Boiler	11/19/12	14,500.00	382.67						382.67			
2013-8	Construction of Lawrence Hopewell Trail	9/9/13	486,460.00	473,627.36					400,144.76			73,482.60	
2013-9	Renovations to Borough Hall	10/7/13	15,000.00	321.37		14,678.63			14,678.51			321.49	
2014-13	Road Repairs/Radios/Vehicles	6/2/14	598,000.00				568,100.00	29,900.00	35,959.00		124,833.00		437,208.00
			\$ 545,835.21	\$ 901,277.97		49,002.75	\$ 568,100.00	\$ 29,900.00	\$ 493,331.85	\$ 441,712.48	148,736.25	\$ 99,853.35	\$ 910,482.00
		<u>Ref.</u>	C	C	C	C-9	C-12				C	C	C
	Deferred Charges to Future Taxation Unfunded Fund Balance								\$ 369,826.00				
									71,886.48				
									\$ 441,712.48				
	Disbursed								\$ 93,187.09				
	Due to Open Space Trust Fund								400,144.76				
									\$ 493,331.85				

SCHEDULE OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND

Exhibit - C-11

Purpose	ORIGINAL ISSUE		MATURITIES OF BONDS OUTSTANDING		INTEREST RATE	BALANCE DEC. 31, 2013	DECREASES	BALANCE DEC. 31, 2014
	DATE	AMOUNT	DECEMBER 31, 2014					
	DATE	AMOUNT	DATE	AMOUNT				
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%			
2010 General Improv. Bonds	6/1/10		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%						
						<u>1,118,000.00</u>	<u>40,000.00</u>	<u>1,078,000.00</u>
						<u>\$ 1,728,000.00</u>	<u>\$ 145,000.00</u>	<u>\$ 1,583,000.00</u>
						Ref. C	C-5	C

SCHEDULE OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2013	C	\$20,518.45
Increased by:		
Budget Appropriation	C-2	<u>15,000.00</u>
		35,518.45
Decreased by:		
Improvement Authorizations	C-10	<u>29,900.00</u>
Balance - December 31, 2014	C	<u><u>\$5,618.45</u></u>

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2013</u>	<u>DECREASED</u>
<u>General Improvements:</u>							
2003-09	Various Capital Improvements	09/30/13	09/30/13	09/30/14	1.46%	<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>
						<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>
					<u>Ref.</u>	C	C-9

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

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	BALANCE DEC. 31, 2013	2014 AUTHORIZED	CANCELLED	BALANCE DEC. 31, 2014
276	Constr. Of Sanitary Sewer System	\$ 523.97	\$	\$	\$ 523.97
2003-09	Various Capital Improvements	518,100.00		44,826.00	473,274.00
2012-01	Roadway Improvements	325,000.00		325,000.00	
2014-13	Road Repairs/Radios/Vehicles	<u> </u>	<u>568,100.00</u>	<u> </u>	<u>568,100.00</u>
		<u>\$ 843,623.97</u>	<u>\$ 568,100.00</u>	<u>369,826.00</u>	<u>\$ 1,041,897.97</u>

Ref.

Footnote C

Water and Sewer Utility Fund

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2013	D	\$ 265,145.61	\$ 8,920.35
Increased by Receipts:			
Consumer Accounts Receivable	D-7	1,102,421.89	
Interest on Investments	D-1	1,112.93	
Interest on Delinquencies	D-1	4,604.26	
Miscellaneous	D-1	10,148.77	
Bond Anticipation Notes	D-19		<u>135,000.00</u>
		<u>1,118,287.85</u>	<u>135,000.00</u>
		1,383,433.46	143,920.35
Decreased by Disbursements:			
2014 Budget Expenditures	D-4	1,075,393.30	
2013 Appro. Reserve	D-11	34,701.17	
Overpayment Refunds	D-8	305.86	
Accrued Interest on Bonds, Notes and Loans	D-13	66,715.00	
Improvement Authorizations	D-14		<u>137,581.75</u>
		<u>1,177,115.33</u>	<u>137,581.75</u>
Balance - December 31, 2014	D	<u>\$ 206,318.13</u>	<u>\$ 6,338.60</u>

ANALYSIS OF WATER AND SEWER UTILITY CAPITAL CASH AND INVESTMENTS

		BALANCE DEC. 31, <u>2013</u>	BALANCE DEC. 31, <u>2014</u>
	Fund Balance	\$	\$ 32,847.20
	Capital Improvement Fund	123.55	123.55
	Reserve for Encumbrances	2,631.75	9,350.00
<u>ORD.</u>	<u>IMPROVEMENT</u>		
<u>NO.</u>	<u>AUTHORIZATIONS</u>		
	Tank and Appurtenances, Replacement of Water Mains	- (10,670.64)	- (10,670.64)
526	Underground Tank Removal	23,835.20	
03-08	Var. Water/Sewer Improv.	9,897.42	9,897.42
07-10	Acquisition of Backhoe	9,012.00	
07-09	Var. Water/Sewer Improvements	<u>(25,908.93)</u>	<u>(35,208.93)</u>
		<u>\$ 8,920.35</u>	<u>\$ 6,338.60</u>
		D	D

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2013	D	\$81,738.27
Increased by:		
Water and Sewer Utility Billings (Net)	Reserve	<u>1,096,366.99</u>
		1,178,105.26
Decreased by:		
Collected	D-5	1,102,421.89
Overpayments Applied	D-8	<u>2,049.74</u>
	D-1,D-2	<u>1,104,471.63</u>
Balance - December 31, 2014	D	<u><u>\$73,633.63</u></u>

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

	<u>REF.</u>	
Balance - December 31, 2013	D	\$2,983.87
Decreased by:		
Refunded	D-5	305.86
Applied to Rents Receivable	D-7	<u>2,049.74</u>
		<u>2,355.60</u>
Balance - December 31, 2014	D	<u><u>\$628.27</u></u>

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

<u>ACCOUNT</u>	FIXED CAPITAL		BALANCE DEC. 31, 2014
	BALANCE DEC. 31, 2013	AUTHORIZED AND UNCOMPLETED	
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	2,682,151.39	5,003.80	2,677,147.59
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	109,179.93	23,728.42	85,451.51
Water Wells	1,296,420.26		1,296,420.26
Buildings & Improvements	500,000.00		500,000.00
Vehicles	69,888.00		69,888.00
	<u>\$5,619,908.48</u>	<u>28,732.22</u>	<u>\$5,591,176.26</u>
<u>Ref.</u>	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.

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

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE DEC. 31, 2013	CANCELLED	FIXED CAPITAL	BALANCE DEC. 31, 2014
<u>General Improvements:</u>							
526	Underground Tank Removal	5/2/94	50,000.00 \$	106.78 \$	23,835.20 \$	23,728.42 \$	
2003-08	Var. Improv. To Water/Sewer	10/6/08	404,500.00	4,893.62		5,003.80	9,897.42
2007-9	Var. Improv. To Water/Sewer	11/15/07	1,200,000.00	604,966.92			604,966.92
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	<u>9,012.00</u>	<u>9,012.00</u>		
				<u>\$ 618,979.32</u>	<u>\$ 32,847.20</u>	<u>\$ 28,732.22</u>	<u>\$ 614,864.34</u>
		<u>Ref.</u>		D	D-14	D-9	D

SCHEDULE OF 2013 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2013</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2013</u>	<u>BALANCE</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operating:					
Salaries and Wages	\$ 8,461.29		\$ 8,461.29	\$ 1,316.54	\$ 7,144.75
Other Expenses	54,775.74	39,337.96	94,113.70	29,051.63	65,062.07
Sewer Service Fee	4,333.91		4,333.91	4,333.00	0.91
Workers Compensation Insurance	0.26		0.26		0.26
Group Insurance for Employees	1,742.28		1,742.28		1,742.28
Liability Insurance	1,645.83		1,645.83		1,645.83
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>3,787.43</u>		<u>3,787.43</u>		<u>3,787.43</u>
	\$ <u>74,746.74</u>	\$ <u>39,337.96</u>	\$ <u>114,084.70</u>	\$ <u>34,701.17</u>	\$ <u>79,383.53</u>
<u>Ref.</u>	D	D		D-5	D-1

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SCHEDULE OF ACCOUNTS PAYABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>Ref.</u>	
Balance - December 31, 2013	D	\$ 10,772.50
Decreased by:		
Cancelled	D-1	\$ <u>10,772.50</u>

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

	<u>REF.</u>	
Balance - December 31, 2013	D	\$ 26,601.31
Increased by:		
Accrued Interest Charged to: 2014 Budget Appropriations	D-4	<u>64,888.63</u>
		91,489.94
Decreased by:		
Payment	D-5	<u>66,715.00</u>
Balance - December 31, 2014	D	<u>\$ 24,774.94</u>

Analysis of Balance - December 31, 2014:

<u>Principal Outstanding Dec. 31, 2014</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Bond Anticipation Note:					
Bonds:					
105,000.00	3.400%	9/15/14	12/31/14	3.5 mos.	1,041.25
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
70,000.00	2.500%	6/1/14	12/31/14	5.5 mos.	802.08
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.	1,576.68
\$1,746,000.00					\$24,774.94

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER & SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2013		RESERVE FOR ENCUMBRANCES DEC. 31, 2013	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2014	CANCELLED	BALANCE DEC. 31, 2014	
		DATE	AMOUNT	FUNDED	UNFUNDED					FUNDED	UNFUNDED
<u>General Improvements:</u>											
526	Underground Tank Removal	5/2/94	50,000.00 \$	23,835.20 \$		\$	\$	\$	23,835.20 \$		\$
2003-8	Various Water & Sewer Utility Improvements		404,500.00	9,897.42							9,897.42
2007-10	Acquisition of Backhoe	11/15/07	60,000.00	9,012.00					9,012.00		
2007-9	Various Water & Sewer Utility Improvements	11/15/07	1,200,000.00		<u>704,491.07</u>	<u>2,631.75</u>	<u>137,581.75</u>	<u>9,350.00</u>			<u>560,191.07</u>
			<u>\$ 42,744.62</u>	<u>\$ 704,491.07</u>	<u>\$ 2,631.75</u>	<u>\$ 137,581.75</u>	<u>\$ 9,350.00</u>	<u>\$ 32,847.20</u>		<u>\$ 9,897.42</u>	<u>\$ 560,191.07</u>
		<u>Ref.</u>		D	D	D	D-5	D	D-10	D	D

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

REF.

Balance - December 31, 2013	D	\$123.55
Balance - December 31, 2014	D	<u><u>\$123.55</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2013	D	\$ 3,503,305.16
Increased by:		
Serial Bonds Paid	D-18	170,000.00
Transferred from Deferred Reserve	D-17	28,512.00
BAN Paydowns	D-19	<u>50,000.00</u>
		<u>248,512.00</u>
		3,751,817.16
Decreased by:		
Fully Funded Ordinance Cancelled	D-12	<u>32,847.20</u>
Balance - December 31, 2014	D	<u>\$ 3,718,969.96</u>

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SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

<u>ORD.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u>	<u>TRANSFERRED TO</u>
<u>NO.</u>		<u>DEC. 31, 2013</u>	<u>RESERVE FOR</u>
			<u>AMORTIZATION</u>
<u>General Improvements:</u>			
2003-08	Var. Improv. To Water/Sewer	19,500.00	19,500.00
2007-10	Acquisition of Backhoe	<u>9,012.00</u>	<u>9,012.00</u>
		<u>\$ 28,512.00</u>	<u>\$ 28,512.00</u>
	<u>Ref.</u>	D	D-16

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2013</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2014</u>
			<u>OUTSTANDING - DEC. 31, 2011</u>	<u>DATE</u>				
2004 Water & Sewer Refunding Bonds	2/1/04	1,775,000.00	9/15/12	180,000.00	3.000%	605,000.00	105,000.00	500,000.00
			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%			
			2010 Sewer Utility Bonds	6/1/10	1,366,000.00			
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%						
						<u>\$1,916,000.00</u>	<u>\$170,000.00</u>	<u>\$1,746,000.00</u>
					<u>Ref.</u>	D	D-16	D

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2013</u>	<u>B.A.N.S REDEEMED</u>	<u>B.A.N.S PURCHASED</u>	<u>BALANCE DEC. 31, 2014</u>
<u>General Improvements:</u>									
2007-9	Various Water & Sewer Utilty Improvemens	12/13/13	12/13/13	09/30/14	1.46%	\$50,000.00	\$50,000.00	\$	\$
2007-9	Various Water & Sewer Utilty Improvemens	12/31/14	12/31/14	12/30/14	1.50%			135,000.00	135,000.00
						<u>\$50,000.00</u>	<u>\$50,000.00</u>	<u>\$135,000.00</u>	<u>\$135,000.00</u>
					<u>Ref.</u>	D	D-16	D-5	D

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

<u>ORD.</u> <u>NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>	<u>BANS</u> <u>ISSUED</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>
	Tank and Appurtenances, Replacement of Water Mains	\$10,670.64		\$10,670.64
2007-9	Various Water & Sewer Utility Improvements	<u>730,400.00</u>	<u>135,000.00</u>	<u>595,400.00</u>
		<u>\$741,070.64</u>	<u>\$135,000.00</u>	<u>\$606,070.64</u>

Ref.

Footnote D

Payroll Fund

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL FUND - DECEMBER 31, 2014 AND 2013

<u>AGENCY/CATEGORY</u>	<u>BALANCE</u> <u>DEC. 31, 2014</u>	<u>BALANCE</u> <u>DEC. 31, 2013</u>
PW Assoc. Fees	\$ 481.04	\$ 568.82
FICA		0.01
Health Benefits	3,246.84	2,713.48
PERS	4,577.18	4,021.71
PERS Back Deductions	593.23	(5.05)
PERS Arrears	(0.06)	(0.06)
PERS Loans	301.66	(0.23)
PERS Contributory life Insurance	(28.00)	114.65
PFRS	2,390.47	2,108.11
PFRS Arrears	225.50	225.50
PFRS Back Deductions	330.40	
PFRS Loans	1,891.81	1,503.29
Miscellaneous		(0.50)
Colonial Penn Disability	135.23	135.23
	<u>\$ 14,145.30</u>	<u>\$ 11,384.96</u>
Ref.	E	E

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY



PART III
SUPPLEMENTARY DATA

Length of Service Award Program (LOSAP) (Unaudited)

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
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ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Pennington Length of Service Award Program (LOSAP) as of December 31, 2014, 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 administration of the Borough of Pennington is responsible for 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.

The Length of Service Awards Program is a Borough sponsored program and has no separate legal status or existence. The program prepares its financial statements in conformity 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.

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 accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.


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

Highland Park, New Jersey
September 9, 2015

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

L.O.S.A.P. PLAN BALANCE SHEET
REGULATORY BASIS(UNAUDITED)
DECEMBER 31, 2014

ASSETS

Plan Assets Held by Trustee

\$679,163.08

LIABILITIES AND PLAN BALANCE

LOSAP Plan Balance

\$679,163.08

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, 2014

INCREASES TO PLAN BALANCE:

Contributions to Plan from Employees	33,932.25
Gain (Loss) on Investments	<u>49,116.86</u>
TOTAL PLAN INCREASES	<u>83,049.11</u>
TOTAL INCREASE (DECREASE)	83,049.11
Balance - December 31, 2013	<u>\$596,113.97</u>
Balance - December 31, 2014	<u><u>\$679,163.08</u></u>

See Accountant's Review report

BOROUGH OF PENNINGTON
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

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

B. Basis of Presentation

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

C. Description of Program

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

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

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

NOTES TO UNAUDITED FINANCIAL STATEMENTS

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

C. Description of Program (Cont'd.)

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

D. Amount of Contribution

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

NOTE 2: QUALIFICATIONS

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

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

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

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

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

Other Supplementary Data

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY TOTALS	
							DEC. 31, 2013	DEC. 31, 2013
Cash and Investments	\$ 1,437,066.87	\$ 921,090.49	\$ 158,120.76	\$ 212,656.73	\$ 14,145.30	\$	\$ 2,743,080.15	\$ 2,709,160.89
Amounts Held by Plan Admin.		679,163.08					679,163.08	596,113.97
Accounts Receivable:								
State & Federal Grants Receivable	991,314.46		98,187.93				1,089,502.39	1,173,513.87
Taxes, Assessments, Liens & Utility Charges	174,141.77			73,633.63			247,775.40	233,979.12
Interfund Loans	569.17	217,977.40	182,839.55				401,386.12	194,641.52
Other Accounts Receivable	5,105.48						5,105.48	12,016.44
Property Acquired for Taxes at Assessed Valuation	17,810.00						17,810.00	17,810.00
Fixed Assets - General						10,912,064.00	10,912,064.00	
Fixed Capital - Utility				5,591,176.26			5,591,176.26	5,619,908.48
Fixed Capital - Authorized and Uncompleted - Utility				614,864.34			614,864.34	618,979.32
Deferred Charges to Revenue of Succeeding Years								
Deferred Charges to Future Taxation: General Capital Fund			2,624,897.97				2,624,897.97	2,646,623.97
	<u>\$ 2,626,007.75</u>	<u>\$ 1,818,230.97</u>	<u>\$ 3,064,046.21</u>	<u>\$ 6,492,330.96</u>	<u>\$ 14,145.30</u>	<u>\$ 10,912,064.00</u>	<u>\$ 24,926,825.19</u>	<u>\$ 13,822,747.58</u>

BOROUGH OF PENNINGTON
MERCER COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2013	DEC. 31, 2013
Bonds and Notes Payable	\$	\$	\$ 1,583,000.00	\$ 1,881,000.00	\$	\$	3,464,000.00	\$ 3,769,000.00
Prepaid Taxes, Assessments, Utility Charges and Licenses	62,987.05						62,987.05	56,214.46
Tax, Assessment, Lien, License and Utility Charge Overpayments	1,201.57			628.27			1,829.84	3,285.83
Appropriation Reserves	266,503.59			45,150.99			311,654.58	312,722.99
Reserve for Encumbrances/ Accounts Payable	84,526.18		148,736.25	34,035.98			267,298.41	315,717.20
Other Liabilities	36,176.34			24,774.94	14,145.30		75,096.58	31,345.38
Amts. Pledged to Specific Purposes	965,313.98	1,443,353.22	5,618.45	123.55			2,414,409.20	2,134,531.87
Escrow Funds		367,827.98					367,827.98	
Improvement Authorizations			1,010,335.35	570,088.49			1,580,423.84	2,194,348.87
Interfund Loans	182,839.55	569.17	217,977.40				401,386.12	194,641.52
Investments in General Fixed Assets						10,912,064.00	10,912,064.00	
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				3,718,969.96			3,718,969.96	3,531,817.16
Reserve for Certain Assets Acquired or Receivables & Inventories	197,626.42			73,633.63			271,260.05	265,838.96
Fund Balance	<u>828,833.07</u>	<u>6,480.60</u>	<u>98,378.76</u>	<u>143,925.15</u>			<u>1,077,617.58</u>	<u>1,013,283.34</u>
	\$ <u>2,626,007.75</u>	\$ <u>1,818,230.97</u>	\$ <u>3,064,046.21</u>	\$ <u>6,492,330.96</u>	\$ <u>14,145.30</u>	\$ <u>10,912,064.00</u>	\$ <u>24,926,825.19</u>	\$ <u>13,822,747.58</u>

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

Revenue and Other <u>Income Realized</u>	Year 2014		Year 2013	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$506,082.09	3.47	\$455,892.75	3.28
Miscellaneous - From Other Than Local Property Tax Levies	1,141,840.13	7.83	1,090,467.97	7.86
Collection of Delinquent Taxes and Tax Title Liens	151,137.73	1.04	114,465.03	0.82
Collection of Current Tax Levy	<u>12,789,152.61</u>	<u>87.67</u>	<u>12,217,810.74</u>	<u>88.03</u>
Total Income	<u>14,588,212.56</u>	<u>100.00</u>	<u>13,878,636.49</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	3,340,389.03	23.64	3,140,488.18	23.51
County Taxes	3,110,856.20	22.02	2,952,241.11	22.10
Regional School Taxes	7,428,434.00	52.57	7,063,393.00	52.88
Fire District Taxes	199,706.00	1.41	149,000.00	1.12
Other Expenditures	<u>50,000.00</u>	<u>0.35</u>	<u>51,028.32</u>	<u>0.38</u>
Total Expenditures	<u>14,129,385.23</u>	<u>100.00</u>	<u>13,356,150.61</u>	<u>100.00</u>
Excess in Revenue	458,827.33		522,485.88	
Fund Balance January 1	<u>876,087.83</u>		<u>809,494.70</u>	
	1,334,915.16		1,331,980.58	
Less:				
Utilization as Anticipated Revenue	<u>506,082.09</u>		<u>455,892.75</u>	
Fund Balance December 31	<u>\$828,833.07</u>		<u>\$876,087.83</u>	

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

Revenue and Other <u>Income Realized</u>	Year 2014		Year 2013	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$109,045.28	8.27	\$76,500.00	6.08
Collection of Water and Sewer Rents	1,104,471.63	83.72	1,110,126.10	88.25
Miscellaneous - From Other Than Water and Sewer Rents	<u>105,721.99</u>	<u>8.01</u>	<u>71,336.21</u>	<u>5.67</u>
Total Income	<u>1,319,238.90</u>	<u>100.00</u>	<u>1,257,962.31</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	886,218.87	73.23	867,622.00	75.51
Debt Service	284,888.63	23.54	234,705.39	20.43
Deferred Charges and Statutory Expenditures	<u>39,011.40</u>	<u>3.22</u>	<u>46,744.00</u>	<u>4.07</u>
Total Expenditures	<u>1,210,118.90</u>	<u>100.00</u>	<u>1,149,071.39</u>	<u>100.00</u>
Statutory Excess to Fund Balance	109,120.00		108,890.92	
Fund Balance January 1	<u>110,703.23</u>		<u>78,312.31</u>	
	219,823.23		187,203.23	
Less:				
Utilization as Anticipated Revenue	<u>109,045.28</u>		<u>76,500.00</u>	
Fund Balance December 31	<u>\$110,777.95</u>		<u>\$110,703.23</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate:</u>	<u>\$2.562</u>	<u>\$2.443</u>	<u>\$2.371</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.403</u>	<u>0.404</u>	<u>0.404</u>
Local Libraray	<u>0.034</u>	<u>0.033</u>	<u>0.033</u>
Local Open Space	<u>0.010</u>	<u>0.010</u>	<u>0.010</u>
County	<u>0.624</u>	<u>0.588</u>	<u>0.545</u>
Regional School	<u>1.491</u>	<u>1.408</u>	<u>1.379</u>

Assessed Valuation (Taxable):

2014	<u>\$498,293,851.00</u>	
2013		<u>\$501,539,914.00</u>
2012		<u>\$496,426,813.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Mercer County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$14,750.00 for the year 2014.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2014	\$12,977,526.20	\$12,789,152.61	98.55%
2013	12,423,056.63	12,217,810.74	98.35%
2012	12,189,916.67	12,049,886.10	98.85%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2014	\$1,654.74	\$172,487.03	174,141.77	1.34%
2013	1,103.12	151,137.73	152,240.85	1.23%
2012	0.00	114,724.04	114,724.04	0.94%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2014	\$17,810.00
2013	17,810.00
2012	17,810.00

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

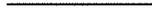
<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2014	\$1,096,366.99	\$1,104,471.63
2013	1,117,229.93	1,110,126.10
2012	1,099,334.21	1,115,699.30

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	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
	2010	555,625.94	320,091.53
Water and Sewer Utility Operating Fund	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
	2010	38,014.60	38,014.50

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, 2014**

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, 2014, 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, 2014, 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/remittance 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 May 5, 2011, the Local Public Contracts Law was amended, effective for periods beginning on January 1, 2011. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby decreasing the amount to \$17,500.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's purchasing agent is "Qualified", the Borough may increase the bid threshold to \$36,000.00.

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:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$569.17	\$8.24
Grant Fund		182,831.31
Trust Other Fund	217,977.40	
General Capital Fund	182,839.55	217,977.40
Animal Control Fund	<u>0.00</u>	<u>569.17</u>
Total	<u>\$401,386.12</u>	<u>\$401,386.12</u>

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

Cash Management/Investment of Idle Funds

The Chief Financial Officer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2014 and 2013.

All cash and investments held by the Borough were directly confirmed as of December 31, 2014.

Condition of Records – Payrolls

During 2014 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 2013 in the amount of \$294.00. The amount of expenditures for dedicated recreation programs was \$614.00 during 2013. This resulted in a net decrease in available funds of approximately \$320.00. 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, 2014. A review of surety bond coverage as of December 31, 2014, 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 2014, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process, matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for the separate recording of grant activity. The examination of these grant programs indicated that the Borough of Pennington had expended grant funds during 2014 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 \$33,956.02 at the end of 2014. 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 \$81,103.05 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.

Prior to the issuance of this report, management commenced a review of Pennington's grant balances to determine 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.

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 \$1,319,538.90 and expenditures amounted to \$1,210,118.90 resulting in excess revenues of \$109,420.00. 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 \$30,036.47. 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

Compliance with Technical Accounting Directives

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

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

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

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

Compliance with Local Finance Notices

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

RECOMMENDATIONS

None

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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