

BOROUGH OF LEONIA
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2019

BOROUGH OF LEONIA

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BOROUGH OF LEONIA
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Leonia
Leonia, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Leonia, as of December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Leonia on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Leonia as of December 31, 2019 and 2018, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 18 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 49 percent and 44 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Leonia as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

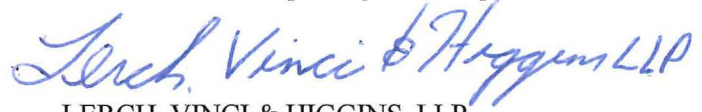
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Leonia as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Leonia.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

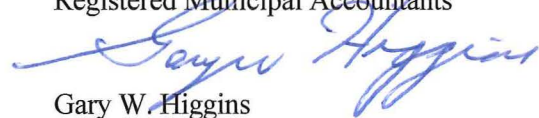
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2020 on our consideration of the Borough of Leonia’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Leonia’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Leonia’s internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
August 20, 2020

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Regular Fund			
Cash	A-4	\$ 3,009,961	\$ 3,941,678
Change Funds	A-5	<u>300</u>	<u>300</u>
		<u>3,010,261</u>	<u>3,941,978</u>
Receivables and Other Assets with Full Reserves			
Delinquent Taxes Receivable	A-7	304,872	299,559
Tax Title Liens Receivable	A-8	1,694	1,211
Due from Other Trust Fund	A-24	252,865	57,893
Due from General Capital Fund	A-23	221,221	2,037
Due from Animal Control Fund	B-8	3,786	37,823
Revenue Accounts Receivable	A-9	<u>15,400</u>	<u>11,865</u>
		<u>799,838</u>	<u>410,388</u>
Deferred Charges			
Emergency Authorizations	A-28	80,000	-
Overexpenditure of Appropriation	A-31	<u>7,126</u>	<u>-</u>
		<u>87,126</u>	<u>-</u>
Total Regular Fund		<u>3,897,225</u>	<u>4,352,366</u>
Federal and State Grant Fund			
Cash	A-4	1,921	54,681
Grants Receivable	A-26	<u>95,233</u>	<u>233</u>
Total Federal and State Grant Fund		<u>97,154</u>	<u>54,914</u>
Total Assets		<u>\$ 3,994,379</u>	<u>\$ 4,407,280</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund			
Appropriation Reserves	A-3,A-10	\$ 762,153	\$ 1,053,658
Encumbrances Payable	A-11	261,620	160,905
Prepaid Taxes	A-14	208,370	238,966
Tax Overpayments	A-22	25,883	26,505
Reserve for State Library Aid	A-15	15,644	11,140
Reserve for Revaluation	A-12	9,700	9,700
Reserve for Reassessment	A-18	16,010	-16,010
Reserve for Master Plan	A-19	1,100	1,100
State Fees Payable	A-13	2,582	3,178
Due to General Capital Fund	A-20	-	222,994
Due to Swimming Pool Utility Operating Fund	A-21	-	417
Due to Swimming Pool Utility Capital Fund	A-30	-	6
Accounts Payable	A-29	3,228	3,320
Due to County for Added and Omitted Taxes	A-16	<u>7,935</u>	<u>23,653</u>
		1,314,225	1,771,552
Reserve for Receivables and Other Assets	A	799,838	410,388
Fund Balance	A-1	<u>1,783,162</u>	<u>2,170,426</u>
Total Regular Fund		<u>3,897,225</u>	<u>4,352,366</u>
Federal and State Grant Fund			
Reserve for Grants and Donations - Unappropriated	A-27	55,391	25,365
Reserve for Grants and Donations - Appropriated	A-25	<u>41,763</u>	<u>29,549</u>
Total Federal and State Grant Fund		<u>97,154</u>	<u>54,914</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,994,379</u>	<u>\$ 4,407,280</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

REVENUES AND OTHER INCOME	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Fund Balance Utilized	A-2	\$ 1,321,000	\$ 621,000
Miscellaneous Revenue Anticipated	A-2	2,495,552	2,346,797
Receipts from Delinquent Taxes	A-2	291,927	296,222
Receipts from Current Taxes	A-2	36,691,325	36,106,581
Non-Budget Revenue	A-2	100,377	136,928
Other Credits to Income			
Interfund Advances Returned	A	97,753	176
Tax Overpayments Cancelled	A-1	-	21,460
Unexpended Balances of Appropriation Reserves	A-10	<u>1,008,440</u>	<u>757,628</u>
 Total Revenues and Other Income		 <u>42,006,374</u>	 <u>40,286,792</u>
 EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,648,905	5,543,860
Other Expenses	A-3	6,258,517	5,850,700
Capital Improvements	A-3	650,000	150,000
Municipal Debt Service	A-3	1,371,028	1,189,525
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,341,499	1,300,509
County Taxes	A-16	3,373,594	3,310,353
County Taxes - Added Taxes	A-16	7,935	23,653
County Taxes - Open Space Preservation	A-16	144,373	140,865
Local District School Taxes	A-17	21,877,464	21,545,016
Refund of Prior Year Revenue	A-1	-	100
Prior Year Senior Citizen Disallowed	A-6	1,000	-
Prior Year Adjustment - State Fees Payable	A-13	451	-
Interfund Advances Originating	A	<u>477,872</u>	<u>39,633</u>
 Total Expenditures		 <u>41,152,638</u>	 <u>39,094,214</u>
 Excess in Revenue		 <u>853,736</u>	 <u>1,192,578</u>
 Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget			
of Succeeding Year	A-28	<u>80,000</u>	<u>-</u>
 Statutory Excess in Revenue (Carried Forward)		 <u>933,736</u>	 <u>1,192,578</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Excess in Revenue (Brought Forward)		\$ 933,736	\$ 1,192,578
FUND BALANCE, JANUARY 1	A	<u>2,170,426</u>	<u>1,598,848</u>
		3,104,162	2,791,426
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>1,321,000</u>	<u>621,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 1,783,162</u>	<u>\$ 2,170,426</u>

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	2019 Anticipated <u>Budget</u>	Realized <u>in 2019</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,321,000	\$ 1,321,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-9	1,800	1,800	\$ -
Other	A-9	5,750	5,428	(322)
Fees and Permits				
Other	A-2, A-9	90,801	134,131	43,330
Fines and Costs - Municipal Court	A-9	224,743	207,680	(17,063)
Interest and Costs on Taxes	A-9	71,000	63,725	(7,275)
Interest on Investments and Deposits	A-2	10,000	67,304	57,304
Cable Television Franchise Fee	A-9	38,957	39,086	129
Verizon FIOS Franchise Fee	A-9	60,185	57,206	(2,979)
Sewer - Surcharges	A-9	30,725	30,725	-
Energy Receipts Tax	A-9	976,676	976,676	-
Supplemental Energy Receipts Tax	A-9	52,713	52,713	-
Uniform Construction Code Fees	A-9	174,000	172,382	(1,618)
Interlocal Agreement- Board of Education	A-9	23,000	-	(23,000)
Public and Private Revenues Offset				
With Appropriations				
Drunk Driving Enforcement Fund	A-27	9,766	9,766	-
CDBG Grant	A-26	80,000	80,000	-
NJ Sustainable Grant	A-26	30,000	30,000	-
Body Armor Replacement Grant - Federal	A-27	885	885	-
Clean Communities Program	A-27	14,713	14,713	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	2019 Anticipated <u>Budget</u>	Realized in 2019	Excess or (Deficit)
Other Special Items:				
Towing Licenses and Administration	A-9	5,755	1,500	\$ (4,255)
Sewer Billing - Commercial	A-9	115,473	171,306	55,833
Cellular Tower Rental	A-9	83,235	84,206	971
Payments in Lieu of Taxes	A-9	63,000	70,581	7,581
Capital Surplus	A-9	25,000	25,000	-
Uniform Fire Safety Act	A-9	7,500	8,451	951
Due From Extra Duty Trust -Administration Fees	A-9	125,000	66,288	(58,712)
Property Rental	A-9	24,070	24,000	(70)
Property Rental	A-9	<u>60,000</u>	<u>100,000</u>	<u>40,000</u>
	A-1	<u>2,404,747</u>	<u>2,495,552</u>	<u>90,805</u>
Receipts from Delinquent Taxes	A-2	<u>300,000</u>	<u>291,927</u>	<u>(8,073)</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for:				
Municipal Purposes	A-2	11,018,280	11,136,782	118,502
Minimum Library Tax	A-2	<u>476,177</u>	<u>476,177</u>	<u>-</u>
		<u>11,494,457</u>	<u>11,612,959</u>	<u>118,502</u>
Budget Totals		<u>\$ 15,520,204</u>	15,721,438	<u>\$ 201,234</u>
	<u>Reference</u>	A-3		
Non-Budget Revenue	A-2		<u>100,377</u>	
			<u>\$ 15,821,815</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-7	\$ 36,691,325
Allocated to School and County Taxes	A-16,A-17	<u>25,403,366</u>
		11,287,959
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>325,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,612,959</u>
Fees and Permits - Other		
Fire Prevention		\$ 48,039
Contractor Registration		250
CRO		27,635
Building Department Penalties		18,400
Soil Movement Permit		900
Zoning Permit		8,310
Dumpster Fee		940
CO's After the Fact		670
Street Opening		17,200
Copies		2,515
Police - Motor Vehicle Inspections		2,122
Garage Sale Permit		1,100
Planning Board File Fees		<u>6,050</u>
	A-2, A-9	<u>\$ 134,131</u>
Analysis of Interest on Investments		
Revenue Accounts Receivable	A-9	\$ 61,673
Due from Other Trust Fund	A-24	3,606
Due from Animal Control Trust Fund	B-8	234
Due from General Capital Fund	A-23	<u>1,791</u>
	A-2	<u>\$ 67,304</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	
Analysis of Non-Budget Revenue		
Miscellaneous Receipts		90,630
Administrative Fee- Seniors and Veterans		670
Statutory Excess - Animal Control		3,786
NSF Fees		<u>5,291</u>
	A-2	<u>\$ 100,377</u>
Cash Receipts	A-4	\$ 96,591
Due from Animal Control Trust Fund	B-8	<u>3,786</u>
		<u>\$ 100,377</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		<u>Cancelled</u>	<u>Over Expenditure</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
Office of the Administrator						
Salaries & Wages	\$ 253,000	\$ 226,000	\$ 224,951	\$ 1,049		
Other Expenses	68,200	158,200	157,936	264		
Clerk						
Salaries & Wages	85,000	40,000	38,844	1,156		
Other Expenses	64,450	54,450	54,150	300		
Postage						
Other Expenses	20,750	17,750	17,273	477		
Copier Operations						
Other Expenses	16,500	10,500	9,067	1,433		
Elections						
Other Expenses	8,000	8,000	6,403	1,597		
Financial Administration						
Other Expenses						
Annual Audit	35,000	74,000	74,000	-		
Computerized Data Processing						
Other Expenses	75,000	65,000	63,289	1,711		
Revenue Administration (Tax Collection)						
Salaries & Wages	111,000	118,000	115,497	2,503		
Other Expenses	42,400	22,400	9,989	12,411		
Assessment of Taxes						
Salaries & Wages	19,000	19,000	18,603	397		
Other Expenses	2,125	2,125	1,626	499		
Legal Services & Costs						
Other Expenses	138,000	153,000	152,350	650		
Municipal Prosecutor						
Salaries & Wages	15,946	15,946	13,563	2,383		
Engineering Services						
Other Expenses	88,000	88,000	82,851	5,149		
Historical Commission						
Other Expenses	4,000	4,000	-	4,000		
LAND USE ADMINISTRATION						
Municipal Land Use Law (NJS 40:55D-1)						
Planning, Zoning Board						
Salaries & Wages	2,000	2,000	1,680	320		
Other Expenses	12,500	12,500	9,888	2,612		
Hepatitis B Vaccine and Training						
Other Expenses	1,000	1,000	-	1,000		
INSURANCE						
General Liability	552,700	552,700	545,930	6,770		
Employee Group Health	1,346,781	1,009,431	931,754	77,677		
Employee Group Health - Waiver	45,000	45,000	45,000	-		
PUBLIC SAFETY						
Police						
Salaries & Wages	3,113,335	3,143,335	3,002,346	140,989		
Other Expenses	357,785	427,785	407,795	19,990		
Emergency Management System						
Salaries & Wages	4,000	4,000	4,000	-		
Other Expenses	400	2,400	1,040	1,360		
Fire						
Other Expenses	150,150	230,150	112,897	117,253		
Fire Marshall						
Salaries & Wages	19,000	19,000	17,637	1,363		
Other Expenses	4,695	4,695	4,695	-		

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		<u>Cancelled</u>	<u>Over Expenditure</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued)						
PUBLIC SAFETY (Continued)						
Municipal Court						
Salaries & Wages	\$ 127,474	\$ 127,474	\$ 127,474	\$ -		
Other Expenses	56,800	56,800	40,045	16,755		
Public Defender						
Salaries & Wages	9,200	9,200	7,283	1,917		
Other Expenses	200	200	-	200		
Environmental						
Other Expenses	6,500	6,500	5,450	1,050		
Right to Know - PEOSHA (Ch. 516 PL 1983)						
Other Expenses	7,000	7,000	-	7,000		
Uniform Fire Safety Act (PL 1983, Ch. 183)						
Fire Prevention						
Salaries & Wages	7,000	7,000	7,000	-		
PUBLIC WORKS FUNCTIONS						
STREETS AND ROADS						
Road Repairs and Maintenance						
Salaries & Wages	1,411,400	1,411,400	1,335,629	75,771		
Other Expenses	190,550	190,550	180,560	9,990		
Shade Tree						
Other Expenses	2,000	2,000	648	1,352		
Garbage and Trash Removal						
Other Expenses	318,000	318,000	315,182	2,818		
Buildings and Grounds						
Other Expenses	148,000	149,000	148,857	143		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries & Wages	65,500	65,500	65,500	-		
Other Expenses	52,900	52,900	51,793	1,107		
Board of Recreation Commission (R.S. 40:12)						
Salaries & Wages	163,000	163,000	151,762	11,238		
Other Expenses	45,370	45,370	37,191	8,179		
Senior Citizens Activities						
Salaries & Wages	35,700	35,700	35,700	-		
Other Expenses	9,500	9,500	5,664	3,836		
Senior Citizen Bus						
Salaries & Wages	28,000	28,000	24,324	3,676		
Other Expenses	10,000	10,000	7,920	2,080		

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		<u>Cancelled</u>	<u>Over Expenditure</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued)						
Uniform Construction Code						
Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4-17)						
State Uniform Construction Code						
Salaries & Wages	\$ 140,400	\$ 140,400	\$ 134,486	\$ 5,914		
Other Expenses	9,500	9,500	7,092	2,408		
Fire Sub-Code Official						
Salaries & Wages	12,150	13,150	13,119	31		
Other Expenses	900	900	656	244		
Electric Sub-Code Official						
Salaries & Wages	10,800	10,800	10,771	29		
UTILITY EXPENSE AND BULK PURCHASES						
Electricity and Gas	130,000	130,000	103,615	26,385		
Street Lighting	100,000	100,000	81,079	18,921		
Gasoline	40,000	50,000	43,012	6,988		
Fire Hydrant	104,000	104,000	92,289	11,711		
Telephone and Telegraph	45,000	120,000	111,484	8,516		
Water	6,000	18,000	12,638	5,362		
Diesel Fuel	45,000	145,000	127,862	17,138		
Salary and Wage Adjustment	<u>50,000</u>	<u>50,000</u>	<u>18,547</u>	<u>31,453</u>	<u>-</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,043,561</u>	<u>10,117,211</u>	<u>9,429,686</u>	<u>687,525</u>	<u>-</u>	<u>-</u>
Detail:						
Salaries & Wages	5,682,905	5,648,905	5,368,716	280,189	-	-
Other Expenses	<u>4,360,656</u>	<u>4,468,306</u>	<u>4,060,970</u>	<u>407,336</u>	<u>-</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"						
Statutory Charges						
Public Employees Retirement System	320,024	320,024	320,024	-		
Social Security System (O.A.S.I.)	300,900	300,900	294,863	6,037		
Police and Firemen's Retirement System of NJ	710,575	710,575	710,575	-		
State Unemployment Insurance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,341,499</u>	<u>1,341,499</u>	<u>1,325,462</u>	<u>16,037</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,385,060</u>	<u>11,458,710</u>	<u>10,755,148</u>	<u>703,562</u>	<u>-</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
INSURANCE (N.J.S.A. 40A:4-45.3(OO))						
Maintenance of Free Public Library (Ch. 82, P.L. 1985)	288,223	288,223	279,196	9,027		
Minimum Funding Free Public Library	476,177	476,177	476,177	-		
Length of Service Award Program (LOSAP)	38,000	38,000	-	38,000		
BCUA - Share of Costs	818,403	818,403	825,529	-		\$ 7,126
BCUA - Recycling Tax	<u>11,044</u>	<u>11,044</u>	<u>-</u>	<u>11,044</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,631,847</u>	<u>1,631,847</u>	<u>1,580,902</u>	<u>58,071</u>	<u>-</u>	<u>7,126</u>

**BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 Appropriated		2019 Expended		Cancelled	Over Expenditure
	Budget	Budget After Modification	Paid or Charged	Reserved		
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)						
Interlocal Municipal Service Agreements						
Board of Education - Gas/Diesel Agreement	23,000	23,000	22,480	520	-	-
Total Interlocal Municipal Service Agreements	23,000	23,000	22,480	520	-	-
Public and Private Programs Offset by Revenues						
Drunk Driving Enforcement Fund	9,766	9,766	9,766	-		
Sustainable Jersey	30,000	30,000	30,000	-		
CDBG Grant	80,000	80,000	80,000	-		
Body Armor Fund - Federal	885	885	885	-		
Clean Communities Program	14,713	14,713	14,713	-	-	-
Total Public and Private Programs Offset by Revenues	135,364	135,364	135,364	-	-	-
Total Operations Excluded from "CAPS"	1,790,211	1,790,211	1,738,746	58,591	-	-
Detail:						
Other Expenses	1,790,211	1,790,211	1,738,746	58,591	-	-
CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"						
Capital Improvement Fund	650,000	650,000	650,000	-	-	-
Total Capital Improvements Excluded from "CAPS"	650,000	650,000	650,000	-	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	890,000	890,000	890,000		-	-
Interest on Bonds	168,725	168,725	168,725		-	-
Interest on Notes	263,599	263,599	263,599		-	-
Wastewater Loan - Spring Street Sewer						
Principal	19,025	19,025	19,025		-	-
Interest	5,700	12,050	6,795		\$ 5,255	\$ -
Wastewater Loan - Salt Dome						
Principal	18,294	18,294	18,294		-	-
Interest	4,590	4,590	4,590		-	-
Total Municipal Debt Service Excluded from "CAPS"	1,369,933	1,376,283	1,371,028		5,255	-

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		<u>Cancelled</u>	<u>Over Expenditure</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 3,810,144	\$ 3,816,494	\$ 3,759,774	\$ 58,591	\$ 5,255	\$ 7,126
Subtotal General Appropriations	15,195,204	15,275,204	14,514,922	762,153	5,255	7,126
Reserve for Uncollected Taxes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	-	-	-
Total General Appropriations	<u>\$ 15,520,204</u>	<u>\$ 15,600,204</u>	<u>\$ 14,839,922</u>	<u>\$ 762,153</u>	<u>\$ 5,255</u>	<u>\$ 7,126</u>
<u>Reference</u>	A-2	A-2		A		A-31

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget After</u>	<u>Paid or</u>
		<u>Modification</u>	<u>Charged</u>
Adopted Budget	A-2	\$ 15,520,204	
Emergency Authorization	A-28	<u>80,000</u>	
		<u>\$ 15,600,204</u>	
Cash Disbursed	A-4		\$ 14,588,940
Less Refunds	A-4		<u>471,002</u>
			14,117,938
Transfer to Federal and State Grant Fund	A-25		135,364
Encumbrances Payable	A-11		261,620
Reserve for Uncollected Taxes	A-2		<u>325,000</u>
			<u>\$ 14,839,922</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 11,846	\$ 45,926
Change Fund	B-2	<u>25</u>	<u>25</u>
		<u>\$ 11,871</u>	<u>\$ 45,951</u>
OTHER TRUST FUND			
Cash	B-1	863,469	827,788
Due from Swimming Pool Capital	D-15	<u>1,367</u>	<u>-</u>
		<u>864,836</u>	<u>827,788</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)			
Investments	B	797,596	663,020
Contribution Receivable	B	<u>32,425</u>	<u>31,796</u>
		<u>830,021</u>	<u>694,816</u>
Total Assets		<u>\$ 1,706,728</u>	<u>\$ 1,568,555</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ANIMAL CONTROL TRUST FUND			
Due to State of New Jersey	B-4	\$ 5	\$ 14
Due to Current Fund	B-8	3,786	37,823
Reserve for Animal Control Expenditures	B-3	<u>8,080</u>	<u>8,114</u>
		<u>11,871</u>	<u>45,951</u>
OTHER TRUST FUND			
Due to the State of New Jersey	B-7	214	196
Due to Current Fund	B-5	252,865	57,893
Miscellaneous Reserves	B-6	<u>611,757</u>	<u>769,699</u>
		<u>864,836</u>	<u>827,788</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)			
Reserve for Investments in Length of Service Award Program	B	<u>830,021</u>	<u>694,816</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,706,728</u>	<u>\$ 1,568,555</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 2,667,412	\$ 2,208,315
Deferred Charges to Future Taxation			
Funded	C-4	11,882,081	1,269,400
Unfunded	C-8	2,910,319	12,626,319
Grants Receivable	C-5	438,701	107,449
Due from Current Fund	C-6	<u>-</u>	<u>222,994</u>
 Total Assets		 <u>\$ 17,898,513</u>	 <u>\$ 16,434,477</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 11,540,000	\$ 890,000
Loans Payable	C-14	342,081	379,400
Bond Anticipation Notes	C-16	-	9,612,097
Improvement Authorizations			
Funded	C-9	1,766,542	301
Unfunded	C-9	2,327,899	4,396,998
Capital Improvement Fund	C-11	621,000	34,500
Encumbrances Payable	C-12	530,752	997,641
Reserve for Grants Receivable	C-15	383,627	-
Reserve for Debt Service	C-13	11,051	11,051
Due to Current Fund	C-7	221,221	2,037
Fund Balance	C-1	<u>154,340</u>	<u>110,452</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 17,898,513</u>	 <u>\$ 16,434,477</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$2,910,319 and \$3,014,222 respectively (See Exhibit C-17).

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 110,452	\$ 4,238
Increased By:			
Premium on Sale of Bonds and Notes	C-2	<u>68,888</u>	<u>106,214</u>
		179,340	110,452
Decreased by:			
Utilized as Current Fund Revenue	C-2	<u>25,000</u>	<u>-</u>
Balance, December 31	C	<u>\$ 154,340</u>	<u>\$ 110,452</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIMMING POOL UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 309,297	\$ 264,826
Due from Swimming Pool Capital Fund	D-14	1	6
Due from Current Fund	D-11	<u>-</u>	<u>417</u>
Total Operating Fund		<u>309,298</u>	<u>265,249</u>
CAPITAL FUND			
Cash	D-5, D-6	2,384	1,016
Due from Current Fund	D-13		6
Fixed Capital	D-9	<u>1,406,570</u>	<u>1,398,215</u>
Total Capital Fund		<u>1,408,954</u>	<u>1,399,237</u>
Total Assets		<u>\$ 1,718,252</u>	<u>\$ 1,664,486</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Appropriation Reserves	D-3, D-8	\$ 48,145	\$ 6,362
Encumbrance Payable	D-7	<u>3,286</u>	<u>2,877</u>
Fund Balance	D-1	<u>51,431</u> <u>257,867</u>	<u>9,239</u> <u>256,010</u>
Total Operating Fund		<u>309,298</u>	<u>265,249</u>
CAPITAL FUND			
Capital Improvement Fund	D-12	1,000	1,000
Reserve for Amortization	D-10	1,406,570	1,398,215
Due to Swimming Pool Operating Fund	D-14	1	6
Due to Other Trust Fund	D-15	1,367	
Fund Balance	D-4	<u>16</u>	<u>16</u>
Total Capital Fund		<u>1,408,954</u>	<u>1,399,237</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,718,252</u>	<u>\$ 1,664,486</u>

The Accompanying Notes are in Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME			
Fund Balance Utilized	D-2	\$ 74,000	\$ 35,000
Swimming Pool Fees	D-2	290,567	273,708
Miscellaneous	D-2	16,051	16,517
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-8	<u>9,239</u>	<u>55,301</u>
 Total Revenues and Other Income		 <u>389,857</u>	 <u>380,526</u>
 EXPENDITURES			
Budget Appropriations:			
Operating	D-3	255,000	246,221
Capital	D-3	45,000	15,000
Statutory Expenditures	D-3	<u>14,000</u>	<u>13,500</u>
 Total Expenditures		 <u>314,000</u>	 <u>274,721</u>
 Excess in Revenue		 75,857	 105,805
 BALANCE, JANUARY 1	 D	 <u>256,010</u>	 <u>185,205</u>
		331,867	291,010
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-2	<u>74,000</u>	<u>35,000</u>
 BALANCE, DECEMBER 31	 D	 <u>\$ 257,867</u>	 <u>\$ 256,010</u>

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 74,000	\$ 74,000	
Swimming Pool Fees	D-1,D-4	240,000	290,567	\$ 50,567
Miscellaneous	D-1,D-2	<u>-</u>	<u>16,051</u>	<u>16,051</u>
Total		<u>\$ 314,000</u>	<u>\$ 380,618</u>	<u>\$ 66,618</u>

Analysis of Miscellaneous Revenues

Swimming Pool Lessons		\$ 12,280
Swimming Pool Miscellaneous		1,493
Interest on Investments		<u>2,278</u>
	D-1,D-2	<u>\$ 16,051</u>
Cash Receipts	D-4	\$ 16,050
Interest Due from Swimming Pool Capital	D-14	<u>1</u>
		<u>\$ 16,051</u>

EXHIBIT D-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIMMING POOL UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries & Wages	\$ 160,000	\$ 160,000	\$ 159,964	\$ 36
Other Expenses	95,000	95,000	85,057	9,943
CAPITAL				
Capital Outlay	45,000	45,000	8,355	36,645
STATUTORY EXPENDITURES				
Social Security System	<u>14,000</u>	<u>14,000</u>	<u>12,479</u>	<u>1,521</u>
Total	<u>\$ 314,000</u>	<u>\$ 314,000</u>	<u>\$ 265,855</u>	<u>\$ 48,145</u>
	<u>Reference</u>	D-2	D-2	D
Cash Disbursements	D-5		\$ 262,569	
Encumbrances Payable	D-7		<u>3,286</u>	
			<u>\$ 265,855</u>	

The Accompanying Notes are in Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIMMING POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	D	\$ <u>16</u>	\$ <u>16</u>
Balance, December 31	D	\$ <u>16</u>	\$ <u>16</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Land	\$26,322,615	\$ 26,300,600
Buildings and Building Improvements	6,277,548	5,842,814
Machinery and Equipment	<u>9,694,434</u>	<u>8,579,856</u>
Total Assets	<u>\$42,294,597</u>	<u>\$ 40,723,270</u>
RESERVES		
Investment in General Fixed Assets	<u>\$42,294,597</u>	<u>\$ 40,723,270</u>
Total Reserves	<u>\$42,294,597</u>	<u>\$ 40,723,270</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Leonia (the "Borough") was incorporated in 1894 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department and volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Leonia have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Length of Service Award Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Swim Pool Utility Fund - This fund is used to account for the revenues and expenditures for operation of the Borough's swimming and recreational facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the swim pool utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the swimming pool utility fund. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Leonia follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - The costs 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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Membership Fees – Swimming pool membership fees are billed annually based on membership classification. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's swimming pool utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Deferred Charges – Certain expenditures and other items are required to be deferred to budgets of succeeding years or funded by a capital ordinance, if applicable. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

**BOROUGH OF LEONIA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Leonia has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

General Fixed Assets purchased after December 31, 1985 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1985 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the swimming pool utility fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Other Trust Funds
General Capital Fund
Swimming Pool Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 the Borough Council increased the original budget by \$80,000. The increase for 2019 was attributable to an emergency resolution for \$80,000. No increases were made to the 2018 original budget. In addition, the governing body approved several budget transfers during 2019 and 2018.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2019</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
BCUA – Share of Costs	<u>\$818,403</u>	<u>\$825,529</u>	<u>\$7,126</u>

2018

There were none.

In accordance with the regulatory basis of accounting, the above over expenditure was recorded as a deferred charge on the balance sheet of the Current Fund at year end and is required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$6,864,694 and \$7,344,555 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,957,856 and \$6,916,074, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	<u>\$ 6,957,856</u>	<u>\$ 6,916,074</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, none of the Borough's bank balances were exposed to custodial credit risk.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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 that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2019 and 2018, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2019</u>	<u>2018</u>
Investment:		
Lincoln Financial Group LOSAP Investment Fund	\$ 797,596	\$ 663,020

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$797,596 and \$663,020 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 797,596	\$ 663,020

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough’s investment in Lincoln National Corporation was rated Baa1 by Moody’s Investors Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 304,872	\$ 299,559
Tax Title Liens	<u>1,694</u>	<u>1,211</u>
	<u>\$ 306,566</u>	<u>\$ 300,770</u>

In 2019 and 2018, the Borough collected \$291,927 and \$296,222 from delinquent taxes, which represented 99.6% and 95.0%, respectively of the prior year adjusted delinquent taxes receivable balance.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2019</u>		<u>2018</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 477,872		\$ 97,753	\$ 223,417
Trust Funds				
Animal Control Fund		\$ 3,786		37,823
Other Trust Fund	1,367	252,865		57,893
General Capital Fund	-	221,221	222,994	2,037
Utility Funds				
Swimming Pool Operating Fund	1		423	
Swimming Pool Capital Fund	-	1,368	6	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 479,240	\$ 479,240	\$ 321,176	\$ 321,176

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance,</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation/</u> <u>Capital Ordinance</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2019</u>			
Current Fund			
Overexpenditure of Appropriations	\$7,126	\$7,126	\$0
Emergency Authorization	<u>80,000</u>	<u>80,000</u>	<u>-</u>
	<u>\$87,126</u>	<u>\$87,126</u>	<u>\$-</u>
	<u>Balance,</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2018</u>			

There were none.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Swimming Pool Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2019</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2018</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,696,036	\$ 1,071,000	\$ 2,170,426	\$ 1,321,000
Non-Cash Surplus	<u>87,126</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,783,162</u>	<u>\$ 1,071,000</u>	<u>\$ 2,170,426</u>	<u>\$ 1,321,000</u>
Swimming Pool Utility Fund				
Cash Surplus	\$ 257,866	\$ 74,000	\$ 255,587	\$ 74,000
Non-Cash Surplus	<u>1</u>	<u>-</u>	<u>423</u>	<u>-</u>
	<u>\$ 257,867</u>	<u>\$ 74,000</u>	<u>\$ 256,010</u>	<u>\$ 74,000</u>

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land and Improvements	\$ 26,300,600	\$ 22,015		\$ 26,322,615
Buildings and Building Improvements	5,842,814	434,734		6,277,548
Machinery and Equipment	<u>8,579,856</u>	<u>\$ 1,114,578</u>	<u>-</u>	<u>9,694,434</u>
	<u>\$ 40,723,270</u>	<u>\$ 1,571,327</u>	<u>\$ -</u>	<u>\$ 42,294,597</u>
	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land and Improvements	\$ 26,300,600			\$ 26,300,600
Buildings and Building Improvements	5,842,814			5,842,814
Machinery and Equipment	<u>8,063,815</u>	<u>\$ 516,041</u>	<u>-</u>	<u>8,579,856</u>
	<u>\$ 40,207,229</u>	<u>\$ 516,041</u>	<u>\$ -</u>	<u>\$ 40,723,270</u>

B. Swimming Pool Utility Capital Fund Fixed Assets

The following is a summary of changes in the Swimming Pool Utility Capital Fund fixed assets for the years ended December 31, 2019 and 2018.

	Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>Swimming Pool Utility Capital Fund</u>				
<u>2019</u>				
Fixed Capital				
Facility Equipment and Improvements	<u>\$ 1,398,215</u>	<u>\$ 8,355</u>	<u>\$ -</u>	<u>\$ 1,406,570</u>
	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Fixed Capital				
Facility Equipment and Improvements	<u>\$ 1,398,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,215</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et. seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes and Loans	\$ 11,882,081	\$ 10,881,497
Less Funds Temporarily Held to Pay Bonds and Notes	<u>11,051</u>	<u>11,051</u>
Net Debt Issued	11,871,030	10,870,446
Authorized But Not Issued		
General		
Bonds and Notes	<u>2,910,319</u>	<u>3,014,222</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 14,781,349</u>	<u>\$ 13,884,668</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.02% and 0.99% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 14,792,400	\$ 11,051	\$ 14,781,349
School Debt	<u>17,270,000</u>	<u>17,270,000</u>	<u>-</u>
Total	<u>\$ 32,062,400</u>	<u>\$ 17,281,051</u>	<u>\$ 14,781,349</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 13,895,719	\$ 11,051	\$ 13,884,668
School Debt	<u>19,295,000</u>	<u>19,295,000</u>	<u>-</u>
Total	<u>\$ 33,190,719</u>	<u>\$ 19,306,051</u>	<u>\$ 13,884,668</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 50,469,531	\$ 49,002,575
Less: Net Debt	<u>14,781,349</u>	<u>13,884,668</u>
Remaining Borrowing Power	<u>\$ 35,688,182</u>	<u>\$ 35,117,907</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
\$5,750,000, 2009 General Bonds, through September 1, 2019		\$ 890,000
\$11,540,000, 2019 General Bonds, due in annual installment of \$740,000 to \$1,200,000 through February 15, 2031, interest at 2.00% to 3.00%	\$ 11,540,000	\$ -
	<u>\$ 11,540,000</u>	<u>\$ 890,000</u>

General Intergovernmental Loans Payable

The Borough has entered into two loan agreements with the New Jersey Environmental Infrastructure Trust for the financing relating to various improvements. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
\$453,107, 2007 Loan, due in annual installments of \$23,350 to \$25,943 through August 1, 2027, interest at 4.00% to 5.00%	\$ 196,459	\$ 232,484
\$317,500, 2008 Loan, due in annual installments of \$12,616 to \$17,979 through August 1, 2028, interest at 4.00% to 5.00%	145,622	146,916
Total	<u>\$ 342,081</u>	<u>\$ 379,400</u>

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Calendar Year	General-Bonds		General - Loans		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,200,000	\$ 258,700	\$ 43,922	\$ 9,390	\$ 1,512,012
2021	1,100,000	235,700	43,211	8,290	1,387,201
2022	1,000,000	214,700	42,405	7,190	1,264,295
2023	1,000,000	194,700	41,599	6,090	1,242,389
2024	1,000,000	174,700	40,864	4,996	1,220,560
2025-2029	4,750,000	534,750	130,080	9,039	5,423,869
2020-2031	1,490,000	44,550	-	-	1,534,550
Total	<u>\$ 11,540,000</u>	<u>\$ 1,657,800</u>	<u>\$ 342,081</u>	<u>\$ 44,995</u>	<u>\$ 13,584,876</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, 2019	Additions	Reductions	Balance, December 31, 2019	Due Within One Year	
<u>2019</u>						
General Capital Fund						
Bonds Payable	\$ 890,000	\$ 11,540,000	\$ 890,000	\$ 11,540,000	\$ 1,200,000	
Intergovernmental Loans Payable	379,400	-	37,319	342,081	43,922	
General Capital Fund Long-Term Liabilities	<u>\$ 1,269,400</u>	<u>\$ 11,540,000</u>	<u>\$ 927,319</u>	<u>\$ 11,882,081</u>	<u>\$ 1,243,922</u>	
	Balance, January 1, 2018	Additions	Reductions	(A) Adjustments	Balance, December 31, 2018	Due Within One Year
<u>2018</u>						
General Capital Fund						
Bonds Payable	\$ 1,750,000	\$ 860,000		\$ 890,000	\$ 890,000	
Intergovernmental Loans Payable	435,336	-	38,936	(17,000)	379,400	37,319
General Capital Fund Long-Term Liabilities	<u>\$ 2,185,336</u>	<u>\$ -</u>	<u>\$ 898,936</u>	<u>\$ (17,000)</u>	<u>\$ 1,269,400</u>	<u>\$ 927,319</u>

(A) Prior Year Adjustment to Loans Payable made in 2018

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough’s short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2019</u>
<u>2019</u>						
<u>General Capital Fund</u>						
Various Public Improvements	2.75%	2/15/2019	\$ 9,612,097	-	\$ 9,612,097	-
Total General Capital Fund			\$ 9,612,097	\$ -	\$ 9,612,097	\$ -

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>2018</u>						
<u>General Capital Fund</u>						
Various Public Improvements	1.14%	2/16/2018	\$ 5,342,519		\$ 5,342,519	
	2.75%	2/15/2019	-	\$ 9,612,097	-	\$ 9,612,097
Total General Capital Fund			\$ 5,342,519	\$ 9,612,097	\$ 5,342,519	\$ 9,612,097

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects and other commitments:

<u>Capital Project</u>	<u>Estimated Construction Commitment</u>	<u>Date of Completion</u>
<u>2019</u>		
Fiberoptic Installation	\$21,275	2020
Site Remediation	42,900	2020
Fire Protective Equipment and Clothing	51,059	2020
Freightliner 108 w/DD8 Liter Engine	93,851	2020
Freightliner 108 Chassis	56,241	2020
2019 Roads Program	94,243	2020
Document Management Services	61,539	2020
Remediation and Restoration for Lead Based Paint Removal	55,000	2020
Police Equipment	75,052	2020
<u>2018</u>		
2018 Road Resurfacing Program	\$319,571	2019
Ford 350 Chassis Cab and Options	36,438	2019
Ford 250 Super Cab	35,104	2019
Fire Truck	549,980	2019
Emergency Repair – Wood Terrace	47,350	2019
Fiber optic Installation	37,307	2019

NOTE 11 OPERATING LEASES

The Borough leases copiers under noncancelable operating leases. Lease payments for the years ended December 31, 2019 and 2018 were \$11,590 and \$11,154, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 11,590
2021	10,861
2022	<u>2,185</u>
Total	<u>\$ 24,636</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal time, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$550,295 and \$633,686 at December 31, 2019 and 2018, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences	\$ 633,686	\$ -	\$ 83,391	\$ 550,295	\$ 50,000
Net Pension Liability - PERS	6,322,027		822,354.00	5,499,673	
Net Pension Liability - PFRS	9,835,092		913,015	8,922,077	
Net OPEB Liability	<u>11,496,948</u>	<u>-</u>	<u>2,291,038</u>	<u>9,205,910</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 28,287,753</u>	 <u>\$ -</u>	 <u>\$ 4,109,798</u>	 <u>\$ 24,177,955</u>	 <u>\$ 50,000</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 583,716	\$ 49,970		\$ 633,686	
Net Pension Liability - PERS	8,427,853		\$ 2,105,826	6,322,027	
Net Pension Liability - PFRS	11,200,267		1,365,175	9,835,092	
Net OPEB Liability	<u>16,150,930</u>	<u>-</u>	<u>4,653,982</u>	<u>11,496,948</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 36,362,766</u>	 <u>\$ 49,970</u>	 <u>\$ 8,124,983</u>	 <u>\$ 28,287,753</u>	 <u>\$ -</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PFRS:

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

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

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 710,575	\$ 319,377	\$ -
2018	642,078	335,397	-
2017	594,902	320,374	-

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$647, \$2,369 and \$0, respectively for PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$5,499,673 and \$6,322,027, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was 0.03052 percent, which was a decrease of 0.00159 percent from its proportionate share measured as of June 30, 2018 of 0.03211 percent.

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be a credit of \$(165,207) and \$(16,420), respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$319,377 and \$335,397, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 98,712	\$ 24,295	\$ 120,562	\$ 32,598
Changes of Assumptions	549,163	1,908,919	1,041,765	2,021,448
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		86,814		59,301
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>28,927</u>	<u>988,678</u>	<u>40,749</u>	<u>1,077,046</u>
Total	<u>\$ 676,802</u>	<u>\$ 3,008,706</u>	<u>\$ 1,203,076</u>	<u>\$ 3,190,393</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (449,692)
2021	(766,132)
2022	(707,565)
2023	(375,145)
2024	(33,370)
Thereafter	<u>-</u>
	<u>\$ (2,331,904)</u>

**BOROUGH OF LEONIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

<u>2019</u>	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,946,981</u>	<u>\$ 5,499,673</u>	<u>\$ 4,280,111</u>
<u>2018</u>	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 7,949,221</u>	<u>\$ 6,322,027</u>	<u>\$ 4,956,916</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$8,922,077 and \$9,835,092, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was 0.07290 percent, which was an increase of 0.00022 percent from its proportionate share measured as of June 30, 2018 of 0.07268 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$872,166 and \$831,908, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$710,575 and \$642,078, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 75,314	\$ 56,487	\$ 100,059	\$ 40,700
Changes of Assumptions	305,719	2,883,534	844,210	2,520,564
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		120,891		53,807
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>169,507</u>	<u>39,607</u>	<u>281,481</u>	<u>111,907</u>
Total	<u>\$ 550,540</u>	<u>\$ 3,100,519</u>	<u>\$ 1,225,750</u>	<u>\$ 2,726,978</u>

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	<u>Total</u>
2020	\$ (379,147)
2021	(949,619)
2022	(694,744)
2023	(338,210)
2024	(188,259)
Thereafter	<u>-</u>
	<u>\$ (2,549,979)</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

**BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
<u>2019</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>12,059,397</u>	\$ <u>8,922,077</u>	\$ <u>6,325,493</u>
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>13,163,050</u>	\$ <u>9,835,092</u>	\$ <u>7,090,133</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

BOROUGH OF LEONIA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,408,813 and \$1,335,935, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$163,693 and \$158,239, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$94,925 and \$79,120, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was 0.07290 percent, which was an increase of 0.0022 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of 0.07268 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

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 of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2019 and 2018 is \$13.5 billion and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018.

Actuarial Methods and Assumptions

In the June 30, 2018 and 2017 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$346.4 million and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million and \$53.5 million for fiscal years 2019 and 2018, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2019 and 2018 were \$221,769 and \$369,127, respectively, which equaled the required contributions for each year. The Borough's contributions for the year ended December 31, 2017 was not available.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Borough reported a liability of \$9,205,910 and \$11,496,948, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Borough’s proportionate share of the net OPEB liability was based on the ratio of the Borough’s proportionate share of the OPEB liability attributable to the Borough at June 30, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Borough’s proportionate share was 0.06796 percent, which was a decrease of 0.00543 percent from its proportionate share measured as of June 30, 2018 of 0.07339 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough’s OPEB expense to be a credit of \$(737,449) and \$(50,447), respectively, based on the actuarial valuations which are less than the actual contributions reported in the Borough’s financial statements of \$221,769 and \$369,127, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 2,692,167		\$ 2,334,290
Changes of Assumptions		3,262,370		2,916,351
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 7,583		\$ 6,076	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions		3,768,763	-	3,182,788
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 7,583</u>	<u>\$ 9,723,300</u>	<u>\$ 6,076</u>	<u>\$ 8,433,429</u>

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (1,633,484)
2021	(1,633,484)
2022	(1,634,176)
2023	(1,635,177)
2024	(1,635,976)
Thereafter	<u>(1,543,420)</u>
	<u>\$ (9,715,717)</u>

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	2.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

Calendar Year	Measurement Date	Discount Rate
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.50% and 2.87%, respectively or 1-percentage-point higher 4.50% and 4.87%, respectively than the current rate:

<u>2019</u>	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,644,374</u>	<u>\$ 9,205,910</u>	<u>\$ 8,036,968</u>
<u>2018</u>	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 13,488,960</u>	<u>\$ 11,496,948</u>	<u>\$ 9,905,782</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2019</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>7,768,654</u>	\$ <u>9,205,910</u>	\$ <u>11,039,373</u>
<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>9,590,298</u>	\$ <u>11,496,948</u>	\$ <u>13,964,436</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the pension system.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 15 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Leonia is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

**BOROUGH OF LEONIA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 15 RISK MANAGEMENT (Continued)

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit’s governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund’s Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Borough/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 7,397	\$ 14,691	\$ 5,742
2018	8,031	24,262	13,036
2017	Not Available	25,111	29,267

NOTE 16 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

The Borough makes four quarterly payments each year to the Bergen County Municipal Joint Insurance Fund based upon the due date of the assessments. As of December 31, 2019, the fourth quarter assessment in the amount of \$126,376 due in January of the subsequent year was not recorded as an expenditure or liability on the Borough’s financial statements. This assessment was funded in the subsequent year’s budget.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 16 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 17 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2019 and 2018, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Leonia Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 10, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Leonia approved the adoption of the Plan at the general election held on November 7, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Leonia has contributed \$1,297 and \$1,272 for 2019 and 2018, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$32,425 and \$31,796 for 2019 and 2018, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 19 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through a certain program authorized under State statutes. The program is included in the Long Term Tax Exemption Law (the "LTTE Law").

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$335,737 and \$331,684, respectively under the LTTE program. The Borough received \$70,581 and \$66,412 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

**BOROUGH OF LEONIA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 20 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

NOTE 21 SUBSEQUENT EVENTS

Debt Authorized

As of the date of audit, the Borough adopted bond ordinances authorizing the issuance \$3,407,000 in bonds or bond anticipation notes to fund certain capital projects. These authorizations include a joint project with the Leonia Board of Education through a shared services agreement for the installation of a synthetic turf field at Leonia High School. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF LEONIA
STATEMENT OF CURRENT CASH - TREASURER

	<u>Current Fund</u>	<u>State and Federal Grant Fund</u>
Balance, January 1, 2019	\$ 3,941,678	\$ 54,681
Increased by Receipts:		
Taxes Receivable	\$ 36,691,227	
Non-Budget Revenues	96,591	
State of NJ - Senior Citizens' and Vet. Deductions	33,500	
Revenue Accounts Receivable	2,354,557	
State Fees Payable	9,552	
Prepaid Taxes	208,370	
Receipts from General Capital Fund	3,564	
Reserve for Library Aid	4,699	
Budget Refunds	471,002	
Receipts from Animal Control Trust Fund	38,057	
Receipts From Other Trust Fund	51,611	
Grants Receivable	-	\$ 15,000
Tax Overpayments	20,825	
Unappropriated Grant Reserves	-	55,390
	<u>39,983,555</u>	<u>70,390</u>
	43,925,233	125,071
Decreased by Disbursements:		
2019 Budget Appropriations	14,588,940	
2018 Appropriation Reserves	206,123	
Tax Overpayments	2,888	
Accounts Payable	92	
Reserve for Grants Appropriated	-	123,150
State Fees Payable	10,599	
County Taxes Payable	3,541,620	
Local District School Taxes Payable	21,877,464	
Reserve for Library Aid	195	
Payments to Swimming Pool Capital Fund	6	
Payments to Swimming Pool Operating Fund	417	
Payments to Other Trust Fund	8,134	
Payments Due from Other Trust Fund	234,843	
Payments Due from General Capital Fund	220,957	
Payments to General Capital Fund	222,994	-
	<u>40,915,272</u>	<u>123,150</u>
Balance, December 31, 2019	<u>\$ 3,009,961</u>	<u>\$ 1,921</u>

**BOROUGH OF LEONIA
STATEMENT OF CASH - CHANGE FUNDS**

	Balance, January 1, <u>2019</u>	Balance, December 31, <u>2019</u>
Police	\$ 50	\$ 50
Finance	150	150
Municipal Court	<u>100</u>	<u>100</u>
	<u>\$ 300</u>	<u>\$ 300</u>

**STATEMENT OF DUE FROM THE STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2019		\$ -
Increased by:		
Veterans Deductions Per Tax Billings - 2019	\$ 30,250	
Senior Citizen Deductions Per Tax Billings - 2019	3,750	
Senior Citizen Deductions Allowed Per Tax Collector-2019	750	
Veterans Deductions Allowed Per Tax Collector-2019	<u>500</u>	
		<u>35,250</u>
		35,250
Decreased by:		
Cash Received	33,500	
Senior Citizen Deductions Disallowed Per Tax Collector-2018	1,000	
Senior Citizen Deductions Disallowed Per Tax Collector-2019	<u>750</u>	
		<u>35,250</u>
Balance, December 31, 2019		<u>\$ -</u>

**BOROUGH OF LEONIA
STATEMENT OF TAXES RECEIVABLE**

Year	Balance,	2019 Levy	Added Taxes	Senior	Collections		Senior	Tax	Cancelled	Transferred	Balance,
	January 1, 2019			Citizens' and Veterans' Deductions Disallowed	2018	2019	Citizens' and Veterans' Deductions Allowed	Overpayments Applied		to Tax Title Liens	December 31, 2019
2018	\$ 299,559	-	-	\$ 1,000	-	\$ 291,927	-	-	\$ 8,632	-	-
	299,559	-	-	1,000	-	291,927	-	-	8,632	-	-
2019	-	\$ 36,901,099	\$ 97,025	750	\$ 238,966	36,399,300	\$ 35,250	\$ 18,559	1,444	\$ 483	304,872
	\$ 299,559	\$ 36,901,099	\$ 97,025	\$ 1,750	\$ 238,966	\$ 36,691,227	\$ 35,250	\$ 18,559	\$ 10,076	\$ 483	\$ 304,872

Analysis of 2019 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 36,901,099
Added Taxes	<u>97,025</u>
	<u>\$ 36,998,124</u>
Tax Levy	
County Taxes (Abstract)	\$ 3,373,594
Due County for Added and Omitted Taxes	7,935
County Open Space Preservation	<u>144,373</u>
	\$ 3,525,902
Local District School Tax (Abstract)	21,877,464
Local Tax for Municipal Purposes	11,018,280
Minimum Library Tax	476,177
Add Additional Tax Levied	<u>100,301</u>
	<u>11,594,758</u>
	<u>\$ 36,998,124</u>

BOROUGH OF LEONIA
STATEMENT OF TAX TITLE LIENS RECEIVABLE

Balance, January 1, 2019	\$ 1,211
Increased by:	
Transfers from Taxes Receivable	- <u>483</u>
Balance, December 31, 2019	<u>\$ 1,694</u>

BOROUGH OF LEONIA
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2019</u>	Accrued in 2019	<u>Collected</u>	Balance, December 31, <u>2019</u>
Licenses				
Alcoholic Beverages		\$ 1,800	\$ 1,800	
Other Licenses		5,428	5,428	
Fees and Permits -Other		134,131	134,131	
Municipal Court				
Fines and Costs	\$ 11,865	211,215	207,680	\$ 15,400
Interest and Costs on Taxes		63,725	63,725	
Interest on Investments and Deposits		61,673	61,673	
Cable Television Franchise Fee		39,086	39,086	
Verizon FIOS Franchise Fee		57,206	57,206	
Sewer Surcharges		30,725	30,725	
Energy Receipts Taxes		976,676	976,676	
Supplemental Energy Receipts Taxes		52,713	52,713	
Uniform Construction Code Fees		172,382	172,382	
Towing License and Administration		1,500	1,500	
Sewer Billing - Commercial		171,306	171,306	
Cellular Tower Rental		84,206	84,206	
Payments in Lieu of Taxes		70,581	70,581	
Capital Surplus		25,000	25,000	
Uniform Fire Safety Act		8,451	8,451	
Due from Extra Duty Trust - Administrative Fees		66,288	66,288	
Property Rental		24,000	24,000	
Property Rental	-	100,000	100,000	-
	<u>\$ 11,865</u>	<u>\$ 2,358,092</u>	<u>\$ 2,354,557</u>	<u>\$ 15,400</u>

BOROUGH OF LEONIA
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, January 1, 2019	Prior Year Encumbrances Cancelled	Transfers	Balance After Modification	Paid or Charged	Balance Lapsed
SALARIES AND WAGES						
General Government						
Office of the Administrator	\$ 1,029		\$ (2,913)	\$ (1,884)	\$ (1,884)	\$ -
Revenue Administration			725	725	725	-
Assessment of Taxes	262			262		262
Municipal Prosecutor	2,833			2,833		2,833
Planning/Zoning Board	350			350	255	95
Public Safety						
Police	199,254		(11,922)	187,332	17,814	169,518
Fire Marshall	1,127			1,127		1,127
Fire Prevention	22			22		22
Streets and Roads						
Road Repairs and Maintenance	145,823		(2,397)	143,426		143,426
Health and Human Services						
Senior Citizens Activities	59			59		59
Senior Citizens Bus	2,575			2,575		2,575
Recreation Commission	21,365			21,365	2,634	18,731
Uniform Construction Code			942	942	942	-
Public Defender	1,917			1,917		1,917
Municipal Court	267		1,195	1,462	1,462	-
Salary and Wage Adjustment	50,000			50,000	1,884	48,116
OTHER EXPENSES						
Office of the Administrator	743	292	736	1,771	\$ 1,479	292
Clerk		2,956	982	3,938	2,847	1,091
Postage	805		1,195	2,000	2,000	-
Copier Operations	5,597	289		5,886		5,886
Annual Audit	2,805	32,195		35,000	2,279	32,721
Computerized Data Processing	2,226	18,066		20,292	460	19,832
Assessment of Taxes	499			499		499
Revenue Administration	664	3,372	(725)	3,311	3,143	168
Legal Services & Costs	692	1,587	679	2,958	2,908	50
Engineering Services		1,290	202	1,492	1,492	-
Historic Commission	4,000			4,000		4,000
Uniform Construction Code	20		2,900	2,920		2,920
Hepatitis B Vaccine and Training	1,000			1,000		1,000
General Liability Insurance	26,237	261	(13,525)	12,973	1,659	11,314
Employee Group Health	263,137			263,137		263,137
Employee Group Health - Waiver	15,995			15,995		15,995
Unemployment	10,000			10,000		10,000
Public Safety						
Police	212	5,266	11,922	17,400	14,496	2,904
Emergency Management System	2,005	2,895		4,900	4,900	-
Fire	43,468	9,107		52,575	6,653	45,922
Fire Marshall	1,827	593		2,420	1,896	524
Streets and Roads						
Road Repairs and Maintenance	20,104	27,145		47,249	29,358	17,891

**BOROUGH OF LEONIA
STATEMENT OF 2018 APPROPRIATION RESERVES**

	Balance, January 1, 2019	Prior Year Encumbrances Cancelled	Transfers	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER EXPENSES (Continued)						
Shade Tree	\$ 1,820			\$ 1,820	\$ 490	\$ 1,330
Garbage and Trash Removal	2,786	\$ 23,167		25,953	23,167	2,786
Buildings and Grounds	942	7,756	2,397	11,095	3,895	7,200
Recreation Commission	1,384	568		1,952	1,298	654
Health and Human Services				-		
Board of Health	13,925			13,925	8,687	5,238
Senior Citizens Activities	2,884	1,612		4,496	1,487	3,009
Senior Citizens Bus	4,604	1,322		5,926	939	4,987
Utilities				-		
Gasoline	2,683			2,683		2,683
Diesel Fuel			8,673	8,673		8,673
Electricity and Gas	38,274			38,274	10,222	28,052
Telephone and Telegraph	18	1,428		1,446	(4,902)	6,348
Street Lighting	26,041			26,041	6,506	19,535
Fire Hydrant	9,328			9,328		9,328
Water	85		129	214		214
Municipal Court	6,501	2,200	(1,195)	7,506	2,315	5,191
Public Defender	200			200		200
Statutory Charges						
Social Security System	12,863			12,863		12,863
BCUA - Share of Costs	19,262			19,262		19,262
BCUA - Recycling Tax	11,044			11,044		11,044
Maintenance of Free Public Library	32,095	17,538		49,633	22,093	27,540
LOSAP	38,000	-	-	38,000	30,524	7,476
	<u>\$ 1,053,658</u>	<u>\$ 160,905</u>	<u>\$ -</u>	<u>\$ 1,214,563</u>	<u>\$ 206,123</u>	<u>\$ 1,008,440</u>
				Appropriation Reserves		
				Encumbrances Payable		
				<u>\$ 1,214,563</u>		
				Cash Disbursements	<u>\$ 206,123</u>	

**BOROUGH OF LEONIA
STATEMENT OF ENCUMBRANCES PAYABLE
CURRENT FUND**

Balance, January 1, 2019		\$ 160,905
Increased by:		
Charges to 2019 Appropriations		261,620
		422,525
Decreased by:		
Transferred to Appropriation Reserves		160,905
Balance, December 31, 2019		\$ 261,620

STATEMENT RESERVE FOR REVALUATION

Balance, January 1, 2019		\$ 9,700
Balance, December 31, 2019		\$ 9,700

STATEMENT OF STATE FEES PAYABLE

Balance, January 1, 2019		\$ 3,178
Increased by:		
Cash Received	\$ 9,552	
Prior Year Adjustment	451	
		10,003
		13,181
Decreased by:		
Cash Disbursed		10,599
Balance, December 31, 2019		\$ 2,582
<u>Analysis</u>		
Building Fees		\$ 2,307
Marriage License Fees		275
		\$ 2,582

**BOROUGH OF LEONIA
STATEMENT OF PREPAID TAXES**

Balance, January 1, 2019	\$	238,966
Increased by:		
Collection of 2020 Taxes		208,370
		447,336
Decreased by:		
Application to 2019 Taxes Receivable		238,966
Balance, December 31, 2019	\$	208,370

STATEMENT OF RESERVE FOR LIBRARY AID

Balance, January 1, 2019	\$	11,140
Increased By:		
Cash Receipts		4,699
		15,839
Decreased By:		
Cash Disbursements		195
Balance, December 31, 2019	\$	15,644

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2019	\$	23,653
Increased by:		
2019 Tax Levy	\$	3,373,594
2019 Open Space Preservation		144,373
2019 Added and Omitted Taxes (54:4-63.1 et seq.)		7,935
		3,525,902
		3,549,555
Decreased by:		
Cash Disbursed		3,541,620
Balance, December 31, 2019	\$	7,935

**BOROUGH OF LEONIA
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:	
Levy - Calendar Year 2019	\$ 21,877,464
Decreased by:	
Cash Disbursed	<u>21,877,464</u>
Balance, December 31, 2019	<u>\$ -</u>

STATEMENT OF RESERVE FOR REASSESSMENT

Balance, January 1, 2019	<u>\$ 16,010</u>
Balance, December 31, 2019	<u>\$ 16,010</u>

STATEMENT OF RESERVE FOR MASTER PLAN

Balance, January 1, 2019	<u>\$ 1,100</u>
Balance, December 31, 2019	<u>\$ 1,100</u>

**BOROUGH OF LEONIA
STATEMENT OF DUE TO GENERAL CAPITAL FUND**

Balance, January 1, 2019		\$	222,994
Decreased By:			
Cash Disbursements			222,994
Balance, December 31, 2019		\$	-

STATEMENT OF DUE TO SWIMMING POOL OPERATING UTILITY FUND

Balance, January 1, 2019		\$	417
Decreased By:			
Cash Disbursements			417
Balance, December 31, 2019		\$	-

STATEMENT OF TAX OVERPAYMENTS

Balance, January 1, 2019		\$	26,505
Increased By:			
Overpayments Received			20,825
			47,330
Decreased By:			
Cash Disbursements	\$	2,888	
Applied to Taxes Receivable		18,559	
			21,447
Balance, December 31, 2019		\$	25,883

BOROUGH OF LEONIA
STATEMENT OF DUE FROM GENERAL CAPITAL FUND

Balance, January 1, 2019		\$ 2,037
Increased By:		
Cash Disbursed	\$ 220,957	
Interest Earned in General Capital Fund	<u>1,791</u>	
		<u>222,748</u>
		224,785
Decreased By:		
Cash Receipts		<u>3,564</u>
Balance, December 31, 2019		<u>\$ 221,221</u>

STATEMENT OF DUE FROM OTHER TRUST FUND

Balance, January 1, 2019		\$ 57,893
Increased By:		
Interest on Investments	\$ 3,606	
Cash Disbursements Due from Other Trust	234,843	
Cash Disbursements to Other Trust	<u>8,134</u>	
		<u>246,583</u>
		304,476
Decreased By:		
Cash Receipts		<u>51,611</u>
Balance, December 31, 2019		<u>\$ 252,865</u>

BOROUGH OF LEONIA
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS AND DONATIONS
FEDERAL AND STATE GRANT FUND

	Balance, January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
ANJEC Open Space Stewardship Grant	\$ 700			\$ 700
Clean Communities	9,207	\$ 14,713	\$ 6,167	17,753
Drunk Driving Enforcement Fund	-	9,766	853	8,913
Body Armor Replacement Grant - Federal	896	885	1,781	-
Body Armor Replacement Grant - State	4,349		4,349	-
Alcohol Education and Rehabilitation Fund	2,442			2,442
Sustainable Jersey		30,000	30,000	-
CDBG Grant		80,000	80,000	-
Recycling Tonnage Grant	11,955	-	-	11,955
	<u>\$ 29,549</u>	<u>\$ 135,364</u>	<u>\$ 123,150</u>	<u>\$ 41,763</u>

EXHIBIT A-26

STATEMENT OF GRANTS RECEIVABLE
FEDERAL AND STATE GRANT FUND

	Balance, January 1, <u>2019</u>	Revenue <u>Realized</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2019</u>
ANJEC Open Space Stewardship Grant	\$ 233			\$ 233
Sustainable Jersey	-	\$ 30,000	\$ 15,000	15,000
CDBG Grant	-	80,000	-	80,000
	<u>\$ 233</u>	<u>\$ 110,000</u>	<u>\$ 15,000</u>	<u>\$ 95,233</u>

EXHIBIT A-27

STATEMENT OF UNAPPROPRIATED GRANTS
FEDERAL AND STATE GRANT FUND

	Balance, January 1, <u>2019</u>	Cash <u>Receipts</u>	Revenue <u>Realized</u>	Balance, December 31, <u>2019</u>
Clean Communities Program	\$ 14,713	\$ 16,428	\$ 14,713	\$ 16,428
Drunk Driving Enforcement Fund	9,766	2,817	9,766	2,817
Click it or Ticket		5,500		5,500
Distracted Driving		5,500		5,500
Body Armor Replacement Grant - Federal	885	707	885	707
Body Armor Replacement Grant - State	-	2,229		2,229
Alcohol Education and Rehabilitation Fund	1			1
Recycling Tonnage Grant	-	22,209	-	22,209
	<u>\$ 25,365</u>	<u>\$ 55,390</u>	<u>\$ 25,364</u>	<u>\$ 55,391</u>

**BOROUGH OF LEONIA
STATEMENT OF EMERGENCY AUTHORIZATIONS**

Increased By:	
Authorized in 2019	<u>\$ 80,000</u>
Balance, December 31, 2019	<u><u>\$ 80,000</u></u>

EXHIBIT A-29

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2019	\$ 3,320
Decreased By:	
Cash Disbursements	<u> 92</u>
Balance, December 31, 2019	<u><u>\$ 3,228</u></u>

EXHIBIT A-30

STATEMENT OF DUE TO SWIMMING POOL CAPITAL FUND

Balance, January 1, 2019	\$ 6
Decreased By:	
Cash Disbursements	<u> 6</u>
Balance, December 31, 2019	<u><u>\$ -</u></u>

EXHIBIT A-31

STATEMENT OF DEFERRED CHARGE - OVEREXPENDITURE OF APPROPRIATION

Increased By:	
Overexpenditure in 2019 - BCUA Share of Costs	<u>\$ 7,126</u>
0	
Balance, December 31, 2019	<u><u>\$ 7,126</u></u>

TRUST FUND

BOROUGH OF LEONIA
STATEMENT OF TRUST CASH - TREASURER

	Animal Control <u>Trust Fund</u>	Other <u>Trust Fund</u>
Balance, January 1, 2019	\$ 45,926	\$ 827,788
Increased by Receipts:		
State of New Jersey Dog License Fees Collected	\$ 525	
Miscellaneous Reserves		\$ 7,566,137
Animal Control Fees	4,106	
Received from Current Fund		8,134
Receipts Due to Current Fund		234,843
Interest on Investments	<u>234</u>	<u>3,606</u>
	<u>4,865</u>	<u>7,812,720</u>
	50,791	8,640,508
Decreased by Disbursements:		
Expenditures Under R.S. 4:19-15.11	354	
Due to State of New Jersey	534	14,673
Payments to Current Fund	38,057	51,611
Miscellaneous Reserves	<u>-</u>	<u>7,710,755</u>
	<u>38,945</u>	<u>7,777,039</u>
Balance, December 31, 2019	<u>\$ 11,846</u>	<u>\$ 863,469</u>

**BOROUGH OF LEONIA
ANIMAL CONTROL TRUST FUND
STATEMENT OF CHANGE FUND**

Balance, January 1, 2019	\$ <u>25</u>
Balance, December 31, 2019	\$ <u><u>25</u></u>

**ANIMAL CONTROL TRUST FUND
STATEMENT OF RESERVE FOR ANIMAL CONTROL TRUST FUND EXPENDITURES**

Balance, January 1, 2019	\$ 8,114
Increased by:	
Animal Control Fees	
Dog License Fees	\$ 3,704
Miscellaneous	<u>402</u>
	<u>4,106</u>
	12,220
Decreased by:	
Expenditures Under R.S. 4:19-15-11	354
Statutory Excess Due to Current Fund	<u>3,786</u>
	<u>4,140</u>
Balance, December 31, 2019	\$ <u><u>8,080</u></u>

**ANIMAL CONTROL TRUST FUND
STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL TRUST FUND**

Balance, January 1, 2019	\$ 14
Increased by:	
Dog License Fees Collected	<u>525</u>
	539
Decreased by:	
Payments Made to State of New Jersey	<u>534</u>
Balance, December 31, 2019	\$ <u><u>5</u></u>

**BOROUGH OF LEONIA
OTHER TRUST FUND
STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2019		\$	57,893
Increased by:			
Cash Receipts - Interest		\$	3,606
Received from Current Fund			8,134
Payroll Advance Due to Current Fund			<u>234,843</u>
			<u>246,583</u>
			304,476
Decreased by:			
Payments Made to Current Fund			<u>51,611</u>
Balance, December 31, 2019		\$	<u>252,865</u>

**OTHER TRUST FUND
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Unemployment Compensation	\$ 13,036	\$ 7,397	\$ 14,691	\$ 5,742
Net Payroll/Payroll Deductions	(1,512)	6,902,849	6,881,053	20,284
Developers and Escrow Deposits	143,334	55,203	95,599	102,938
Performance and Maintenance Bonds	164,450	26,725	123,040	68,135
Federal Forfeiture	19	500		519
Outside Employment of Off-Duty Police Officers	19,165	209,836	206,454	22,547
Recycling Program	25,822	3,624	7,862	21,584
COAH	19,099			19,099
Recreation Commission	56,762	322,528	369,110	10,180
Developer's Donation Parking	122,803	19,450		142,253
World Trade Center Memorial Donations	8,076			8,076
POAA	11,742	478		12,220
Shade Tree	10,624			10,624
Health Fair Trust Fund	204			204
Municipal Alliance	-	1		1
Historic Preservation Commission	3,861			3,861
Fire Safety	139,047	5,963	9,137	135,873
Public Defender	2,152	1,650		3,802
Public Assistance	8,690			8,690
Storm Recovery	800			800
Community Policing	<u>21,525</u>	<u>11,300</u>	<u>18,500</u>	<u>14,325</u>
	<u>\$ 769,699</u>	<u>\$ 7,567,504</u>	<u>\$ 7,725,446</u>	<u>\$ 611,757</u>
Due from Swimming Pool Capital Fund		\$ 1,367		
Cash Receipts		<u>7,566,137</u>		
		<u>\$ 7,567,504</u>		
Cash Disbursements			\$ 7,710,755	
Due to State of New Jersey			<u>14,691</u>	
			<u>\$ 7,725,446</u>	

**BOROUGH OF LEONIA
OTHER TRUST FUND
STATEMENT OF DUE TO STATE OF NEW JERSEY - UNEMPLOYMENT COMPENSATION**

Balance, January 1, 2019	\$	196
Increased by:		
Unemployment Claims		<u>14,691</u>
		14,887
Decreased By:		
Cash Disbursements		<u>14,673</u>
Balance, December 31, 2019	\$	<u>214</u>

**ANIMAL CONTROL TRUST FUND
STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2019	\$	37,823
Increased by:		
Interest on Investments	\$	234
Statutory Excess		<u>3,786</u>
	\$	<u>4,020</u>
		41,843
Decreased by:		
Payments Made to Current Fund		<u>38,057</u>
Balance, December 31, 2019	\$	<u>3,786</u>

GENERAL CAPITAL FUND

**BOROUGH OF LEONIA
STATEMENT OF GENERAL CAPITAL CASH**

Balance, January 1, 2019		\$ 2,208,315
Increased by Receipts:		
Grant Receivable	89,875	
Interest on Investments	1,791	
Premium on Sale of Bonds	68,888	
Received from Current Fund	222,994	
Due to Current Fund	220,957	
Budget Appropriation - Capital Improvement Fund	650,000	
Serial Bond Proceeds	<u>11,540,000</u>	
		<u>12,794,505</u>
		15,002,820
Decreased by Disbursements:		
Improvement Authorizations	2,694,747	
Payments to Current Fund	3,564	
Utilized as Revenue in Current Fund - Fund Balance	25,000	
Bond Anticipation Notes	<u>9,612,097</u>	
		<u>12,335,408</u>
Balance, December 31, 2019	-	<u>\$ 2,667,412</u>

**BOROUGH OF LEONIA
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2019</u>
Capital Improvement Fund		\$ 621,000
Encumbrances Payable		530,752
Reserve for Debt		11,051
Due to Current Fund		221,221
Fund Balance		154,340
Reserve for Grants Receivable		383,627
Grants Receivable		(438,701)
Ord.		
<u>No.</u>		
	<u>Improvement Authorizations</u>	
13-02	Various Public Improvements	(6,847)
2015-04	Various Public Improvements	(25,775)
2016-06	Various Public Improvements	444,101
2017-12	Various Public Improvements	58,123
2018-08	Various Public Improvements	1,264,318
2019-11	Various Public Improvements	(545,898)
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	(3,900)
		<u>\$ 2,667,412</u>

BOROUGH OF LEONIA
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2019		\$ 1,269,400
Increased by:		
Bonds Issued		<u>11,540,000</u>
		12,809,400
Decreased by:		
2019 Budget Appropriation		
Payment of Bond Principal	\$ 890,000	
Payment of Loan Principal:		
Wastewater Loan - Spring Street Sewer	19,025	
Wastewater Loan - Salt Dome	<u>18,294</u>	
		<u>927,319</u>
Balance, December 31, 2019		<u>\$ 11,882,081</u>

**BOROUGH OF LEONIA
STATEMENT OF GRANTS RECEIVABLE**

Balance, January 1, 2019		\$	107,449
Increased by:			
Grant Awards - Ordinance Funding		\$	37,500
Grant Awards - Reserve for Grants Receivable			<u>383,627</u>
			<u>421,127</u>
			528,576
Decreased by:			
Cash Receipts			<u>89,875</u>
Balance, December 31, 2019		\$	<u><u>438,701</u></u>
<u>Analysis of Balance</u>			
New Jersey Department of Transportation			
Ord. 2019-17 - Improvement of Broad Avenue (Phases 7 & 8)		\$	383,627
Bergen County Open Space			
Ord. 2017-12 - Various Public Improvements - Bleachers			12,500
Ord. 2019-11 - Various Public Improvements			37,500
Bergen County Community Development:			
Ord. 2016-06 - Woodbridge Place			<u>5,074</u>
		\$	<u><u>438,701</u></u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, January 1, 2019		\$	222,994
Decreased by:			
Cash Received			<u>222,994</u>
Balance, December 31, 2019		\$	<u><u>-</u></u>

STATEMENT OF DUE TO CURRENT FUND

Balance, January 1, 2019		\$	2,037
Increased by:			
Cash Received		\$	220,957
Interest on Investments			<u>1,791</u>
			<u>222,748</u>
			224,785
Decreased by:			
Payments to Current Fund			<u>3,564</u>
Balance, December 31, 2019		\$	<u><u>221,221</u></u>

**BOROUGH OF LEONIA
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, January 1, 2019	2019 Authori- zations	Serial Bonds Issued	Balance, December 31, 2019	Analysis of Balance, December 31, 2019	
						Expenditures	Unexpended Improvement Authori- zations
01-10/10-10	Various Public Improvements	\$ 1,232,250		\$ 1,232,250	-		
08-11	Various Public Improvements	340,290		340,290	-		
11-12	Various Public Improvements	344,425		344,425	-		
13-02	Various Public Improvements	450,339		443,492	\$ 6,847	\$ 6,847	
14-03	Various Public Improvements	876,485		876,485	-		
2015-04	Various Public Improvements	618,701		591,326	27,375	25,775	\$ 1,600
2016-06	Various Public Improvements	1,314,029		1,314,029	-		
2017-12	Various Public Improvements	4,469,800		3,517,425	952,375		952,375
2018-08	Various Public Improvements	2,980,000		2,880,278	99,722		99,722
2019-11	Various Public Improvements	-	\$ 1,249,000		1,249,000	545,898	703,102
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	-	575,000	-	575,000	3,900	571,100
		<u>\$ 12,626,319</u>	<u>\$ 1,824,000</u>	<u>\$ 11,540,000</u>	<u>\$ 2,910,319</u>	<u>\$ 582,420</u>	<u>\$ 2,327,899</u>
						Improvement Authorization - Unft	<u>\$ 2,327,899</u>

**BOROUGH OF LEONIA
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2019</u>			<u>Interest Rate</u>	<u>Balance, January 1, 2019</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>						
General Improvements	07/01/09	\$ 5,750,000				\$ 890,000		\$ 890,000	\$ -	
General Improvements	02/15/19	\$ 11,540,000	2/15/2020	1,200,000	2.00%		\$ 11,540,000		\$ 11,540,000	
			2/15/2021	1,100,000	2.00%					
			2/15/2022-2/15/2024	1,000,000	2.00%					
			2/15/2025-2/15/2026	1,000,000	2.125%					
			2/15/2027	1,000,000	2.50%					
			2/15/2028	1,000,000	3.00%					
			2/15/2029-2/15/2030	750,000	3.00%					
			2/15/2031	740,000	3.00%					
						-	-	-	-	
						<u>\$ 890,000</u>	<u>\$ 11,540,000</u>	<u>\$ 890,000</u>	<u>\$ 11,540,000</u>	
								<u>\$ 890,000</u>		

**BOROUGH OF LEONIA
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, January 1, 2019	\$ 34,500
Increased by:	
2019 Budget Appropriations	<u>650,000</u>
	684,500
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>63,500</u>
Balance, December 31, 2019	<u><u>\$ 621,000</u></u>

EXHIBIT C-12

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, January 1, 2019	\$ 997,641
Increased by:	
Charges to Improvement Authorizations	<u>530,752</u>
	1,528,393
Decreased by:	
Restored to Improvement Authorizations	<u>997,641</u>
Balance, December 31, 2019	<u><u>\$ 530,752</u></u>

EXHIBIT C-13

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, January 1, 2019	\$ <u>11,051</u>
Balance, December 31, 2019	<u><u>\$ 11,051</u></u>

**BOROUGH OF LEONIA
STATEMENT OF LOANS PAYABLE**

Balance, January 1, 2019	\$ 379,400
Decreased by:	
Paid by Budget Appropriation	<u>37,319</u>
Balance, December 31, 2019	<u>\$ 342,081</u>

STATEMENT OF RESERVE FOR GRANTS RECEIVABLE

Increased by:	
Grants Awarded in 2019 (Ordinance 2019-17)	<u>\$ 383,627</u>
Balance, December 31, 2019	<u>\$ 383,627</u>

BOROUGH OF LEONIA
STATEMENT OF BOND ANTICIPATION NOTES

<u>Ordinance #</u>	<u>Improvement Description</u>	<u>Amount of Original Note</u>	<u>Date of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance January 1, 2019</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31 2019</u>
01-10/10-10	Various Public Improvements	\$1,250,000	4/5/2010	2/16/2018	2/15/2019	2.75%	\$ 1,232,250	\$ -	\$ 1,232,250	\$ -
08-11	Various Public Improvements	494,190	10/24/2011	2/16/2018	2/15/2019	2.75%	340,290	-	340,290	-
11-12	Various Public Improvements	393,925	2/22/2013	2/16/2018	2/15/2019	2.75%	344,425	-	344,425	-
13-02	Various Public Improvements	493,339	2/21/2014	2/16/2018	2/15/2019	2.75%	443,492	-	443,492	-
14-03	Various Public Improvements	979,510	9/19/2014	2/16/2018	2/15/2019	2.75%	876,485	-	876,485	-
2015-04	Various Public Improvements	632,701	2/19/2016	2/16/2018	2/15/2019	2.75%	591,326	-	591,326	-
2016-06	Various Public Improvements	1,314,029	9/30/2018	2/16/2018	2/15/2019	2.75%	1,314,029	-	1,314,029	-
2017-12	Various Public Improvements	4,469,800	2/16/2018	2/16/2018	2/15/2019	2.75%	4,469,800	-	4,469,800	-
							<u>\$ 9,612,097</u>	<u>\$ -</u>	<u>\$9,612,097</u>	<u>\$ -</u>
Paid with Capital Cash									<u>\$9,612,097</u>	

**BOROUGH OF LEONIA
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2019</u>	2019 <u>Authorizations</u>	Bonds <u>Issued</u>	Notes Retired With <u>Capital Cash</u>	Balance, December 31, <u>2019</u>
<u>General Improvements</u>						
13-02	Various Public Improvements	\$ 6,847				\$ 6,847
2015-04	Various Public Improvements	27,375				27,375
2017-12	Various Public Improvements	-			\$ 952,375	952,375
2018-08	Various Public Improvements	2,980,000		\$ 2,880,278		99,722
2019-11	Various Public Improvements	-	\$ 1,249,000			1,249,000
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	-	575,000	-	-	575,000
		<u>\$ 3,014,222</u>	<u>\$ 1,824,000</u>	<u>\$ 2,880,278</u>	<u>\$ 952,375</u>	<u>\$ 2,910,319</u>

SWIMMING POOL UTILITY FUND

**BOROUGH OF LEONIA
STATEMENT OF CASH
SWIMMING POOL UTILITY FUND**

	Operating Fund	Capital Fund
Balance, January 1, 2019	\$ 264,826	\$ 1,016
Increased by:		
Budget Revenue - Swimming Pool Fees	\$ 290,567	
Budget Revenue - Miscellaneous	16,050	
Receipts from Current Fund	417	\$ 6
Receipts from Swimming Pool Capital Fund	6	
Receipts Due to Other Trust Fund		1,367
Interest on Investments	<u>-</u>	<u>1</u>
	<u>307,040</u>	<u>1,374</u>
	571,866	2,390
Decreased by Disbursements:		
2019 Appropriation Expenditures	262,569	
Payments to Swimming Pool Operating Fund	<u>-</u>	<u>6</u>
	<u>262,569</u>	<u>6</u>
Balance, December 31, 2019	<u>\$ 309,297</u>	<u>\$ 2,384</u>

EXHIBIT D-6

**BOROUGH OF LEONIA
ANALYSIS OF SWIMMING POOL CAPITAL CASH**

Capital Improvement Fund	\$ 1,000
Due to Other Trust Fund	1,367
Due to Swimming Pool Operating Fund	1
Fund Balance	<u>16</u>
	<u>\$ 2,384</u>

EXHIBIT D-7

**BOROUGH OF LEONIA
STATEMENT OF ENCUMBRANCES PAYABLE
SWIMMING POOL UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 2,877
Increased by:	
Charges to 2019 Budget Appropriations	<u>3,286</u>
	6,163
Decreased by:	
Transfer to Appropriation Reserves	<u>2,877</u>
Balance, December 31, 2019	<u>\$ 3,286</u>

**BOROUGH OF LEONIA
STATEMENT OF 2018 APPROPRIATION RESERVES
SWIMMING POOL UTILITY OPERATING FUND**

	Balance January 1, <u>2019</u>	Transfer From Encumbrances Payable	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages	\$ 590		\$ 590		\$ 590
Other Expenses	2,847	\$ 2,877	5,724		5,724
Capital Improvements					
Capital Outlay	1,109		1,109		1,109
Statutory Expenditures:					
Social Security System	<u>1,816</u>	<u>-</u>	<u>1,816</u>	<u>-</u>	<u>1,816</u>
	<u>\$ 6,362</u>	<u>\$ 2,877</u>	<u>\$ 9,239</u>	<u>\$ -</u>	<u>\$ 9,239</u>

EXHIBIT D-9

**STATEMENT OF FIXED CAPITAL
SWIMMING POOL UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$ 1,398,215
Increased by:	
Capital Outlay Budget Charges	<u>8,355</u>
Balance, December 31, 2019	<u>\$ 1,406,570</u>

EXHIBIT D-10

**STATEMENT OF RESERVE FOR AMORTIZATION
SWIMMING POOL UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$ 1,398,215
Increased by:	
Capital Outlay Budget Charges	<u>8,355</u>
Balance, December 31, 2019	<u>\$ 1,406,570</u>

**BOROUGH OF LEONIA
STATEMENT OF DUE FROM CURRENT FUND
SWIMMING POOL UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 417
Decreased by:	
Cash Receipts	<u>417</u>
Balance, December 31, 2019	<u>\$ -</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND
SWIMMING POOL UTILITY CAPITAL FUND**

Balance, January 1, 2019	<u>\$ 1,000</u>
Balance, December 31, 2019	<u>\$ 1,000</u>

**BOROUGH OF LEONIA
STATEMENT OF DUE FROM CURRENT FUND
SWIMMING POOL UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$	6
Decreased by:		
Cash Receipts		6
Balance, December 31, 2019	\$	-

**BOROUGH OF LEONIA
STATEMENT OF DUE TO SWIMMING POOL OPERATING FUND
SWIMMING POOL UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$	6
Increased by:		
Interest on Investments		1
		7
Decreased by:		
Cash Disbursements		6
Balance, December 31, 2019	\$	1

**BOROUGH OF LEONIA
STATEMENT OF DUE TO OTHER TRUST FUND
SWIMMING POOL UTILITY CAPITAL FUND**

Increased by:		
Cash Receipts	\$	1,367
Balance, December 31, 2019	\$	1,367

BOROUGH OF LEONIA
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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 Leonia
Leonia, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements 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 Leonia, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Leonia’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter 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 and which is described in the accompanying schedule of findings and responses as item 2019-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Leonia in Part III of this report of audit entitled; “Letter of Comments and Recommendations”.

Borough of Leonia’s Response to Finding

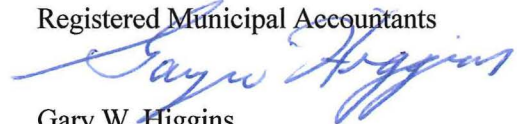
The Borough of Leonia’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Leonia’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
August 20, 2020

**BOROUGH OF LEONIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2019**

	<u>Grant Year</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Received</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Balance, December 31, 2019</u>	<u>(Memo) Cumulative Expenditures</u>
Division of Law & Public Safety									
Federal Body Armor Replacement	2018	N/A	N/A		\$ 467		467	-	\$ 467
Federal Body Armor Replacement	2019	N/A	N/A			885	885	-	885
Federal Body Armor Replacement	2020			\$ 707					
Federal Body Armor Replacement	Prior Year	N/A	N/A		429		429	-	429
U.S. Dept. of Transportation									
Click it or Ticket	2020	N/A	20.600	5,500					
Distracted Driving	2020	N/A	20.616	5,500	-			-	
Ordinance 2019-17 - Improvement of Broad Avenue	2019	N/A	20.205			383,627		383,627	
Ordinance 2016-06 - Crescent & Highland	Prior Year	078-6320-480	20.205	38,875	38,875		38,875	-	38,875
U.S. Dept. of Housing and Urban Development									
CDBG			14.218		-	80,000	80,000	-	80,000
CDBG - Ordinance 2016-06 - Woodridge Place	Prior Year	N/A	14.218		5,074	-	-	5,074	140,271
					<u>\$ 44,845</u>	<u>\$ 464,512</u>	<u>\$ 120,656</u>	<u>\$ 388,701</u>	

N/A-Not Available

Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

**BOROUGH OF LEONIA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Amount Received</u>	<u>Balance, January 1, 2019</u>	<u>2019 Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Program	042-4900-765-004	2018		\$ 9,207		\$ 6,167	\$ 3,040	\$ 12,334
		2019			\$ 14,713		14,713	
		2020	\$ 16,428					
Recycling Tonnage Grant	042-4910-100-224	2018		11,044			11,044	
		Prior Year		\$ 911			911	
		2020	22,209					
Body Armor Replacement Grant	066-1020-718-001	2018		1,946		1,946	-	1,946
		Prior Year		2,403		2,403	-	6,226
		2020	2,229					
Drunk Driving Enforcement Fund	N/A	2019		-	9,766	853	8,913	853
		2020	2,817					
Sustainable Jersey Grant	N/A	2019	15,000		30,000	30,000	-	30,000
Alcohol Education and Rehabilitation Fund	N/A	2018		836			836	
		Prior Year		1,606			1,606	165
Anjec Open Space Stewardship Grant	N/A	Prior Year		700	-	-	700	
				<u>\$ 28,653</u>	<u>\$ 54,479</u>	<u>\$ 41,369</u>	<u>\$ 41,763</u>	

N/A - Not Available

Note - This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08.

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF LEONIA
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Leonia. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 80,885	\$ 54,479	\$ 135,364
General Capital Fund	<u>383,627</u>	<u>-</u>	<u>383,627</u>
Total Financial Awards	<u>\$ 464,512</u>	<u>\$ 54,479</u>	<u>\$ 518,991</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF LEONIA
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2019, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

Loan Program

New Jersey Environmental
Infrastructure Trust:

2007 Loan	\$ 196,459
2008 Loan	<u>145,622</u>
	<u>\$ 342,081</u>

**BOROUGH OF LEONIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part I – Summary of Auditor’s Results

Financial Statements

- A) Type of auditors' report issued on financial statements Modified - Regulatory Basis, Unaudited LOSAP Trust Fund
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified yes X no
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? X yes none reported
- C) Noncompliance material to the financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF LEONIA
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2019-001:

Our audit revealed the following:

- Certain bills that related to 2019 were not recorded as liabilities at December 31, 2019.
- Numerous instances were noted where a purchase order was not generated prior to the receipt of goods/services.
- Several instances were noted where a payment approval signature was missing on the respective voucher.

Criteria or specific requirement:

- Financial reporting requirements promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.
- N.J.A.C. 5:30-5.2, “Encumbrance Systems”.

Condition:

See Finding 2018-001.

Questioned Costs:

None.

Context:

- Bills in the amount of \$184,302 were not recorded as liabilities at December 31, 2019 in the General Capital Fund.
- Purchase orders are not being encumbered prior to the receipt of goods/services.
- Payment approval signatures are not being obtained on vouchers prior to payment.

Cause:

Unknown.

Effect:

Liabilities were understated at December 31, 2019 on the financial statements presented for audit.

Recommendation:

Procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the approval of payments prior to submission to the governing body.

Management’s Response:

Management will review internal controls relating to the purchasing/cash disbursements accounting cycle. The Borough Administrator and Chief Financial Officer will instruct department heads on enhanced procedures.

BOROUGH OF LEONIA
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR STATE AWARDS

Not Applicable.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

**BOROUGH OF LEONIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

Finding 2018-001:

Our audit revealed the following:

- Certain bills that related to 2018 were not recorded as liabilities at December 31, 2018.
- Numerous instances were noted where a purchase order was not generated prior to the receipt of goods/services.
- Several instances were noted where a payment approval signature was missing on the respective voucher.

Current Status

See Finding 2019-001

Finding 2018-002

Our audit noted the following with regards to compliance with the Local Public Contracts Law:

- Bids were no solicited for the contract for cleaning services.
- Documentation supporting the use of cooperative purchasing agencies and State contract vendors was not always maintained on file.
- There was one instance where a resolution was not approved for the awarding of a professional services contract.
- Certain documentation was not on file for the bid awarded for garbage collection.
- The Political Contribution Form and Business Registration Certificate was not on file for a professional services contract awarded.
- Payments on a contract were in excess of the not to exceed amount per the resolution awarding the contract.

Current Status

Corrective action was partially taken. See General Comments.

BOROUGH OF LEONIA

BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF LEONIA
SUPPORTING DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,321,000	3.15 %	\$ 621,000	1.54 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,595,929	6.18	2,483,725	6.17
Collection of Delinquent Taxes and Tax Title Liens	291,927	0.69	296,222	0.74
Collection of Current Tax Levy	36,691,325	87.35	36,106,581	89.62
Other Credits to Income	<u>1,106,193</u>	<u>2.63</u>	<u>779,264</u>	<u>1.93</u>
 Total Income	 <u>42,006,374</u>	 <u>100.00</u> %	 <u>40,286,792</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,269,949	37.11 %	14,034,594	35.90 %
County Taxes	3,525,902	8.57	3,474,871	8.89
Local School Taxes	21,877,464	53.16	21,545,016	55.11
Other Expenditures	<u>479,323</u>	<u>1.16</u>	<u>39,733</u>	<u>0.10</u>
 Total Expenditures	 <u>41,152,638</u>	 <u>100.00</u> %	 <u>39,094,214</u>	 <u>100.00</u> %
 Excess in Revenue	 853,736		 1,192,578	
Adjustments to Income before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>80,000</u>		<u>-</u>	
 Statutory Excess in Revenue	 933,736		 1,192,578	
 Fund Balance, January 1	 <u>2,170,426</u>		 <u>1,598,848</u>	
	3,104,162	-	2,791,426	
Less Utilization as Anticipated Revenue	<u>1,321,000</u>		<u>621,000</u>	
 Fund Balance, December 31	 <u>\$ 1,783,162</u>		 <u>\$ 2,170,426</u>	

**BOROUGH OF LEONIA
SUPPORTING DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
SWIMMING POOL UTILITY OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 74,000	18.98 %	\$ 35,000	9.20 %
Collection of Membership Fees	290,567	74.53	273,708	71.93
Miscellaneous - From Other Than Membership Fees	<u>25,290</u>	<u>6.49</u>	<u>71,818</u>	<u>18.87</u>
Total Income	<u>389,857</u>	<u>100.00</u> %	<u>380,526</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Operating	255,000	81.21 %	246,221	89.63 %
Capital	45,000	14.33	15,000	5.46
Deferred Charges and Statutory Expenditures	<u>14,000</u>	<u>4.46</u>	<u>13,500</u>	<u>4.91</u>
Total Expenditures	<u>314,000</u>	<u>100.00</u> %	<u>274,721</u>	<u>100.00</u> %
Excess in Revenue	75,857		105,805	
Fund Balance, January 1	<u>256,010</u>		<u>185,205</u>	
	331,867		291,010	
Less Utilization as Anticipated Revenue	<u>74,000</u>		<u>35,000</u>	
Fund Balance, December 31	<u>\$ 257,867</u>		<u>\$ 256,010</u>	

**BOROUGH OF LEONIA
SUPPORTING DATA**

Comparative Schedule Of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.982</u>	<u>\$2.946</u>	<u>\$2.911</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.890	.872	.861
County (including Open Space Tax)	.285	.281	.283
Local School	1.768	1.755	1.730
Library	.039	.038	.037

Assessed Valuation

2019	<u>\$1,237,461,403</u>	
2018		<u>\$1,227,934,816</u>
2017		<u>\$1,225,603,314</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 36,998,124	\$ 36,691,325	99.17%
2018	36,416,198	36,106,581	99.14%
2017	35,735,634	35,418,932	99.11%

**BOROUGH OF LEONIA
SUPPORTING DATA**

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>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2019	\$ 304,872	\$ 1,694	\$ 306,566	0.83%
2018	299,559	1,211	300,770	0.83%
2017	311,128	734	311,862	0.87%

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2019 by foreclosure or deed, as a result of liquidation of tax title liens.

Comparative Schedule Of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$1,783,162	\$1,071,000
	2018	2,170,426	1,321,000
	2017	1,598,848	621,000
	2016	1,327,946	400,000
Swimming Pool Utility Operating Fund	2019	\$257,867	\$74,000
	2018	256,010	74,000
	2017	185,205	35,000
	2016	161,594	35,000

**BOROUGH OF LEONIA
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Judah Zeigler	Mayor	12/31/23
Pat Fusco	Council President	12/31/20
Maureen Davis	Councilwoman	12/31/20
Louis Grandelis	Councilman	11/03/20
Joanne Choi Terrell	Councilman	12/31/21
William Ziegler	Councilman	12/31/22
Bernadette Flaim	Councilwoman	12/31/22
Andrea Wardrop	Administrator	
Barbara Rae	Municipal Clerk	
Vincent Buono	Chief Financial Officer	
Lynn Hemmer	Treasurer	
Michael Apicella	Tax Collector	
Joann Orłowski	Tax/Accounts Receivable Clerk	
Lynn Hemmer	Accounts Payable/Payroll/Purchasing Clerk	
Aleta Zygiel	Registrar of Vital Statistics	
Aleta Zygiel	Public Health Nurse	
Sam Yanovich	Health Officer	
Ruby Parra	Registered Environmental Health Inspector	
John Villareal	Public Works Superintendent	
Cleary Giacobbe Alfieri Jacobs	Borough Attorney	
Lerch, Vinci & Higgins, LLC	Borough Auditor	
Rogut, McCarthy Troy LLC	Bond Counsel	
Timothy Henderson	Tax Assessor	
Timothy Henderson	Assessment Search Officer	
Costa Engineering	Borough Engineer	
Thomas Rowe	Chief of Police	
John R. DeSheplo, Esq.	Municipal Court Judge	
Cherron Gil	Municipal Court Administrator	
Kelly O'Toole-Monroe	Deputy Court Administrator	
Mark Fierro, Esq.	Prosecutor	
Robert Metzendorf, Esq.	Public Defender	
Mark Moeller	Building Inspector, Construction Code Official, Building Sub-Code Official	
Dan Melfi	Zoning Official	
Steve Oxnard	Property Maintenance Officer	
Michael Quercia	Plumbing Sub-Code Official	
Jim Hoffman	Electrical Inspector	
Dave Haenelt	Fire Sub-Code Official	
Dave Haenelt	Fire Marshall	
Robert Chase	Fire Inspector	
John Biondi	Fire Chief	
Barbara Davidson	Recreation Director	
Conklin & Kraft Agency	Risk Management Consultants	
Al Martone	Recycling Coordinator	

The Municipal Excess Liability Joint Insurance Fund provides a blanket position bond in the amount of \$1,000,000.

**BOROUGH OF LEONIA
SUPPORTING DATA**

GENERAL COMMENTS

Current Year

The 2019 appropriation for BCUA – Share of Costs was overexpended at December 31, 2019. The overexpended amount was included as a Deferred Charge in the 2020 Borough budget, therefore, an audit recommendation is not warranted.

The audit of the detail fixed assets report indicates there is no established threshold for determining if a purchase should be capitalized. Additionally, the individual land values included in the fixed assets report are not in agreement with the values reported in the audited financial statements. It is recommended that a capitalization threshold be established for the General Fixed Assets Account Group and land values be properly recorded in the fixed assets report.

The audit of the Current and Other Trust Funds indicated there exists certain inactive reserves as of December 31, 2019. It is recommended the inactive reserves in the Current and Other Trust Funds be reviewed and cleared of record.

The audit of the tax overpayments disclosed certain balances relate to the 2018 calendar year. It is recommended that the prior year tax overpayment balances be refunded or applied to outstanding tax balances.

The audit of the Borough's bank reconciliation indicated there exists certain adjustments and old outstanding checks and certain reconciled balances were not in agreement with the respective general ledger. It is recommended that adjustments and old outstanding checks on Borough bank reconciliations be reviewed and cleared of record and reconciled balances be verified to the respective general ledger on a monthly basis.

Prior Year Unresolved

The audit indicated two instances where there was no evidence that competitive quotations were obtained when required. Additionally, certain documentation supporting the use of cooperative purchasing agencies and State contracts vendors was not maintained on file. It is recommended that procedures over purchasing be reviewed and revised to ensure all contract awards and purchases are made in accordance with the requirements of the Local Public Contracts Law.

The audit indicated that the Other Trust escrow ledger included old escrow deposits. It is recommended that old escrow deposits continue to be reviewed and cleared of record, where applicable.

The audit indicated that there exists various interfunds balances as of December 31, 2019. It is recommended that all interfunds be cleared of record on a periodic basis and as of December 31.

The audit indicated that certain Borough employees are permitted to make Borough purchases on account with local vendors. It is recommended that a written policy regarding the procedures for allowing purchases on account be prepared and formally adopted by the governing body.

**BOROUGH OF LEONIA
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Prior Year Unresolved (Continued)

The audit of payroll indicated there were several instances where an employee's salary was not within the range per the salary ordinance. There were also instances when an employee's position was not included in the salary ordinance. It is recommended that the salary ordinance be updated to include all positions and properly reflect the salary range for all positions.

The audit of payroll indicated that there were several instances where timesheets were not properly approved and/or maintained. It is recommended that timesheets be properly approved and/or maintained.

Our audit revealed that certain employees were not enrolled in a State sponsored pension plan when it appears that they met the eligibility requirements. It is recommended that all employees who meet the eligibility requirements be enrolled in a State sponsored pension plan.

Contracts And Contracts Required To Be Advertised For NJS 40A:11-4

NJS 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 otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement.

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

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "professional services" per N.J.S. 40A:11-5.

The minutes indicated that bids were requested by public advertising for the following items:

2019 Road Resurfacing Program	Roofing Projects
Wood Park Improvements	Sanitary Sewer Replacement
Senior Center Renovations	

Our examination of expenditures revealed no instances where individual payments exceeded the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

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.

**BOROUGH OF LEONIA
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Collection Of Interest On Delinquent Taxes And Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 7, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, that interest will be charged at the rate of eight (8%) percent per annum on the first \$1,500.00 of all delinquent taxes, assessments, and Borough charges, and eighteen (18%) percent of any amounts over \$1,500.00 delinquency, except that no interest will be charged on taxes for the current quarter if the said taxes are paid within the tenth (10th) calendar day following the date upon which the same became payable; and

BE IT FURTHER RESOLVED, that the interest rates shall revert to the percentages as foresaid from the first day of any current quarter unless taxes for the same quarter are paid during the first ten (10) days of such quarter.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes And Tax Title Liens

A tax sale was not required in 2019.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	1
2018	1
2017	1

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**BOROUGH OF LEONIA
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. Procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the approval of payments prior to the submission to the governing body.
- * 2. Procedures over purchasing be reviewed and revised to ensure all contract awards and purchases are made in accordance with the requirements of the Local Public Contracts Law.
- * 3. Old escrow deposits continue to be reviewed and cleared of record, where applicable.
- * 4. All interfunds be cleared of record on a periodic basis and as of December 31.
- * 5. A written policy regarding the procedures for allowing purchases on account be prepared and formally adopted by the governing body.
- * 6. The salary ordinance be updated to include all positions and properly reflect the salary range for all positions.
- * 7. Timesheets be properly approved and/or maintained.
- * 8. All employees who meet the eligibility requirements be enrolled in a State sponsored pension plan.
- 9. A capitalization threshold be established for the General Fixed Assets Account Group and land values be properly recorded in the fixed assets report.
- 10. The inactive reserves in the Current and Other Trust Funds be reviewed and cleared of record.
- 11. The prior year tax overpayments be refunded or applied to outstanding tax balances.
- 12. Adjustments and old outstanding checks on Borough bank reconciliations be reviewed and cleared of record and reconciled balances be verified to the respective general ledger on a monthly basis.

Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all except those denoted above with an asterisk.

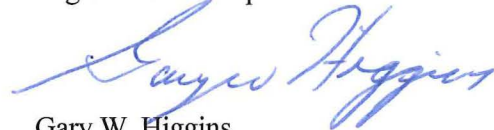
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The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

BOROUGH OF LEONIA
 YEAR ENDED DECEMBER 31, 2019
 INTERNAL CONTROL QUESTIONNAIRE
 SECTION XXI - STATUTORY COMPLIANCE
 (Note: This Questionnaire must be filed with
 the Division of Local Government Services.)

	Yes	No	N/A	Remarks
1. Has the current tax duplicate and tax levy been proven?	X			
2. Have all the cancellations, State and County Board Judgements, Veterans' deductions and Senior Citizens' deductions been reviewed for propriety and checked as to proper authorization and checked to tax duplicate or tax card?	X			
3. Were tax collections per cash receipts book in agreement with amounts posted in current duplicate or tax cards?	X			
4. Have all tax overpayments been accounted for?	X			
5. If tax machine bookkeeping or computer system is in use, has it been approved by the Director of the Division of Local Government Services?	X			
6. Have the taxes outstanding for prior years been established and proven?	X			
7. Were all the necessary checks, as outlined in the above steps, pertaining to prior years' taxes, taken to insure proof of prior years' taxes?	X			
8. a. Is a tax arrears register in use and properly kept?	X			
b. Were the respective duplicates closed to the tax arrears register?	X			
9. Are lien registers adequate and are they properly kept?	X			
10. Is a foreclosed property register in use and is it kept current?	X			
11. Have all properties sold been assessed the following year?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
12. Are all moneys deposited within 48 hours as prescribed by statute (N.J.S. 40A5-15) for:				
a. Collector - Treasurer?			X	
b. Treasurer?	X			
c. Collector?	X			
13. Did the collector report and pay the amount collected to the treasurer, or other official of the Municipality authorized to receive such collections, <u>on the first day</u> of each month following, or more often if required by governing body?	X			
14. Is an adequate permanent record maintained by all officials who receive municipal funds?	X			
15. Are all disbursements made by the general treasurer for all boards, bodies, or department?		X		Municipal Court make own disbursements
16. Were all officials handling municipal funds covered by surety bonds?	X			
17. If Blanket Bond coverage was chosen to be utilized for municipal court personnel per N.J.S. 40A5-34.1, were non-court employees excluded?			X	
18. Were surety bonds for tax collector, utility collector and municipal court personnel in compliance with the Local Finance Board promulgated schedules?	X			
19. Does the scope of the audit cover the activities and receipt of revenue of every Board, Body, Officer or Commission?	X			
20. Was cash count and reconciliation of the cash accounts of the treasurer, tax collector and utility collector made not more than 50 days prior to the date of filing the report of audit with the clerk of the governing body?			X	
a. Date of reconciliation				<u>2/6/2020</u>
b. Date of filing				<u>9/9/2020</u>

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
21. Did the Municipality have any "Repurchase Agreements" during the year?		X		
22. Did the audit of investments reveal any items which are <u>not</u> allowed by statute (N.J.S.A. 40A5-51.1)?		X		
23. In your opinion, are the books and records of any officials in such unsatisfactory condition that a proper audit could not be made?		X		
24. Is a general ledger accounting system maintained for all funds by the Chief Financial Officer?	X			
25. Is there an appropriation ledger maintained with timely entries by someone in the Municipality?	X			
26. Have annual statements as to receipts and disbursements (detailed) been filed by spending agencies as required by N.J.S.40A:5-13?	X			
27. Were revenues for Uniform Construction Code fees collected in compliance with the adopted fee ordinance and properly recorded in the receipts journal?	X			
28. Has an annual report been filed, accounting for funds received, by each fire district and volunteer fire company in accordance with 40A:14-34?			X	
29. Have the following reports required from the Collector by R.S. 54:4-91 and 91.1 been filed:				
a. Yearly report?	X			
b. List of uncollectable taxes?	X			
30. Was interest collected on delinquencies in accordance with the statutes and/or the resolution of the governing body?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
31. Does the interest resolution of the governing body exceed the maximums set per Chapter 435, laws of 1980? (8% of first \$1,500 and 18% for amounts over \$1,500 delinquency).		X		
32. Were all temporary appropriations, adopted under 40A:4-20, proper and recorded in the record?	X			
33. Were temporary appropriations, adopted under 40A:4-19, within the statutory maximum?	X			
34. Were the budgets properly spread in full in the minutes or read by title if properly posted as required by 40A:4-8?	X			
35. Were budgets, officially certified by the Director, on file with the Municipality?	X			
36. Were there any overcommitments and/or over-expenditures made of temporary appropriations, and current appropriations or appropriation reserves prior to transfer period or after?	X			See Audit Comment
37. Were there any Expenditures Without Ordinance Appropriations or Appropriation Reserve Expenditures Without Appropriations or any similar violations?	X			
NOTE: (ALL VIOLATIONS OF THIS NATURE SHOULD BE REPORTED TO THE DIVISION OF LOCAL GOVERNMENT SERVICES WITH AN EXPLANATION IN WRITING FROM THE CHIEF FINANCIAL OFFICER AS TO THE CAUSE.)				
38. Were supporting delivery slips (or other comparable supporting data) available for examination in all instances where such slips or data were required?	X			
39. Does the Municipality have an ordinance adopted for the approval for payment of claims per N.J.S. 40A:5-17a?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
40. Were all vouchers approved by the governing body as required by N.J.S.40A:5-17a and an ordinance adopted?	X			
41. Were all approved vouchers recorded in the minutes as required by N.J.S. 40A:5-1?	X			
42. Did your examination of vouchers and disbursements disclose any noncompliance, irregularity or violation of law which has <u>NOT</u> been made a subject of comment and/or recommendation in the report of audit? If answer is "Yes" explain fully?			X	
43. Did your examination of vouchers and disbursements for construction code enforcement purposes disclose any non-compliance with N.J.A.C. 5:23-4.17?			X	
44. Is there a purchasing agent or centralized purchasing authority in the municipality?	X			
45. Does the municipality maintain a functioning encumbrance accounting system as required by Technical Directive No. 1985-1?	X			
46. Is a certificate, as to Availability of Funds, prepared prior to the awarding of each contract per Local Public Contract regulations?	X			
47. a. Are there adequate internal procedures to insure advertising for bids where the estimated costs will exceed the State bidding threshold (Per N.J.S. 40A:11-4), and the soliciting of three quotations, where the estimated costs will exceed the amount per N.J.S. 40A:11-6.1?			X	
b. Were resolutions authorizing Agreements for Professional Services properly adopted and advertised in accordance with 40A:11-5?	X			
48. Have adequate comments been made covering all advertisements for bids as set forth in the minutes?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
49. Have all petty cash funds been approved by the Director in accordance with 40A:5-21?	X			
50. Did the audit reveal any irregularities in regard to the amount of the "CAP" or any Exclusions from the "CAP" which should be brought to the attention of the Director?		X		
51. If a Municipality operates a utility, has the revenue ledger been proven and were cash collections per cash receipts records in agreement with postings to the ledgers?	X			
52. Were penalties on utility charges established by ordinance per N.J.S. 40:62-77 and were collections of the penalties made accordingly?	X			
53. Are there "Deferred Charges to Future Taxation-Unfunded" balances as of December 31, over five years old, where the projects have been completed and payments made from cash not provided by the particular ordinances with unfinanced costs?	X			
54. Does the Analysis of General Capital Fund Cash include cash deficits for ordinances over five years old?	X			
55. Was there a bond and interest bank account with a balance remaining on December 31?		X		
56. Has the required "Report of Municipal Court" been filed with the Division, the Municipal Court Judge and the governing body?	X			
57. Are there interfund balances on the various balance sheets as of December 31?	X			
58. Did your audit of the "Trust" section of accounts indicate that all expenditures made were properly includable and Dedications by Riders per N.J.S. 40A:4-39 have been approved by the Director for those items deemed as requiring such approval?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
59. Are Municipal Court appropriations separately identified in the municipal budget document as are other appropriations permitted outside "Cap" pursuant to NJSA 48:4-45.3?		X		Municipal Court Appropriations are considered inside CAP.
60. Are Municipal Court appropriations for Salaries and Wages and Other Expenses consistent with the policies established by the Division and the Administrative Office of the Courts?	X			
61. Have receipts and disbursements in the Division approved "Municipal Court Administration Reimbursement Fund" (NJSA 26:2B-35) been properly budgeted (Categorical Grant-in Aid), recorded and expended in accordance with statutory requirements and policies of the Division?			X	
62. Have the receipts and disbursements from the Parking Offenses Adjudication Act (POAA), NJSA 39:4-139.9(a) been properly recorded in a separate trust fund reserved for the Municipal Court's use and expended in accordance with statutory requirements and the POAA plan developed by each municipal court pursuant to the November 1, 1985 policy statement of the Administrative Director of Courts?	X			
63. Have revenues and disbursements in the Division approved Uniform Construction Code Enforcement Fees Trust Fund been properly recorded and expended in compliance with N.J.A.C. 5:23-4.17?	X			
64. Did the municipality make contributions to any first aid association, emergency or volunteer ambulance or rescue squad per N.J.S. 40:5-2?	X			
65. Does the municipality maintain a fixed asset accounting system in compliance with Technical Accounting Directive No. 1985-2?	X			
66. Is there an accounting of accrued compensated absences liabilities as required by GASB No. 16?	X			

BOROUGH OF LEONIA
YEAR ENDED DECEMBER 31, 2019

	Yes	No	N/A	Remarks
67. Have comments and recommendations been included in the audit report for all answers above which indicate corrections or improvements are required?	X			
68. Has a corrective action plan been prepared for the prior year audit findings and recommendations by the Chief Financial Officer?	X			
69. Do you participate in an external quality control review program? If yes, when and by whom was this performed? <u>2019 Davie Kaplan</u>	X			
70. Are there any matters which should be taken up with the Municipality by the Division?		X		
If answer is "Yes", file a detailed report with the Questionnaire, if not previously filed with the Director of the Division of Local Government Services.				