

**BOROUGH OF LEONIA**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2020**

# BOROUGH OF LEONIA

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**BOROUGH OF LEONIA**  
**BERGEN COUNTY, NEW JERSEY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**YEAR ENDED DECEMBER 31, 2020**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

## 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, 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, 2020 and 2019. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 56 percent and 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2020 and 2019.

***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, 2020 and 2019, 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, 2020 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***

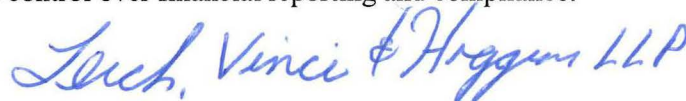
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Leonia as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary 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.

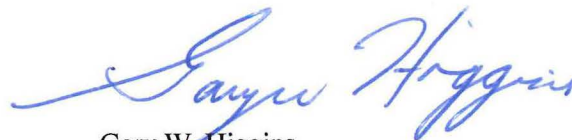
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2021 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  
September 7, 2021



**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>Regular Fund</b>			
Cash		\$ 2,942,757	\$ 3,009,961
Cash Held by Third Party		<u>418,535</u>	<u>-</u>
Change Funds	A-4	3,361,292	3,009,961
	A-5	<u>300</u>	<u>300</u>
		<u>3,361,592</u>	<u>3,010,261</u>
<b>Receivables and Other Assets with Full Reserves</b>			
Delinquent Taxes Receivable	A-7	293,584	304,872
Tax Title Liens Receivable	A-8	2,195	1,694
Due from Other Trust Fund	A-22	18,200	252,865
Due from General Capital Fund	A-21	468,311	221,221
Due from Animal Control Fund	B-8	7,493	3,786
Revenue Accounts Receivable	A-9	<u>6,643</u>	<u>15,400</u>
		<u>796,426</u>	<u>799,838</u>
<b>Deferred Charges</b>			
Emergency Authorizations	A-26		80,000
Overexpenditure of Appropriation	A-28	<u>-</u>	<u>7,126</u>
		<u>-</u>	<u>87,126</u>
<b>Total Regular Fund</b>		<u>4,158,018</u>	<u>3,897,225</u>
<b>Federal and State Grant Fund</b>			
Cash	A-4	4,873	1,921
Grants Receivable	A-24	<u>110,233</u>	<u>95,233</u>
<b>Total Federal and State Grant Fund</b>		<u>115,106</u>	<u>97,154</u>
<b>Total Assets</b>		<u>\$ 4,273,124</u>	<u>\$ 3,994,379</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Regular Fund</b>			
Appropriation Reserves	A-3,A-10	\$ 1,128,303	\$ 762,153
Encumbrances Payable	A-11	179,682	261,620
Prepaid Taxes	A-14	309,489	208,370
Tax Overpayments	A-20	15,098	25,883
Reserve for State Library Aid	A-15	-	15,644
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	2,721	2,582
Due to State - Senior Citizen and Veterans Deductions	A-6	750	-
School Taxes Payable	A-17	305,614	-
Accounts Payable	A-27	13,745	3,228
Due to County for Added and Omitted Taxes	A-16	4,875	7,935
		<u>1,987,087</u>	<u>1,314,225</u>
Reserve for Receivables and Other Assets	A	796,426	799,838
Fund Balance	A-1	<u>1,374,505</u>	<u>1,783,162</u>
<b>Total Regular Fund</b>	-	<u>4,158,018</u>	<u>3,897,225</u>
<b>Federal and State Grant Fund</b>			
Reserve for Grants and Donations - Unappropriated	A-25	19,419	55,391
Reserve for Grants and Donations - Appropriated	A-23	<u>95,687</u>	<u>41,763</u>
<b>Total Federal and State Grant Fund</b>		<u>115,106</u>	<u>97,154</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 4,273,124</u>	<u>\$ 3,994,379</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

REVENUES AND OTHER INCOME	<u>Reference</u>	<u>2020</u>	<u>2019</u>
Fund Balance Utilized	A-2	\$ 1,071,000	\$ 1,321,000
Miscellaneous Revenue Anticipated	A-2	2,262,213	2,495,552
Receipts from Delinquent Taxes	A-2	304,629	291,927
Receipts from Current Taxes	A-2	38,081,409	36,691,325
Non-Budget Revenue	A-2	80,125	100,377
Other Credits to Income			
Interfund Advances Returned	A	234,665	97,753
Unexpended Balances of Appropriation Reserves	A-10	703,868	1,008,440
		<u>42,737,909</u>	<u>42,006,374</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,778,840	5,648,905
Other Expenses	A-3	6,350,655	6,258,517
Capital Improvements	A-3	200,000	650,000
Municipal Debt Service	A-3	1,513,089	1,371,028
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,353,913	1,341,499
County Taxes	A-16	3,591,301	3,373,594
County Taxes - Added Taxes	A-16	4,875	7,935
County Taxes - Open Space Preservation	A-16	150,648	144,373
Local District School Taxes	A-17	22,862,654	21,877,464
Prior Year Senior Citizen Disallowed	A-6	250	1,000
Refund of Prior Year Revenue	A-4	18,544	
Prior Year Adjustment - State Fees Payable	A-1		451
Interfund Advances Originating	A	250,797	477,872
		<u>42,075,566</u>	<u>41,152,638</u>
Excess in Revenue		<u>662,343</u>	<u>853,736</u>
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget			
of Succeeding Year			
	A-1	<u>-</u>	<u>80,000</u>
Statutory Excess in Revenue (Carried Forward)		<u>662,343</u>	<u>933,736</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, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
Excess in Revenue (Brought Forward)		\$ 662,343	\$ 933,736
FUND BALANCE, JANUARY 1	A	<u>1,783,162</u>	<u>2,170,426</u>
		2,445,505	3,104,162
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>1,071,000</u>	<u>1,321,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 1,374,505</u>	<u>\$ 1,783,162</u>

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

	<u>Reference</u>	2020 <u>Anticipated Budget</u>	<u>Realized in 2020</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,071,000	\$ 1,071,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-9	1,800	1,800	\$ -
Other	A-9	5,400	4,077	(1,323)
Fees and Permits				
Other	A-2, A-9	134,000	118,111	(15,889)
Fines and Costs - Municipal Court	A-9	171,700	91,779	(79,921)
Interest and Costs on Taxes	A-9	63,000	68,158	5,158
Interest on Investments and Deposits	A-2	67,000	51,435	(15,565)
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	172,000	191,568	19,568
Interlocal Agreement- Board of Education	A-9	30,000		(30,000)
Public and Private Revenues Offset				
With Appropriations				
Drunk Driving Enforcement Fund	A-25	2,817	2,817	-
Alcohol Education and Rehabilitation Fund	A-25	1	1	-
Recycling Tonnage Grant	A-25	22,209	22,209	-
NJ Sustainable Grant	A-24	15,000	15,000	-
Distracted Driving	A-25	5,500	5,500	-
Click it or Ticket	A-25	5,500	5,500	-
Body Armor Replacement Grant - Federal	A-25	707	707	-
Body Armor Replacement Grant	A-25	2,229	2,229	-
Clean Communities Program	A-25	16,428	16,428	-

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, 2020**

	<u>Reference</u>	2020 Anticipated <u>Budget</u>	Realized in 2020	Excess or (Deficit)
Other Special Items:				
Cable Television Franchise Fee	A-9	\$ 39,086	\$ 37,155	\$ (1,931)
Verizon FIOS Franchise Fee	A-9	57,206	56,158	(1,048)
Sewer - Surcharges	A-9	30,000	21,729	(8,271)
Towing Licenses and Administration	A-9	1,500	6,000	4,500
Sewer Billing - Commercial	A-9	171,000	131,562	(39,438)
Cellular Tower Rental	A-9	84,000	74,688	(9,312)
Payments in Lieu of Taxes	A-9	70,000	81,146	11,146
Capital Surplus	A-21	25,000	25,000	-
Uniform Fire Safety Act	A-9	8,451	9,864	1,413
Due From Extra Duty Trust -Administration Fees	A-9	66,000	113,203	47,203
Property Rental	A-9	24,000	24,000	-
Property Rental	A-9	<u>100,000</u>	<u>55,000</u>	<u>(45,000)</u>
	A-1	<u>2,420,923</u>	<u>2,262,213</u>	<u>(158,710)</u>
Receipts from Delinquent Taxes	A-7	<u>300,000</u>	<u>304,629</u>	<u>4,629</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for:				
Municipal Purposes	A-2	11,230,252	11,297,608	67,356
Minimum Library Tax	A-2	<u>499,323</u>	<u>499,323</u>	<u>-</u>
		<u>11,729,575</u>	<u>11,796,931</u>	<u>67,356</u>
Budget Totals		<u>\$ 15,521,498</u>	15,434,773	<u>\$ (86,725)</u>
	<u>Reference</u>	A-3		
Non-Budget Revenue	A-2		<u>80,125</u>	
			<u>\$ 15,514,898</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, 2020**

Reference

## ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenue from Collections	A-7	\$ 38,081,409
Allocated to School and County Taxes	A-16,A-17	<u>26,609,478</u>
		11,471,931
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>325,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,796,931</u>
Fees and Permits - Other		
Fire Prevention		\$ 35,843
Contractor Registration		100
CRO		21,325
Building Department Penalties		26,619
Soil Movement Permit		900
Zoning Permit		8,880
Dumpster Fee		850
Street Opening		15,950
Copies		1,124
Police - Motor Vehicle Inspections		510
Garage Sale Permit		260
Planning Board File Fees		<u>5,750</u>
	A-2, A-9	<u>\$ 118,111</u>
Analysis of Interest on Investments		
Revenue Accounts Receivable	A-9	\$ 25,210
Due from Other Trust Fund	A-22	535
Due from Animal Control Trust Fund	B-8	109
Due from General Capital Fund	A-21	<u>25,581</u>
	A-2	<u>\$ 51,435</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, 2020**

Reference

Analysis of Non-Budget Revenue			
Miscellaneous Receipts		\$	10,641
Administrative Fee- Seniors and Veterans			670
Statutory Excess - Animal Control			3,705
On Line Auction			4,861
Passport Fees			1,477
Vacant Prperty			<u>58,771</u>
	A-2,4	\$	<u>80,125</u>
	Cash Receipts	\$	76,420
Due from Animal Control Trust Fund	B-8		<u>3,705</u>
		\$	<u>80,125</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, 2020**

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Office of the Administrator					
Salaries & Wages	\$ 295,000	\$ 285,000	\$ 274,338	\$ 10,662	
Other Expenses	81,700	67,700	64,745	2,955	
Clerk					
Salaries & Wages	80,100	80,100	77,769	2,331	
Other Expenses	86,100	56,100	46,476	9,624	
Postage					
Other Expenses	15,750	15,750	11,305	4,445	
Copier Operations					
Other Expenses	11,500	11,500	10,742	758	
Elections					
Other Expenses	8,000	8,000	5,574	2,426	
Financial Administration					
Other Expenses	50,000	50,000	50,000		
Annual Audit	50,000	31,000	30,466	534	
Computerized Data Processing					
Other Expenses	71,000	71,000	65,041	5,959	
Revenue Administration (Tax Collection)					
Salaries & Wages	134,500	142,500	137,698	4,802	
Other Expenses	56,600	51,600	24,847	26,753	
Assessment of Taxes					
Salaries & Wages	19,000	19,000	18,285	715	
Other Expenses	2,150	2,150	1,785	365	
Legal Services & Costs					
Other Expenses	200,500	170,500	157,130	13,370	
Municipal Prosecutor					
Salaries & Wages	15,996	15,996	14,283	1,713	
Engineering Services					
Other Expenses	130,000	165,000	155,941	9,059	
Historical Commission					
Other Expenses	4,000	4,000	50	3,950	
<b>LAND USE ADMINISTRATION</b>					
Municipal Land Use Law (NJS 40:55D-1)					
Planning, Zoning Board					
Salaries & Wages	1,800	2,800	2,354	446	
Other Expenses	12,500	72,500	70,773	1,727	
<b>INSURANCE</b>					
General Liability	576,451	576,451	553,575	22,876	
Employee Group Health	1,062,500	1,077,500	960,790	116,710	
Employee Group Health - Waiver	50,000	50,000	36,153	13,847	
<b>PUBLIC SAFETY</b>					
Police					
Salaries & Wages	3,063,100	3,033,100	2,910,508	122,592	
Other Expenses	402,550	417,550	379,902	37,648	
Emergency Management System					
Salaries & Wages	4,000	4,000	4,000	-	
Other Expenses	2,000	2,000	(4,099)	6,099	
Fire					
Other Expenses	147,500	128,950	93,333	35,617	
Fire Marshall					
Salaries & Wages	29,400	29,400	26,612	2,788	
Other Expenses	7,200	7,200	3,827	3,373	

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

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		<u>Cancelled</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	\$ 139,210	\$ 139,210	\$ 134,297	\$ 4,913	
Other Expenses	58,700	58,700	8,473	50,227	
Public Defender					
Salaries & Wages	7,300	7,300	7,003	297	
Other Expenses	200	200		200	
Environmental					
Other Expenses	7,500	7,500	1,701	5,799	
Right to Know - PEOSHA (Ch. 516 PL 1983)					
Other Expenses	3,500	3,500	2,740	760	
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	1,500,100	1,500,100	1,326,947	173,153	
Other Expenses	194,550	194,550	145,796	48,754	
Shade Tree					
Other Expenses	4,000	4,000	2,013	1,987	
Garbage and Trash Removal					
Other Expenses	340,000	340,000	313,714	26,286	
Buildings and Grounds					
Other Expenses	164,000	164,000	126,661	37,339	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries & Wages	68,500	68,500	65,981	2,519	
Other Expenses	56,706	56,706	49,895	6,811	
Board of Recreation Commission (R.S. 40:12)					
Salaries & Wages	212,150	203,150	193,949	9,201	
Other Expenses	34,200	34,200	32,683	1,517	
Senior Citizens Activities					
Salaries & Wages	36,414	37,414	36,016	1,398	
Other Expenses	11,500	11,500	8,420	3,080	
Senior Citizen Bus					
Salaries & Wages	27,100	27,100	14,773	12,327	
Other Expenses	10,500	10,500	1,137	9,363	

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

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		<u>Cancelled</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	\$ 151,170	\$ 151,170	\$ 144,041	\$ 7,129	
Other Expenses	16,500	16,500	8,289	8,211	
Fire Sub-Code Official					
Salaries & Wages	13,500	13,500	13,382	118	
Electric Sub-Code Official					
Salaries & Wages	12,500	12,500	11,426	1,074	
UTILITY EXPENSE AND BULK PURCHASES					
Electricity and Gas	130,000	130,000	125,305	4,695	
Street Lighting	100,000	100,000	67,605	32,395	
Gasoline	50,000	50,000	30,825	19,175	
Fire Hydrant	104,000	104,000	100,827	3,173	
Telephone and Telegraph	110,000	110,000	88,169	21,831	
Water	10,000	22,000	14,801	7,199	
Diesel Fuel	60,000	60,000	38,830	21,170	-
<b>Total Operations Within "CAPS"</b>	<b>10,311,697</b>	<b>10,293,147</b>	<b>9,299,902</b>	<b>993,245</b>	<b>-</b>
Detail:					
Salaries & Wages	5,817,840	5,778,840	5,413,662	365,178	-
Other Expenses	4,493,857	4,514,307	3,886,240	628,067	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Overexpenditure of Appropriation	7,126	7,126	7,126	-	
Statutory Charges					
Public Employees Retirement System	297,458	299,458	299,438	20	
Social Security System (O.A.S.I.)	300,900	300,900	271,671	29,229	
Police and Firemen's Retirement System of NJ	736,429	736,429	736,429	-	
State Unemployment Insurance	10,000	10,000	-	10,000	-
<b>Total Deferred Charges &amp; Statutory Expenditures - Municipal Within "CAPS"</b>	<b>1,351,913</b>	<b>1,353,913</b>	<b>1,314,664</b>	<b>39,249</b>	<b>-</b>
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>11,663,610</b>	<b>11,647,060</b>	<b>10,614,566</b>	<b>1,032,494</b>	<b>-</b>
OPERATIONS - EXCLUDED FROM "CAPS"					
INSURANCE (N.J.S.A. 40A:4-45.3(OO))					
Maintenance of Free Public Library (Ch. 82, P.L. 1985)	243,177	243,177	215,368	27,809	
Minimum Funding Free Public Library	499,323	499,323	499,323	-	
Length of Service Award Program (LOSAP)	38,000	38,000	-	38,000	
BCUA - Share of Costs	955,457	955,457	955,457	-	-
<b>Total Other Operations Excluded from "CAPS"</b>	<b>1,735,957</b>	<b>1,735,957</b>	<b>1,670,148</b>	<b>65,809</b>	<b>-</b>

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

	2020 Appropriated		2020 Expended		Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)					
Interlocal Municipal Service Agreements					
Board of Education - Gas/Diesel Agreement	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	-
Total Interlocal Municipal Service Agreements	30,000	30,000	-	30,000	-
Public and Private Programs Offset by Revenues					
Distracted Driving	5,500	5,500	5,500		
Click it or Ticket	5,500	5,500	5,500	-	
Drunk Driving Enforcement Fund	2,817	2,817	2,817	-	
Sustainable Jersey	15,000	15,000	15,000	-	
Alcohol Education and Rehabilitation Fund	1	1	1	-	
Recycling Tonnage Grant	22,209	22,209	22,209	-	
Body Armor Fund	2,229	2,229	2,229	-	
Body Armor Fund - Federal	707	707	707	-	
Clean Communities Program	16,428	16,428	16,428	-	-
Total Public and Private Programs Offset by Revenues	70,391	70,391	70,391	-	-
Total Operations Excluded from "CAPS"	1,836,348	1,836,348	1,740,539	95,809	-
Detail:					
Other Expenses	1,836,348	1,836,348	1,740,539	95,809	-
CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"					
Capital Improvement Fund	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	200,000	200,000	200,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,200,000	1,200,000	1,200,000		-
Interest on Bonds	258,700	258,700	258,700		-
Wastewater Loan - Spring Street Sewer					
Principal	15,970	15,970	15,970		-
Interest	5,940	5,940	5,940		
Wastewater Loan - Salt Dome					
Principal	11,310	27,860	27,859		\$ 1
Interest	4,620	4,620	4,620	-	-
Total Municipal Debt Service Excluded from "CAPS"	1,496,540	1,513,090	1,513,089	-	1

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

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 3,532,888	\$ 3,549,438	\$ 3,453,628	\$ 95,809	\$ 1
Subtotal General Appropriations	15,196,498	15,196,498	14,068,194	1,128,303	1
Reserve for Uncollected Taxes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	-	-
Total General Appropriations	<u>\$ 15,521,498</u>	<u>\$ 15,521,498</u>	<u>\$ 14,393,194</u>	<u>\$ 1,128,303</u>	<u>\$ 1</u>
<u>Reference</u>	A-2	A-2		A	

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

	<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursed (Net of Budget Refunds)	A-4	\$ 13,810,995
Transfer to Federal and State Grant Fund	A-23	70,391
Encumbrances Payable	A-11	179,682
Deferred Charge	A-28	7,126
Reserve for Uncollected Taxes	A-2	<u>325,000</u>
		<u>\$ 14,393,194</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2020 AND 2019**

ASSETS	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ANIMAL CONTROL TRUST FUND</b>			
Cash	B-1	\$ 15,705	\$ 11,846
Change Fund	B-2	<u>25</u>	<u>25</u>
		<u>15,730</u>	<u>11,871</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	737,868	863,469
Due from Swimming Pool Capital	D-14	<u>1,367</u>	<u>1,367</u>
		<u>739,235</u>	<u>864,836</u>
<b>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)</b>			
Investments	B	932,321	797,596
Contribution Receivable	B	<u>31,377</u>	<u>32,425</u>
		<u>963,698</u>	<u>830,021</u>
<b>Total Assets</b>		<u>\$ 1,718,663</u>	<u>\$ 1,706,728</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
ANIMAL CONTROL TRUST FUND			
Due to State of New Jersey	B-4	\$ 18	\$ 5
Due to Current Fund	B-8	7,493	3,786
Reserve for Animal Control Expenditures	B-3	<u>8,219</u>	<u>8,080</u>
		<u>15,730</u>	<u>11,871</u>
OTHER TRUST FUND			
Due to the State of New Jersey	B-7	15,860	214
Due to Current Fund	B-5	18,200	252,865
Miscellaneous Reserves	B-6	<u>705,175</u>	<u>611,757</u>
		<u>739,235</u>	<u>864,836</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)			
Reserve for Investments in Length of Service Award Program	B	<u>963,698</u>	<u>830,021</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,718,663</u>	<u>\$ 1,706,728</u>



**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 4,870,153	\$ 2,667,412
Deferred Charges to Future Taxation			
Funded	C-4	10,638,252	11,882,081
Unfunded	C-7	7,528,444	2,910,319
Grants Receivable	C-5	<u>811,082</u>	<u>438,701</u>
Total Assets		<u>\$ 23,847,931</u>	<u>\$ 17,898,513</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-9	\$ 10,340,000	\$ 11,540,000
Loans Payable	C-13	298,252	342,081
Bond Anticipation Notes	C-15	5,231,000	-
Improvement Authorizations			
Funded	C-8	990,876	1,298,984
Unfunded	C-8	2,405,662	2,795,457
Capital Improvement Fund	C-10	533,881	621,000
Encumbrances Payable	C-11	2,879,378	530,752
Reserve for Grants Receivable	C-14	483,627	383,627
Reserve for Debt Service	C-12	11,051	11,051
Due to Current Fund	C-6	468,311	221,221
Fund Balance	C-1	<u>205,893</u>	<u>154,340</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 23,847,931</u>	<u>\$ 17,898,513</u>

There were bonds and notes authorized but not issued on December 31, 2020 and 2019 of \$2,297,444 and \$2,910,319 respectively (See Exhibit C-16).

**BOROUGH OF LEONIA**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
Balance, January 1	C	\$ 154,340	\$ 110,452
Increased By:			
Improvement Authorizations Cancelled	C-9	47,625	
Premium on Sale of Bonds and Notes	C-2	<u>28,928</u>	<u>68,888</u>
		230,893	179,340
Decreased by:			
Utilized as Current Fund Revenue	C-7	<u>25,000</u>	<u>25,000</u>
Balance, December 31	C	<u>\$ 205,893</u>	<u>\$ 154,340</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**SWIMMING POOL UTILITY FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>OPERATING FUND</b>			
Cash	D-5	\$ 306,488	\$ 309,297
Due from Swimming Pool Capital Fund	D-14	<u>1</u>	<u>1</u>
		<u>306,489</u>	<u>309,298</u>
Deferred Charge: Operating Deficit	D-11	<u>22,674</u>	<u>-</u>
Total Operating Fund		<u>329,163</u>	<u>309,298</u>
<b>CAPITAL FUND</b>			
Cash	D-5, D-6	2,384	2,384
Fixed Capital	D-9	<u>1,406,570</u>	<u>1,406,570</u>
Total Capital Fund		<u>1,408,954</u>	<u>1,408,954</u>
Total Assets		<u>\$ 1,738,117</u>	<u>\$ 1,718,252</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>OPERATING FUND</b>			
Appropriation Reserves	D-3, D-8	\$ 138,878	\$ 48,145
Encumbrance Payable	D-7	<u>6,418</u>	<u>3,286</u>
		145,296	51,431
Fund Balance	D-1	<u>183,867</u>	<u>257,867</u>
Total Operating Fund		<u>329,163</u>	<u>309,298</u>
<b>CAPITAL FUND</b>			
Capital Improvement Fund	D-12	1,000	1,000
Reserve for Amortization	D-10	1,406,570	1,406,570
Due to Swimming Pool Operating Fund	D-13	1	1
Due to Other Trust Fund	D-14	1,367	1,367
Fund Balance	D-4	<u>16</u>	<u>16</u>
Total Capital Fund		<u>1,408,954</u>	<u>1,408,954</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,738,117</u>	<u>\$ 1,718,252</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, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES AND OTHER INCOME</b>			
Fund Balance Utilized	D-2	\$ 74,000	\$ 74,000
Swimming Pool Fees	D-2	148,955	290,567
Miscellaneous	D-2	15,944	16,051
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-8	<u>49,807</u>	<u>9,239</u>
 Total Revenues and Other Income		 <u>288,706</u>	 <u>389,857</u>
 <b>EXPENDITURES</b>			
Budget Appropriations:			
Operating	D-3	277,380	255,000
Capital	D-3	20,000	45,000
Statutory Expenditures	D-3	<u>14,000</u>	<u>14,000</u>
 Total Expenditures		 <u>311,380</u>	 <u>314,000</u>
 Operating Deficit	 D-11	 <u>\$ (22,674)</u>	
 Excess in Revenue			 75,857
 BALANCE, JANUARY 1	 D	 <u>\$ 257,867</u>	 <u>256,010</u>
		257,867	331,867
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-2	<u>74,000</u>	<u>74,000</u>
 BALANCE, DECEMBER 31	 D	 <u>\$ 183,867</u>	 <u>\$ 257,867</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF REVENUES - REGULATORY BASIS - SWIMMING POOL UTILITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<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-5	237,380	148,955	\$ (88,425)
Miscellaneous	D-1,D-2	-	15,944	15,944
 Total		<u>\$ 311,380</u>	<u>\$ 238,899</u>	<u>\$ (72,481)</u>

Analysis of Miscellaneous Revenues

Swimming Pool Lessons		\$ 145
Swimming Pool Rental		14,200
Swimming Pool Miscellaneous		1,410
Interest on Investments		<u>189</u>
	D-1,D-2	<u>\$ 15,944</u>
Cash Receipts	D-5	\$ 15,927
Interest Due from Swimming Pool Capital	D-14	<u>17</u>
		<u>\$ 15,944</u>

EXHIBIT D-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**SWIMMING POOL UTILITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<b>OPERATING</b>				
Salaries & Wages	\$ 180,850	\$ 180,850	\$ 82,480	\$ 98,370
Other Expenses	96,530	96,530	79,270	17,260
<b>CAPITAL</b>				
Capital Outlay	20,000	20,000	-	20,000
<b>STATUTORY EXPENDITURES</b>				
Social Security System	<u>14,000</u>	<u>14,000</u>	<u>10,752</u>	<u>3,248</u>
 Total	<u>\$ 311,380</u>	<u>\$ 311,380</u>	<u>\$ 172,502</u>	<u>\$ 138,878</u>
	<u>Reference</u>	D-2		D
Cash Disbursements	D-5		\$ 166,084	
Encumbrances Payable	D-7		<u>6,418</u>	
			<u>\$ 172,502</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, 2020 AND 2019**

	<u>Reference</u>	<u>2020</u>	<u>2019</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Land	\$ 26,322,615	\$ 26,322,615
Buildings and Building Improvements	6,455,731	6,277,548
Machinery and Equipment	<u>10,210,252</u>	<u>9,694,434</u>
Total Assets	<u>\$ 42,988,598</u>	<u>\$ 42,294,597</u>
<b>RESERVES</b>		
Investment in General Fixed Assets	<u>\$ 42,988,598</u>	<u>\$ 42,294,597</u>
Total Reserves	<u>\$ 42,988,598</u>	<u>\$ 42,294,597</u>

**NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 or 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, 2020 AND 2019**

**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, 2019 balances to conform to the December 31, 2020 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, 2020 AND 2019**

**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 11<sup>th</sup> 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, 2020 AND 2019**

**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, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits 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, 2020 AND 2019**

**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 and 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, 2020 AND 2019**

**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. No increases were made to the 2020 original budget. During 2019 the Borough Council increased the original budget by \$80,000. The increase was attributable to an emergency resolution for \$80,000. In addition, the governing body approved several budget transfers during 2020 and 2019.

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriation resulted in an unfavorable variance.

<u>2020</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
There were none.			
 <u>2018</u>			
Current Fund			
BCUA – Share of Costs	<u>\$818,403</u>	<u>\$825,529</u>	<u>\$7,126</u>

In accordance with the regulatory basis of accounting, the above variance or overexpenditure 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.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, the book value of the Borough's deposits were \$9,299,088 and \$6,864,694 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,295,766 and \$6,957,856, 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>2020</u>	<u>2019</u>
Insured	\$ 8,877,231	\$ 6,957,856
Uninsured and Uncollateralized	418,535	-
	<u>\$ 9,295,766</u>	<u>\$ 6,957,856</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, 2020 and 2019, the Borough's bank balances of \$418,535 and \$0 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2020</u>	<u>2019</u>
Uninsured and uncollateralized	\$ 418,535	\$ -

**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.

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2020 and 2019, the Borough had the following investments:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Investment:		
Lincoln Financial Group LOSAP Investment Fund	\$ <u>932,321</u>	\$ <u>797,596</u>

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, 2020 and 2019, \$932,321 and \$797,596 of the Borough’s investments was exposed to custodial credit risk as follows:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>932,321</u>	\$ <u>797,596</u>

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, 2020 and 2019, 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 1.00% 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.



**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Property Taxes	\$ 293,584	\$ 304,872
Tax Title Liens	<u>2,195</u>	<u>1,694</u>
	<u>\$ 295,779</u>	<u>\$ 306,566</u>

In 2020 and 2019, the Borough collected \$304,629 and \$291,927 from delinquent taxes, which represented 99.4% and 99.6%, respectively of the prior year delinquent taxes receivable balance.

**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>2020</u>		<u>2019</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 494,004		\$ 477,872	
Trust Funds				
Animal Control Fund		\$ 7,493		\$ 3,786
Other Trust Fund	1,367	18,200	1,367	252,865
General Capital Fund		468,311	-	221,221
Utility Funds				
Swimming Pool Operating Fund	1		1	
Swimming Pool Capital Fund	<u>-</u>	<u>1,368</u>	<u>-</u>	<u>1,368</u>
Total	<u>\$ 495,372</u>	<u>\$ 495,372</u>	<u>\$ 479,240</u>	<u>\$ 479,240</u>

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.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, December 31,</u>	<u>Funded by Subsequent Year Budget Appropriation/ Capital Ordinance</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2020</u></b>			
Swimming Pool Utility Fund			
Operating Deficit	<u>\$22,674</u>	<u>\$22,674</u>	\$0
<b><u>2019</u></b>			
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>

**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:

	<u>Fund Balance December 31, 2020</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2019</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,374,505	\$ 700,000	\$ 1,696,036	\$ 1,071,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>87,126</u>	<u>-</u>
	<u>\$ 1,374,505</u>	<u>\$ 700,000</u>	<u>\$ 1,783,162</u>	<u>\$ 1,071,000</u>
Swimming Pool Utility Fund				
Cash Surplus	\$ 161,193	\$ 96,674	\$ 257,866	\$ 74,000
Non-Cash Surplus	<u>22,674</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 183,867</u>	<u>\$ 96,674</u>	<u>\$ 257,867</u>	<u>\$ 74,000</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019.

	Balance January 1, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2020</u>
<b><u>2020</u></b>				
Land and Improvements	\$ 26,322,615			\$ 26,322,615
Buildings and Building Improvements	6,277,548	\$ 178,183		6,455,731
Machinery and Equipment	9,694,434	515,818	-	10,210,252
	<u>\$ 42,294,597</u>	<u>\$ 694,001</u>	<u>\$ -</u>	<u>\$ 42,988,598</u>
	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>
<b><u>2019</u></b>				
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	8,579,856	\$ 1,114,578	-	9,694,434
	<u>\$ 40,723,270</u>	<u>\$ 1,571,327</u>	<u>\$ -</u>	<u>\$ 42,294,597</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 FIXED ASSETS (Continued)**

**B. Swimming Pool Utility 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, 2020 and 2019.

<u>Swimming Pool Utility Capital Fund</u>	Balance January 1, 2020	Increases	Decreases	Balance, December 31, 2020
<u>2020</u>				
Fixed Capital				
Facility Equipment and Improvements	\$ 1,406,570	\$ -	\$ -	\$ 1,406,570
	Balance January 1, 2019	Increases	Decreases	Balance, December 31, 2019
<u>2019</u>				
Fixed Capital				
Facility Equipment and Improvements	\$ 1,398,215	\$ 8,355	\$ -	\$ 1,406,570

**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 the general 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 and acquisitions or other purposes permitted by the Local Bond Law, 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>2020</u>	<u>2019</u>
Issued		
General		
Bonds, Notes and Loans	\$ 15,869,252	\$ 11,882,081
Less Funds Temporarily Held to Pay Bonds and Notes	<u>11,051</u>	<u>11,051</u>
Net Debt Issued	15,858,201	11,871,030
Authorized But Not Issued		
General		
Bonds and Notes	<u>2,297,444</u>	<u>2,910,319</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 18,155,645</u>	<u>\$ 14,781,349</u>

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 1.21% and 1.02% at December 31, 2020 and 2019, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2020</u></b>			
General Debt	\$ 18,166,696	\$ 11,051	\$ 18,155,645
School Debt	<u>17,270,000</u>	<u>17,270,000</u>	<u>-</u>
Total	<u>\$ 35,436,696</u>	<u>\$ 17,281,051</u>	<u>\$ 18,155,645</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2019</u></b>			
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>

**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>2020</u>	<u>2019</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 52,226,786	\$ 50,469,531
Less: Net Debt	<u>18,155,645</u>	<u>14,781,349</u>
Remaining Borrowing Power	<u>\$ 34,071,141</u>	<u>\$ 35,688,182</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>2020</u>	<u>2019</u>
\$11,540,000, 2019 General Bonds, due in annual installment of \$740,000 to \$1,100,000 through February 15, 2031, interest at 2.00% to 3.00%	\$ 10,340,000	\$ 11,540,000
	<u>\$ 10,340,000</u>	<u>\$ 11,540,000</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>2020</u>	<u>2019</u>
\$453,107, 2007 Loan, due in annual installments of \$23,350 to \$25,562 through August 1, 2027, interest at 4.00% to 5.00%	\$ 170,706	\$ 196,459
\$317,500, 2008 Loan, due in annual installments of \$12,616 to \$17,649 through August 1, 2028, interest at 4.00% to 5.00%	<u>127,546</u>	<u>145,622</u>
Total	<u>\$ 298,252</u>	<u>\$ 342,081</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 is as follows:

Calendar Year	General-Bonds		General - Loans		Total
	Principal	Interest	Principal	Interest	
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	1,000,000	154,075	40,135	3,903	1,198,113
2026-2030	4,500,000	414,125	90,038	5,136	5,009,299
2031	740,000	11,100	-	-	751,100
Total	<u>\$ 10,340,000</u>	<u>\$ 1,399,100</u>	<u>\$ 298,252</u>	<u>\$ 35,605</u>	<u>\$ 12,072,957</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2020 and 2019 were as follows:

	Balance, January 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<b><u>2020</u></b>					
General Capital Fund					
Bonds Payable	\$ 11,540,000		\$ 1,200,000	\$ 10,340,000	\$ 1,100,000
Intergovernmental Loans Payable	342,081	-	43,829	298,252	43,211
General Capital Fund Long-Term Liabilities	<u>\$ 11,882,081</u>	<u>\$ -</u>	<u>\$ 1,243,829</u>	<u>\$ 10,638,252</u>	<u>\$ 1,143,211</u>
	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
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	43,829
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>\$ 1,243,829</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough’s short-term debt activity for the years ended December 31, 2020 and 2019 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, December 31, 2020</u>
<b>2020</b>						
<u>General Capital Fund</u>						
Various Public Improvements	1.00%	8/20/2021		\$ 1,249,000		\$ 1,249,000
Improvement of Broad Avenue (Phases 7 & 8)	1.00%	8/20/2021		575,000		575,000
Installation of a Synthetic Turf Field at Leonia High School	1.00%	8/20/2021		2,850,000		2,850,000
Various Public Improvements	1.00%	8/20/2021	-	557,000	-	557,000
<b>Total General Capital Fund</b>			<b>\$ -</b>	<b>\$ 5,231,000</b>	<b>\$ -</b>	<b>\$ 5,231,000</b>

<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>
<b>2019</b>						
<u>General Capital Fund</u>						
Various Public Improvements	2.75%	2/15/2019	\$ 9,612,097	-	\$ 9,612,097	-
<b>Total General Capital Fund</b>			<b>\$ 9,612,097</b>	<b>\$ -</b>	<b>\$ 9,612,097</b>	<b>\$ -</b>

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 general 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, 2020 AND 2019**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

Estimated

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Date of Completion</u>
<b><u>2020</u></b>		
Site Remediation	\$42,900	2021
2019 Roads Program	59,520	2021
Document Management Services	22,444	2021
Remediation and Restoration for Lead Based Paint Removal	33,400	2021
Broad Avenue Road Improvements	317,465	2021
Turf Field at High School	47,085	2021
Installation of Turf Field at High School	705,498	2021
Bleachers – Athletic Field Project	27,199	2021
2020 Roadway Improvements	397,781	2021
Golf Course Drive Retaining Wall Project	579,580	2021
<b><u>2019</u></b>		
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

**NOTE 11 OPERATING LEASES**

The Borough leases copies under noncancelable operating leases. Lease payments for the years ended December 31, 2020 and 2019 were \$11,590 and \$11,590, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 10,861
2022	<u>2,185</u>
Total	<u>\$ 13,046</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 \$532,418 and \$550,295 at December 31, 2020 and 2019, 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>	<u>One Year</u>
<b><u>2020</u></b>					
Compensated Absences	\$ 550,295		\$ 17,877	\$ 532,418	\$ 80,000
Net Pension Liability - PERS	5,499,673		604,251	4,895,422	
Net Pension Liability - PFRS	8,922,077	10,960		8,933,037	
Net OPEB Liability (1)	<u>9,205,910</u>	<u>-</u>	<u>-</u>	<u>9,205,910</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 24,177,955</u>	<u>\$ 10,960</u>	<u>\$ 622,128</u>	<u>\$ 23,566,787</u>	<u>\$ 80,000</u>
	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
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>

(1) GASB Statement number 75 OPEB financial information was not provided by the State’s Division of Pensions and Benefits as of the date of audit.

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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](http://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](http://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, 2020 AND 2019**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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](http://www.state.nj.us/treasury/pensions).

**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.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2020 and 2019 is \$16.4 billion and \$18.1 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 58.32% and 56.27%, respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2020 and 2019 is \$14.9 billion and \$14.2 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 63.52% and 65.00%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 and 2018 which were rolled forward to June 30, 2020 and 2019, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2019 and 2018 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.

**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 2020 and 2019 based on 10.0% for PFRS, 7.50% 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 2020, 2019 and 2018 were equal to the required contributions.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions (Contributions)**

During the years ended December 31, 2020, 2019 and 2018, 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>
2020	\$ 736,429	\$ 298,875	\$ -
2019	710,575	319,377	-
2018	642,078	335,397	-

In addition for the years ended December 31, 2020, 2019 and 2018 the Borough contributed for long-term disability insurance premiums (LTDI) \$563, \$647 and \$2,369, 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, 2020 and 2019. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2020 and 2019, the Borough reported a liability of \$4,895,422 and \$5,499,673, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, 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, 2020, the Borough's proportionate share was 0.03001 percent, which was a decrease of 0.00051 percent from its proportionate share measured as of June 30, 2019 of 0.03052 percent.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough’s pension expense (benefit) to be \$(226,891) and \$(165,207), respectively, for PERS based on the actuarial valuations which are less than the actual contribution reported in the Borough’s financial statements of \$298,875 and \$319,377, respectively. At December 31, 2020 and 2019, 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:

	<u>2020</u>		<u>2019</u>	
	<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	\$ 89,138	\$ 17,312	\$ 98,712	\$ 24,295
Changes of Assumptions	158,813	2,049,760	549,163	1,908,919
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	167,329			86,814
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>17,105</u>	<u>744,183</u>	<u>28,927</u>	<u>988,678</u>
Total	<u>\$ 432,385</u>	<u>\$ 2,811,255</u>	<u>\$ 676,802</u>	<u>\$ 3,008,706</u>

At December 31, 2020 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>
2021	\$ (882,848)
2022	(824,280)
2023	(491,858)
2024	(150,089)
2025	(29,795)
Thereafter	<u>-</u>
	<u>\$ (2,378,870)</u>

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
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**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, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.



**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</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%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	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>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2057
Municipal Bond Rate *	Not Applicable	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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, 2020 and 2019 calculated using the discount rate of 7.00% and 6.28%, 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 6.00% and 5.28%, respectively or 1-percentage-point higher 8.00% and 7.28%, respectively than the current rate:

<u>2020</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>6,162,520</u>	\$ <u>4,895,422</u>	\$ <u>3,820,255</u>
	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
<u>2019</u>			
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>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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](http://www.state.nj.us/treasury/pensions).

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

At December 31, 2020 and 2019, the Borough reported a liability of \$8,933,037 and \$8,922,077, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, 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, 2020, the Borough’s proportionate share was 0.06913 percent, which was a decrease of 0.00377 percent from its proportionate share measured as of June 30, 2019 of 0.07290 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough pension expense to be \$477,450 and \$872,186, respectively, for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$736,429 for 2020 and more than the actual contribution reported in the Borough’s financial statements for 2019 of \$710,575. At December 31, 2020 and 2019, 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:

	<b>2020</b>		<b>2019</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 90,060	\$ 32,060	\$ 75,314	\$ 56,487
Changes of Assumptions	22,480	2,394,894	305,719	2,883,534
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	523,786			120,891
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>62,935</u>	<u>516,430</u>	<u>169,507</u>	<u>39,607</u>
Total	<u>\$ 699,261</u>	<u>\$ 2,943,384</u>	<u>\$ 550,540</u>	<u>\$ 3,100,519</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 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>
2021	\$ (931,257)
2022	(676,384)
2023	(319,849)
2024	(169,893)
2025	(146,740)
Thereafter	<u>-</u>
	<u>\$ (2,244,123)</u>

***Actuarial Assumptions***

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through	All Future Years 3.25%-15.25% Based on Years of Service
Thereafter	Not Applicable
Investment Rate of Return	7.00%
Mortality Rate Table	Pub - 2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</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%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	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</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.85%

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
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**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>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2076
Municipal Bond Rate *	Not Applicable	From July 1, 2076 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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, 2020 and 2019 calculated using the discount rate of 7.00% and 6.85%, 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 6.00% and 5.85%, respectively or 1-percentage-point higher 8.00% and 7.85%, respectively than the current rate:

<u>2019</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 11,879,101</u>	<u>\$ 8,933,037</u>	<u>\$ 6,486,106</u>
	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
<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>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2020 and 2019, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,386,367 and \$1,408,813, respectively. For the years ended December 31, 2020 and 2019, 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 \$157,117 and \$163,693 respectively, which are more than the actual contributions the State made on behalf of the Borough of \$106,680 and \$94,925, respectively. At December 31, 2020 (measurement date June 30, 2020) the State's share of the PFRS net pension liability attributable to the Borough was 0.06913 percent, which was a decrease of 0.00377 percent from its proportionate share measured as of December 31, 2019 (measurement date June 30, 2019) of 0.07290 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](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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](http://www.state.nj.us/treasury/pensions).



**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 was not available and for 2019 is \$13.5 billion and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% at June 30, 2019.

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

**Actuarial Methods and Assumptions**

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation 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 the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million for fiscal year 2019.

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, 2020, 2019 and 2018 were \$211,791, \$221,769 and \$369,127, respectively, which equaled the required contributions for each year.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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.

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB 75 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2020 for the measurement date of June 30, 2020 was not available as of the date of audit. Accordingly, the State’s Division of Local Government Services issued Local Finance Notice 2021-10 which authorizes and permits New Jersey municipalities to present the most recent available audited GASB 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB 75 financial information for the year ended December 31, 2020 is not presented in the notes to the financial statements.

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. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019, the Borough reported a liability of \$9,205,910 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019. 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 year ended December 31, 2019, the Plan has determined the Borough’s OPEB expense to be a credit of \$(737,449) based on the actuarial valuation which is less than the actual contributions reported in the Borough’s financial statements of \$221,769. At December 31, 2019, 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:

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>
Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Initial Fiscal Year Applied Through	Rate for All Future Years
Rate	3.25% to 15.25%
Rate Thereafter	Not Applicable
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.
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.
Long-Term Rate of Return	2.00%

\*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, 2020 AND 2019**

**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)**

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.

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% as of June 30, 2019.

**Discount Rate**

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%

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.

***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 calculated using the discount rate of 3.50% 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% or 1-percentage-point higher 4.50% than the current rate:

<u>2019</u>	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (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>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2019. 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, 2020 AND 2019**

**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 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>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2019. 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](http://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.

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.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 15 RISK MANAGEMENT (Continued)**

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/</u> <u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2020	\$ 8,354	\$ 19,323	\$ (5,227)
2019	7,397	14,691	5,742
2018	8,031	24,262	13,036

**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.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2020 and 2019. 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.

**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, 2020 and 2019, 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.

**Other** – The Borough consistently 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, 2020 and 2019 the fourth quarter assessments in the amounts of \$128,97 and \$126,276, respectively due in January of the subsequent year are not recorded as an expenditure or liability on the Borough’s financial statements. These assessments are funded from the respective years’ budget in the year its paid.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, 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 and the First Aid Organization, 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 \$1,307 and \$1,297 for 2020 and 2019, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$31,377 and \$32,425 for 2020 and 2019, 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, 2020 AND 2019**

**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 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization 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 Pandemic"). On March 13, 2020, the President of the United States 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, 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 altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. 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. Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Borough's operations; however, such amounts, if any, could be material.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 20 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On August 20, 2021 the Borough issued bond anticipation notes in the amount of \$7,394,000 to temporarily finance expenditures related to various capital projects. The Borough have awarded the sale of said notes to BNY Mellon Capital Markets, LLC at an interest rate of 1.00%. These notes dated August 20, 2021 will mature on August 19, 2022.

**Debt Authorized**

Through September 7, 2021 the Borough adopted one bond ordinance authorizing the issuance \$1,521,000 in bonds or bond anticipation notes to fund certain capital projects. 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, 2020	\$ 3,009,961	\$ 1,921
Increased by Receipts:		
Taxes Receivable	\$ 38,144,668	
Non-Budget Revenues	76,420	
State of NJ - Senior Citizens' and Vet. Deductions	33,500	
Revenue Accounts Receivable	2,140,597	
State Fees Payable	10,120	
Prepaid Taxes	309,489	
Receipts from General Capital Fund	33,104	
Receipts from Animal Control Trust Fund	107	
Receipts From Other Trust Fund	235,200	
Tax Overpayments	15,098	
Unappropriated Grant Reserves	<u>-</u>	<u>19,419</u>
	<u>40,998,303</u>	<u>19,419</u>
	44,008,264	21,340
Decreased by Disbursements:		
2020 Budget Appropriations	13,810,995	
2019 Appropriation Reserves	309,388	
Tax Overpayments	25,883	
Reserve for Grants Appropriated		16,467
State Fees Payable	9,981	
County Taxes Payable	3,749,884	
Local District School Taxes Payable	22,557,040	
Reserve for Library Aid	15,644	
Payments Made for General Capital Fund	149,613	
Refund of Prior Year Revenue	<u>18,544</u>	<u>-</u>
	<u>40,646,972</u>	<u>16,467</u>
Balance, December 31, 2020	<u>\$ 3,361,292</u>	<u>\$ 4,873</u>

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

	Balance, January 1, <u>2020</u>	Balance, December 31, <u>2020</u>
Police	\$ 50	\$ 50
Finance	150	150
Municipal Court	<u>100</u>	<u>100</u>
	<u>\$ 300</u>	<u>\$ 300</u>

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

Increased by:		
Cash Received	\$ 33,500	
Senior Citizen Deductions Disallowed Per Tax Collector-2019	250	
Senior Citizen Deductions Disallowed Per Tax Collector-2020	<u>250</u>	
		<u>34,000</u>
		34,000
Decreased by:		
Veterans Deductions Per Tax Billings - 2020	\$ 3,500	
Senior Citizen Deductions Per Tax Billings - 2020	<u>29,750</u>	
		<u>33,250</u>
Balance, December 31, 2020		<u>\$ 750</u>

**BOROUGH OF LEONIA  
STATEMENT OF TAXES RECEIVABLE**

Year	Balance,	2020 Levv	Added Taxes	Senior	Collections		Senior	Cancelled	Transferred	Balance,
	January 1, 2020			Citizens' and Veterans' Deductions Disallowed	2019	2020	Citizens' and Veterans' Deductions Allowed		to Tax Title Liens	December 31, 2020
2019	\$ 304,872	-	-	\$ 250	-	\$ 304,629	-	\$ 493	-	\$ -
	304,872	-	-	250	-	304,629	-	493	-	-
2020	-	\$ 38,337,976	\$ 63,609	250	\$ 208,370	37,840,039	\$ 33,250	26,091	\$ 501	293,584
	<u>\$ 304,872</u>	<u>\$ 38,337,976</u>	<u>\$ 63,609</u>	<u>\$ 500</u>	<u>\$ 208,370</u>	<u>\$ 38,144,668</u>	<u>\$ 33,250</u>	<u>\$ 26,584</u>	<u>\$ 501</u>	<u>\$ 293,584</u>

Analysis of 2020 Property Tax Levv

Tax Yield	
General Purpose Tax	\$ 38,337,976
Added Taxes	<u>63,609</u>
	<u>\$ 38,401,585</u>
Tax Levv	
County Taxes (Abstract)	\$ 3,591,301
Due County for Added and Omitted Taxes	4,875
County Open Space Preservation	<u>150,648</u>
	\$ 3,746,824
Local District School Tax (Abstract)	22,862,654
Local Tax for Municipal Purposes	11,230,252
Minimum Library Tax	499,323
Add Additional Tax Levied	<u>62,532</u>
	<u>11,792,107</u>
	<u>\$ 38,401,585</u>

**BOROUGH OF LEONIA  
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, January 1, 2020	\$ 1,694
Increased by:	
Transfers from Taxes Receivable	<u>501</u>
Balance, December 31, 2020	<u>\$ 2,195</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2020</u>	Accrued in 2020	<u>Collected</u>	Balance, December 31, <u>2020</u>
Licenses				
Alcoholic Beverages		\$ 1,800	\$ 1,800	
Other Licenses		4,077	4,077	
Fees and Permits -Other		118,111	118,111	
Municipal Court				
Fines and Costs	\$ 15,400	83,022	91,779	\$ 6,643
Interest and Costs on Taxes		68,158	68,158	
Interest on Investments and Deposits		25,210	25,210	
Cable Television Franchise Fee		37,155	37,155	
Verizon FIOS Franchise Fee		56,158	56,158	
Sewer Surcharges		21,729	21,729	
Energy Receipts Taxes		976,676	976,676	
Supplemental Energy Receipts Taxes		52,713	52,713	
Uniform Construction Code Fees		191,568	191,568	
Towing License and Administration		6,000	6,000	
Sewer Billing - Commercial		131,562	131,562	
Cellular Tower Rental		74,688	74,688	
Payments in Lieu of Taxes		81,146	81,146	
Uniform Fire Safety Act		9,864	9,864	
Due from Extra Duty Trust - Administrative Fees		113,203	113,203	
Property Rental		24,000	24,000	
Property Rental	-	55,000	55,000	-
	<u>\$ 15,400</u>	<u>\$ 2,131,840</u>	<u>\$ 2,140,597</u>	<u>\$ 6,643</u>



**BOROUGH OF LEONIA**  
**STATEMENT OF 2019 APPROPRIATION RESERVES**

	Balance, January 1, <u>2020</u>	Prior Year Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<b>SALARIES AND WAGES</b>					
General Government					
Office of the Administrator	\$ 1,049		\$ 1,049	\$ 1,049	
Clerk	1,156		1,156		\$ 1,156
Revenue Administration	2,503		2,503	845	1,658
Assessment of Taxes	397		397		397
Municipal Prosecutor	2,383		2,383		2,383
Planning/Zoning Board	320		320		320
Public Safety					
Police	140,989		140,989	1,308	139,681
Fire Marshall	1,363		1,363		1,363
Streets and Roads					
Road Repairs and Maintenance	75,771		75,771	15,566	60,205
Health and Human Services					
Senior Citizens Bus	3,676		3,676		3,676
Recreation Commission	11,238		11,238	1,588	9,650
Uniform Construction Code	5,914		5,914		5,914
Fire Sub-Code Official	31		31		31
Electric Sub-Code Official	29		29		29
Public Defender	1,917		1,917		1,917
Salary and Wage Adjustment	31,453		31,453	1,050	30,403
<b>OTHER EXPENSES</b>					
Office of the Administrator	264	812	1,076	1,076	-
Clerk	300	7,464	7,764	7,764	-
Postage	477		477	16	461
Copier Operations	1,433	221	1,654	1,654	-
Elections	1,597		1,597	883	714
Computerized Data Processing	1,711	8,024	9,735	9,735	-
Assessment of Taxes	499		499		499
Revenue Administration	12,411	4,877	17,288	11,338	5,950
Legal Services & Costs	650		650	180	470
Engineering Services	5,149		5,149		5,149
Historic Commission	4,000		4,000		4,000
Planning/Zoning Board	2,612		2,612	477	2,135
Uniform Construction Code	2,408		2,408		2,408
Fire Sub-Code Official	244		244		244
Hepatitis B Vaccine and Training	1,000		1,000		1,000
General Liability Insurance					
Employee Group Health	77,677	3,901	81,578	6,340	75,238
Unemployment	10,000		10,000		10,000
Public Safety					
Police	19,990	49,400	69,390	51,467	17,923
Emergency Management System	1,360		1,360		1,360
Fire	117,253	28,161	145,414	28,620	116,794
Fire Marshall		660	660	660	-
Streets and Roads					
Road Repairs and Maintenance	9,990	26,624	36,614	26,443	10,171

**BOROUGH OF LEONIA**  
**STATEMENT OF 2019 APPROPRIATION RESERVES**

	Balance, January 1, <u>2020</u>	Prior Year Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OTHER EXPENSES (Continued)					
Shade Tree	\$ 1,352	\$ (250)	\$ 1,102		\$ 1,102
Garbage and Trash Removal	2,818	20,231	23,049	\$ 23,049	-
Buildings and Grounds	143	4,221	4,364	1,704	2,660
Recreation Commission	8,179	4,233	12,412	(3,902)	16,314
Health and Human Services			-		
Board of Health	1,107	30	1,137	942	195
Senior Citizens Activities	3,836	521	4,357	504	3,853
Senior Citizens Bus	2,080	1,444	3,524	1,000	2,524
Environmental	1,050		1,050		1,050
Right to Know - PEOSHA	7,000		7,000	2,740	4,260
Utilities			-		
Gasoline	6,988		6,988		6,988
Diesel Fuel	17,138	4,191	21,329	9,086	12,243
Electricity and Gas	26,385	116	26,501	116	26,385
Telephone and Telegraph	8,516	10,824	19,340	10,716	8,624
Street Lighting	18,921		18,921	9,372	9,549
Fire Hydrant	11,711		11,711		11,711
Water	5,362	2,285	7,647	1,254	6,393
Municipal Court	16,755	7,255	24,010		24,010
Public Defender	200		200		200
Statutory Charges					
Social Security System	6,037		6,037		6,037
Board of Education - Gas/Diesel Agreement	520		520		520
BCUA - Recycling Tax	11,044		11,044		11,044
Maintenance of Free Public Library	9,027	76,375	85,402	62,840	22,562
LOSAP	38,000	-	38,000	32,425	5,575
	<u>\$ 762,153</u>	<u>\$ 261,620</u>	<u>\$ 1,023,773</u>	<u>\$ 319,905</u>	<u>\$ 703,868</u>
			Appropriation Reserves \$ 762,153		
			Encumbrances Payable <u>261,620</u>		
			<u>\$ 1,023,773</u>		
				\$ 309,388	
				<u>10,517</u>	
				<u>\$ 319,905</u>	

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

Balance, January 1, 2020	\$	261,620
Increased by:		
Charges to 2020 Appropriations		<u>179,682</u>
		441,302
Decreased by:		
Transferred to Appropriation Reserves		<u>261,620</u>
Balance, December 31, 2020	\$	<u><u>179,682</u></u>

**STATEMENT RESERVE FOR REVALUATION**

Balance, January 1, 2020	\$	<u>9,700</u>
Balance, December 31, 2020	\$	<u><u>9,700</u></u>

**STATEMENT OF STATE FEES PAYABLE**

Balance, January 1, 2020	\$	2,582
Increased by:		
Cash Received		<u>10,120</u>
		12,702
Decreased by:		
Cash Disbursed		<u>9,981</u>
Balance, December 31, 2020	\$	<u><u>2,721</u></u>
<u>Analysis</u>		
Building Fees	\$	2,146
Marriage License Fees		<u>575</u>
	\$	<u><u>2,721</u></u>

**BOROUGH OF LEONIA  
STATEMENT OF PREPAID TAXES**

Balance, January 1, 2020	\$	208,370
Increased by:		
Collection of 2021 Taxes		309,489
		517,859
Decreased by:		
Application to 2020 Taxes Receivable		208,370
Balance, December 31, 2020	\$	309,489

**STATEMENT OF RESERVE FOR LIBRARY AID**

Balance, January 1, 2020	\$	15,644
Decreased By:		
Cash Disbursements		15,644
Balance, December 31, 2020	\$	-

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2020	\$	7,935
Increased by:		
2020 Tax Levy	\$ 3,591,301	
2020 Open Space Preservation	150,648	
2020 Added and Omitted Taxes (54:4-63.1 et seq.)	4,875	
		3,746,824
		3,754,759
Decreased by:		
Cash Disbursed		3,749,884
Balance, December 31, 2020	\$	4,875

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

Increased by:	
Levy - Calendar Year 2020	\$ 22,862,654
Decreased by:	
Cash Disbursed	<u>22,557,040</u>
Balance, December 31, 2020	<u>\$ 305,614</u>

**STATEMENT OF RESERVE FOR REASSESSMENT**

Balance, January 1, 2020	<u>\$ 16,010</u>
Balance, December 31, 2020	<u>\$ 16,010</u>

**STATEMENT OF RESERVE FOR MASTER PLAN**

Balance, January 1, 2020	<u>\$ 1,100</u>
Balance, December 31, 2020	<u>\$ 1,100</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2020	\$ 25,883
Increased By:	
Overpayments Received	<u>15,098</u>
	40,981
Decreased By:	
Cash Disbursements	<u>25,883</u>
Balance, December 31, 2020	<u><u>\$ 15,098</u></u>

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

Balance, January 1, 2020	\$	221,221
Increased By:		
Deferred Charge Raised by Capital Ordinance	\$ 80,000	
Bills Paid by Current Fund	149,613	
Capital Surplus Anticipated as Current Fund Revenue	25,000	
Interest Earned in General Capital Fund	<u>25,581</u>	
		<u>280,194</u>
		501,415
Decreased By:		
Cash Receipts		<u>33,104</u>
Balance, December 31, 2020	\$	<u>468,311</u>

**STATEMENT OF DUE FROM OTHER TRUST FUND**

Balance, January 1, 2020	\$	252,865
Increased By:		
Interest on Investments		<u>535</u>
		253,400
Decreased By:		
Cash Receipts		<u>235,200</u>
Balance, December 31, 2020	\$	<u>18,200</u>

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

	Balance, January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>
ANJEC Open Space Stewardship Grant	\$ 700			\$ 700
Clean Communities	17,753	\$ 16,428	\$ 12,175	22,006
Drunk Driving Enforcement Fund	8,913	2,817	1,895	9,835
Body Armor Replacement Grant - Federal		707	168	539
Body Armor Replacement Grant - State		2,229	2,229	-
Alcohol Education and Rehabilitation Fund	2,442	1		2,443
Sustainable Jersey		15,000		15,000
Distracted Driving		5,500		5,500
Click it or Ticket		5,500		5,500
Recycling Tonnage Grant	<u>11,955</u>	<u>22,209</u>	<u>-</u>	<u>34,164</u>
	<u>\$ 41,763</u>	<u>\$ 70,391</u>	<u>\$ 16,467</u>	<u>\$ 95,687</u>

EXHIBIT A-24

**STATEMENT OF GRANTS RECEIVABLE**  
**FEDERAL AND STATE GRANT FUND**

	Balance, January 1, <u>2020</u>	Revenue <u>Realized</u>	Balance, December 31, <u>2020</u>
ANJEC Open Space Stewardship Grant	\$ 233		\$ 233
Sustainable Jersey	15,000	\$ 15,000	30,000
CDBG Grant	<u>80,000</u>	<u>-</u>	<u>80,000</u>
	<u>\$ 95,233</u>	<u>\$ 15,000</u>	<u>\$ 110,233</u>

EXHIBIT A-25

**STATEMENT OF UNAPPROPRIATED GRANTS**  
**FEDERAL AND STATE GRANT FUND**

	Balance, January 1, <u>2020</u>	Cash <u>Receipts</u>	Revenue <u>Realized</u>	Balance, December 31, <u>2020</u>
Clean Communities Program	\$ 16,428	\$ 14,812	\$ 16,428	\$ 14,812
Drunk Driving Enforcement Fund	2,817		2,817	-
Click it or Ticket	5,500		5,500	-
Distracted Driving	5,500		5,500	-
Body Armor Replacement Grant - Federal	707	2,512	707	2,512
Body Armor Replacement Grant - State	2,229	2,095	2,229	2,095
Alcohol Education and Rehabilitation Fund	1		1	-
Recycling Tonnage Grant	<u>22,209</u>	<u>-</u>	<u>22,209</u>	<u>-</u>
	<u>\$ 55,391</u>	<u>\$ 19,419</u>	<u>\$ 55,391</u>	<u>\$ 19,419</u>



**BOROUGH OF LEONIA**  
**STATEMENT OF EMERGENCY AUTHORIZATIONS**

Balance, January 1, 2020	\$ 80,000
Decreased By:	
Due from General Capital Fund to Fund Deferred Charge	80,000
Balance, December 31, 2020	\$ -

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2020	\$ 3,228
Increased By:	
Charges to Appropriation Reserves	10,517
Balance, December 31, 2020	\$ 13,745

**STATEMENT OF DEFERRED CHARGE - OVEREXPENDITURE OF APPROPRIATION**

Balance, January 1, 2020	\$ 7,126
Decreased By:	
Raised in 2020 Budget	7,126
Balance, December 31, 2020	\$ -

**TRUST FUND**

**BOROUGH OF LEONIA**  
**STATEMENT OF TRUST CASH - TREASURER**

	<u>Animal Control</u> <u>Trust Fund</u>	<u>Other</u> <u>Trust Fund</u>
Balance, January 1, 2020	\$ 11,846	\$ 863,469
Increased by Receipts:		
State of New Jersey Dog License Fees Collected	\$ 471	
Miscellaneous Reserves		\$ 7,710,596
Animal Control Fees	3,932	
Received from Current Fund		
Receipts Due to Current Fund		
Interest on Investments	<u>109</u>	<u>535</u>
	<u>4,512</u>	<u>7,711,131</u>
	16,358	8,574,600
Decreased by Disbursements:		
Expenditures Under R.S. 4:19-15.11	88	
Due to State of New Jersey	458	3,677
Payments to Current Fund	107	235,200
Miscellaneous Reserves	<u>-</u>	<u>7,597,855</u>
	<u>653</u>	<u>7,836,732</u>
Balance, December 31, 2020	<u>\$ 15,705</u>	<u>\$ 737,868</u>

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

Balance, January 1, 2020	\$ <u>25</u>
Balance, December 31, 2020	\$ <u><u>25</u></u>

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

Balance, January 1, 2020	\$ 8,080
Increased by:	
Animal Control Fees	
Dog License Fees	\$ 3,682
Miscellaneous	<u>250</u>
	<u>3,932</u>
	12,012
Decreased by:	
Expenditures Under R.S. 4:19-15-11	88
Statutory Excess Due to Current Fund	<u>3,705</u>
	<u>3,793</u>
Balance, December 31, 2020	\$ <u><u>8,219</u></u>

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

Balance, January 1, 2020	\$ 5
Increased by:	
Dog License Fees Collected	<u>471</u>
	476
Decreased by:	
Payments Made to State of New Jersey	<u>458</u>
Balance, December 31, 2020	\$ <u><u>18</u></u>

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

Balance, January 1, 2020	\$	252,865
Increased by:		
Cash Receipts - Interest		535
		253,400
Decreased by:		
Payments Made to Current Fund		235,200
Balance, December 31, 2020	\$	18,200

**OTHER TRUST FUND  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance, (Deficit) December 31, <u>2020</u>
Unemployment Compensation	\$ 5,742	\$ 8,354	\$ 19,323	\$ (5,227)
Net Payroll/Payroll Deductions	20,284	7,050,637	7,056,436	14,485
Developers and Escrow Deposits	102,938	66,419	30,098	139,259
Performance and Maintenance Bonds	68,135	20,760		88,895
Federal Forfeiture	519			519
Outside Employment of Off-Duty Police Officers	22,547	394,895	352,827	64,615
Recycling Program	21,584	4,420	10,062	15,942
COAH	19,099			19,099
Recreation Commission	10,180	122,385	144,862	(12,297)
Developer's Donation Parking	142,253	15,600		157,853
World Trade Center Memorial Donations	8,076			8,076
POAA	12,220	138		12,358
Shade Tree	10,624	5,600	1,580	14,644
Health Fair Trust Fund	204			204
Municipal Alliance	1		1	-
Historic Preservation Commission	3,861	500		4,361
Fire Safety	135,873	308	1,989	134,192
Public Defender	3,802	150		3,952
Public Assistance	8,690			8,690
Storm Recovery	800			800
Community Policing	14,325	20,430	-	34,755
	<u>\$ 611,757</u>	<u>\$ 7,710,596</u>	<u>\$ 7,617,178</u>	<u>\$ 705,175</u>
			\$ 7,597,855	
			19,323	
			<u>\$ 7,617,178</u>	

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

Balance, January 1, 2020		\$ 214
Increased by:		
Unemployment Claims		<u>19,323</u>
		19,537
Decreased By:		
Cash Disbursements		<u>3,677</u>
Balance, December 31, 2020		<u>\$ 15,860</u>

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

Balance, January 1, 2020		\$ 3,786
Increased by:		
Interest on Investments	\$ 109	
Statutory Excess	<u>3,705</u>	
		<u>\$ 3,814</u>
		7,600
Decreased by:		
Payments Made to Current Fund		<u>107</u>
Balance, December 31, 2020		<u>\$ 7,493</u>

**GENERAL CAPITAL FUND**

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

Balance, January 1, 2020		\$ 2,667,412
Increased by Receipts:		
Interest on Investments	25,581	
Premium on Sale of Notes	28,928	
Budget Appropriation - Capital Improvement Fund	200,000	
Bond Anticipation Notes	<u>5,231,000</u>	
		<u>5,485,509</u>
		8,152,921
Decreased by Disbursements:		
Improvement Authorizations	3,249,664	
Payments to Current Fund	<u>33,104</u>	
		<u>3,282,768</u>
Balance, December 31, 2020		<u>\$ 4,870,153</u>



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

	Balance, December 31, <u>2020</u>
Capital Improvement Fund	\$ 533,881
Encumbrances Payable	2,879,378
Reserve for Debt Service	11,051
Due to Current Fund	468,311
Fund Balance	205,893
Reserve for Grants Receivable	383,627
Grants Receivable	(711,082)
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	428,375
2017-12 Various Public Improvements	261,590
2018-08 Various Public Improvements	300,911
2019-11 Various Public Improvements	470,732
2019-17 Improvement of Broad Avenue (Phases 7 & 8)	55,789
2020-13 Installation of a Synthetic Turf Field at Leonia High School	503,118
2020-15 Various Public Improvements	285,071
2020-22 Acquisition of Radio Equipment for the Use of the Fire Department	(40,500)
2020-23 Acquisition of Real Property for the Future Site of the Municipal Complex	(586,326)
2020-24 Reconstruction of the Retaining Wall Between Golf Course Drive and Pine Hill Road	(547,044)
	\$ 4,870,153

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

Balance, January 1, 2020	\$ 11,882,081
Decreased by:	
2020 Budget Appropriation	
Payment of Bond Principal	\$ 1,200,000
Payment of Loan Principal	<u>43,829</u>
	<u>1,243,829</u>
Balance, December 31, 2020	<u>\$ 10,638,252</u>

**BOROUGH OF LEONIA  
STATEMENT OF GRANTS RECEIVABLE**

Balance, January 1, 2020		\$	438,701
Increased by:			
Grant Awards - Ordinance Funding		\$	272,381
Grant Pledged to Reserve			100,000
			372,381
Balance, December 31, 2020		\$	811,082
<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
Ord. 2020-13 - Installation of a Synthetic Turf Field at Leonia High School			100,000
Bergen County Community Development:			
Ord. 2016-06 - Woodbridge Place			5,074
FEMA:			
Ord. 2020-22 - Firefighters Grant			272,381
			272,381
		\$	811,082

**STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2020		\$	221,221
Increased by:			
Charges to Improvement Authorization - Current Fund Deferred Charge		\$	80,000
Bills Paid By Current Fund			149,613
Anticipated as Revenue in Current Fund			25,000
Interest on Investments			25,581
			280,194
			501,415
Decreased by:			
Payments to Current Fund			33,104
			33,104
Balance, December 31, 2020		\$	468,311

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

Ord. No.	Improvement Description	Balance, January 1, 2020	2020 Authori- zations	Cancelled	Balance, December 31, 2020	<u>Analysis of Balance,</u> December 31, 2020		Unexpended Improvement Authori- zations	
						Bond Anticipation Notes	Expenditures		
13-02	Various Public Improvements	\$ 6,847			\$ 6,847		\$ 6,847		
2015-04	Various Public Improvements	27,375			27,375		25,775	\$ 1,600	
2017-12	Various Public Improvements	952,375		952,375	-			-	
2018-08	Various Public Improvements	99,722		-	99,722			99,722	
2019-11	Various Public Improvements	1,249,000			1,249,000	1,249,000			
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	575,000	-		575,000	575,000	-	-	
2020-13	Installation of a Synthetic Turf Field at Leonia High School		2,850,000		2,850,000	2,850,000			
2020-15	Various Public Improvements		557,000		557,000	557,000			
2020-22	Acquisition of Radio Equipment for the Use of the Fire Department		40,500		40,500		40,500		
2020-23	Acquisition of Real Property for the Future Site of the Municipal Complex		1,476,000		1,476,000		586,326	889,674	
2020-24	Reconstruction of the Retaining Wall Between Golf Course Drive and Pine Hill Road		647,000	-	647,000	-	547,044	99,956	
		<u>\$ 2,910,319</u>	<u>\$ 5,570,500</u>	<u>\$ 952,375</u>	<u>\$ 7,528,444</u>	<u>\$ 5,231,000</u>	<u>\$ 1,206,492</u>	<u>\$ 1,090,952</u>	
								Improvement Authc Improvement Authorization - Unfunded	\$ 2,405,662
								Less: Unexpended proceeds of BAN's	
								Ord. 2019-11	470,732
								Ord. 2019-17	55,789
								Ord. 2020-13	503,118
								Ord. 2020-15	285,071
								<u>1,314,710</u>	
								<u>\$ 1,090,952</u>	

**BOROUGH OF LEONIA  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, January 1, 2020		2020 Authorizations	Payables Restored	Paid or Charged	Encumbrances Payable	Cancelled	Balance, December 31, 2020	
				Funded	Unfunded						Funded	Unfunded
2015-04	Various Public Improvements	7/6/2015	\$ 988,400		\$ 1,600							\$ 1,600
2016-06	Various Public Improvements	6/20/2016	1,805,482	\$ 444,101				15,726			\$ 428,375	
2017-12	Various Public Improvements	8/28/2017	4,756,887	58,123	1,419,933		\$ 460	215,308	\$ 1,618	\$ 1,000,000	261,590	
2018-08	Various Public Improvements	5/7/2018	3,130,000	796,760	99,722		289,155	265,689	519,315		300,911	99,722
2019-11	Various Public Improvements	6/10/2019	1,350,000		703,102		241,137	380,846	92,661			470,732
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	9/16/2019	575,000		571,100			197,131	318,180			55,789
2020-13	Installation of a Synthetic Turf Field at Leonia High School	6/15/2020	3,000,000			3,000,000		1,716,386	780,496			503,118
2020-15	Various Public Improvements	7/6/2020	585,000			585,000		33,757	266,172			285,071
2020-22	Acquisition of Radio Equipment for the Use of the Fire Department	9/9/2020	315,000			315,000			315,000			
2020-23	Acquisition of Real Property for the Future Site of the Municipal Complex	9/21/2020	1,550,000			1,550,000		654,434	5,892			889,674
2020-24	Reconstruction of the Retaining Wall Between Golf Course Drive and Pine Hill Road	10/5/2020	680,000			680,000			580,044			99,956
				<u>\$ 1,298,984</u>	<u>\$ 2,795,457</u>	<u>\$ 6,130,000</u>	<u>\$ 530,752</u>	<u>\$ 3,479,277</u>	<u>\$ 2,879,378</u>	<u>\$ 1,000,000</u>	<u>\$ 990,876</u>	<u>\$ 2,405,662</u>
						Capital Improvement Fund	\$ 287,119					
						Grants Receivable	272,381	Fund Balance		\$ 47,625		
						Deferred Charges Unfunded	5,570,500	Deferred Charges Unfunded		952,375		
							<u>\$ 6,130,000</u>			<u>\$ 1,000,000</u>		
						Due to Current Fund		\$ 229,613				
						Cash Disbursements		<u>3,249,664</u>				
								<u>\$ 3,479,277</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, 2020</u>			<u>Interest Rate</u>	<u>Balance, January 1, 2020</u>	<u>Decreased</u>	<u>Balance, December 31, 2020</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	02/15/19	\$ 11,540,000	2/15/2021	\$ 1,100,000	2.00%	\$ 11,540,000	1,200,000	\$ 10,340,000	
			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>\$ 11,540,000</u>	<u>\$ 1,200,000</u>	<u>\$ 10,340,000</u>	
							<u>\$ 1,200,000</u>		

Paid by Budget Appropriation

\$ 1,200,000

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

Balance, January 1, 2020	\$ 621,000
Increased by:	
2020 Budget Appropriations	<u>200,000</u>
	821,000
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>287,119</u>
Balance, December 31, 2020	<u><u>\$ 533,881</u></u>

EXHIBIT C-11

**STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2020	\$ 530,752
Increased by:	
Charges to Improvement Authorizations	<u>2,879,378</u>
	3,410,130
Decreased by:	
Restored to Improvement Authorizations	<u>530,752</u>
Balance, December 31, 2020	<u><u>\$ 2,879,378</u></u>

EXHIBIT C-12

**STATEMENT OF RESERVE FOR DEBT SERVICE**

Balance, January 1, 2020	<u>\$ 11,051</u>
Balance, December 31, 2020	<u><u>\$ 11,051</u></u>

**BOROUGH OF LEONIA  
STATEMENT OF LOANS PAYABLE**

Balance, January 1, 2020	\$ 342,081
Decreased by:	
Paid by Budget Appropriation	<u>43,829</u>
Balance, December 31, 2020	<u>\$ 298,252</u>

**STATEMENT OF RESERVE FOR GRANTS RECEIVABLE**

Balance, January 1, 2020	\$ 383,627
Increased by:	
Grants Award	<u>100,000</u>
Balance, December 31, 2020	<u>\$ 483,627</u>

Analysis of Balance

New Jersey Department of Transportation	
Ord. 2019-17	\$ 383,627
Bergen County Open Space	
Ord. 2020-13	<u>100,000</u>
	<u>\$ 483,627</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>Increased</u>	<u>Balance December 31 2020</u>
2019-11	Various Public Improvements	\$ 1,249,000	8/21/2020	8/21/2020	8/20/2021	1.00%	\$ 1,249,000	\$ 1,249,000
2019-17	Improvement of Broad Avenue (Phases 7 & 8)	575,000	8/21/2020	8/21/2020	8/20/2021	1.00%	575,000	575,000
2020-13	Installation of a Synthetic Turf Field at Leonia High School	2,850,000	8/21/2020	8/21/2020	8/20/2021	1.00%	2,850,000	2,850,000
2020-15	Various Public Improvements	557,000	8/21/2020	8/21/2020	8/20/2021	1.00%	<u>557,000</u>	<u>557,000</u>
							<u>\$ 5,231,000</u>	<u>\$ 5,231,000</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2020</u>	2020 <u>Authorizations</u>	<u>Cancelled</u>	Notes <u>Issued</u>	Balance, December 31, <u>2020</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	99,722				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	-
2020-13	Installation of a Synthetic Turf Field at Leonia High School		\$ 2,850,000		2,850,000	-
2020-15	Various Public Improvements		557,000		557,000	-
2020-22	Acquisition of Radio Equipment for the Use of the Fire Department		40,500			40,500
2020-23	Acquisition of Real Property for the Future Site of the Municipal Complex		1,476,000			1,476,000
2020-24	Reconstruction of the Retaining Wall Between Golf Course Drive and Pine Hill Road	-	647,000	-	-	647,000
		<u>\$ 2,910,319</u>	<u>\$ 5,570,500</u>	<u>\$ 952,375</u>	<u>\$ 5,231,000</u>	<u>\$ 2,297,444</u>

**SWIMMING POOL UTILITY FUND**

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

	<b>Operating Fund</b>	<b>Capital Fund</b>
Balance, January 1, 2020	\$ 309,297	\$ 2,384
Increased by:		
Budget Revenue - Swimming Pool Fees	\$ 148,955	
Budget Revenue - Miscellaneous	15,927	
Receipts from Swimming Pool Capital Fund	17	
Interest on Investments	<u>-</u>	<u>17</u>
	<u>164,899</u>	<u>17</u>
	474,196	2,401
Decreased by Disbursements:		
2019 Appropriation Reserves	1,624	
2020 Appropriation Expenditures	166,084	
Payments to Swimming Pool Operating Fund	<u>-</u>	<u>17</u>
	<u>167,708</u>	<u>17</u>
Balance, December 31, 2020	<u>\$ 306,488</u>	<u>\$ 2,384</u>

**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>

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

Balance, January 1, 2020	\$	3,286
Increased by:		
Charges to 2020 Budget Appropriations		<u>6,418</u>
		9,704
Decreased by:		
Transfer to Appropriation Reserves		<u>3,286</u>
Balance, December 31, 2020	\$	<u>6,418</u>

**BOROUGH OF LEONIA  
STATEMENT OF 2019 APPROPRIATION RESERVES  
SWIMMING POOL UTILITY OPERATING FUND**

	Balance January 1, <u>2020</u>	Transfer From Encumbrances <u>Payable</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages	\$ 36		\$ 36		\$ 36
Other Expenses	9,943	\$ 3,286	13,229	\$ 1,624	11,605
Capital Improvements					
Capital Outlay	36,645		36,645		36,645
Statutory Expenditures:					
Social Security System	<u>1,521</u>	<u>-</u>	<u>1,521</u>	<u>-</u>	<u>1,521</u>
	<u>\$ 48,145</u>	<u>\$ 3,286</u>	<u>\$ 51,431</u>	<u>\$ 1,624</u>	<u>\$ 49,807</u>

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

Balance, January 1, 2020	<u>\$ 1,406,570</u>
Balance, December 31, 2020	<u>\$ 1,406,570</u>

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

Balance, January 1, 2020	<u>\$ 1,406,570</u>
Balance, December 31, 2020	<u>\$ 1,406,570</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF DEFERRED CHARGE - OPERATING DEFICIT**  
**SWIMMING POOL UTILITY OPERATING FUND**

Increased by:	
2020 Operating Deficit	\$ <u>22,674</u>
 Balance, December 31, 2020	 \$ <u>22,674</u>

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

Balance, January 1, 2020	\$ <u>1,000</u>
 Balance, December 31, 2020	 \$ <u>1,000</u>

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

Balance, January 1, 2020	\$	1
Increased by:		
Interest on Investments		17
18		
Decreased by:		
Cash Disbursements		17
Balance, December 31, 2020	\$	1

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

Balance, January 1, 2020	\$	1,367
Balance, December 31, 2020	\$	1,367



**BOROUGH OF LEONIA**  
**BERGEN COUNTY, NEW JERSEY**

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**PART II**  
**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, 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, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2021. 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.

#### **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 2020-001 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as item 2020-001.

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 Responses to Findings**

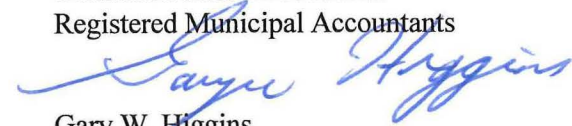
The Borough of Leonia’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Leonia’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion 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  
September 7, 2021

SCHEDULE A

**BOROUGH OF LEONIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED DECEMBER 31, 2020**

	<u>Grant Year</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Received</u>	<u>Balance, January 1, 2020</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Balance, December 31, 2020</u>	<u>(Memo) Cumulative Expenditures</u>
Division of Law & Public Safety									
Federal Body Armor Replacement	2020	N/A	N/A			\$ 707	\$ 168	539	\$ 168
Federal Body Armor Replacement	2021	N/A	N/A	\$ 2,512					
Distracted Driving Crackdown	2020	N/A	N/A			5,500		5,500	
Click it or Ticket	2020	N/A	N/A			5,500		5,500	
U.S. Dept. of Treasury									
Coronavirus Relief Fund	2020	N/A	21.019	311,759		311,759	311,759		311,759
FEMA									
Ordinance 2020-22 Firefighters Grant	2020					272,381	-	272,381	
Coronavirus Pandemic	2020	N/A	97.036	46,334		46,334	46,334		46,334
U.S. Dept. of Housing and Urban Development									
CDBG - Ordinance 2016-06 - Woodridge Place	Prior Year	N/A	14.218		5,074	-	-	5,074	140,271
					<u>\$ 5,074</u>	<u>\$ 642,181</u>	<u>\$ 358,261</u>	<u>\$ 288,994</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, 2020**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Amount Received</u>	<u>Balance, January 1, 2020</u>	<u>2020 Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2020</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Program	042-4900-765-004	2018		\$ 3,040		\$ 3,040	\$ -	\$ 15,374
		2019		14,713		9,135	5,578	9,135
		2020			\$ 16,428		16,428	
		2021	\$ 14,812					
Recycling Tonnage Grant	042-4910-100-224	2018		11,044			11,044	
		Prior Year		911			911	
		2020			22,209		22,209	
Body Armor Replacement Grant	066-1020-718-001	2020			2,229	2,229	-	2,229
		2021	2,095					
Drunk Driving Enforcement Fund	N/A	2019		8,913		1,895	7,018	2,748
		2020			2,817		2,817	
Sustainable Jersey Grant	N/A	2020			15,000		15,000	
Alcohol Education and Rehabilitation Fund	N/A	2020		-	1		1	
		2018		836			836	
		Prior Year		1,606			1,606	165
Department of Transportation: Ordinance 2019-17 - Improvement of Broad Avenue	N/A	2020		383,627		383,627	-	383,627
Anjec Open Space Stewardship Grant	N/A	Prior Year		700	-	-	700	
				<u>\$ 425,390</u>	<u>\$ 58,684</u>	<u>\$ 399,926</u>	<u>\$ 84,148</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, 2020**

**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	\$ 369,800	\$ 58,684	\$ 428,484
General Capital Fund	<u>272,381</u>	<u>-</u>	<u>272,381</u>
Total Financial Awards	<u>\$ 642,181</u>	<u>\$ 58,684</u>	<u>\$ 700,865</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, 2020**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough’s state loans outstanding at December 31, 2020, 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	\$ 170,706
2008 Loan	<u>127,546</u>
	<u>\$ 298,252</u>

**NOTE 6 RECLASSIFICATIONS**

Certain grant programs have been reclassified at December 31, 2019 from federal (Schedule A) to state programs (Schedule B) for the following:

<u>State Grant Program</u>	<u>Account Number</u>	<u>Balance, December 31, 2019</u>
Department of Transportation – Ordinance 2019-17 – Improvement of Broad Avenue	N/A	\$383,627



**BOROUGH OF LEONIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

*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, 2020**

*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 2020-001:**

Our audit revealed the following:

- Certain bills that related to 2020 were not recorded as liabilities at December 31, 2020.
- Certain instances were noted where a purchase order was not generated prior to the receipt of goods/services.

**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 2020-001.

**Questioned Costs:**

None.

**Context:**

- Bills in the amount of \$977,361 were not recorded as liabilities at December 31, 2020 in the General Capital Fund.
- Certain purchase orders were not encumbered prior to the receipt of goods/services.

**Cause:**

Unknown.

**Effect:**

Liabilities were understated at December 31, 2020 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.

**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, 2020**

*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, 2020**

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 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.

**Current Status**

See Finding 2020-001

**BOROUGH OF LEONIA**

**BERGEN COUNTY**

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**PART III**

**SUPPORTING DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2020**

**BOROUGH OF LEONIA  
SUPPORTING DATA**

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

	<u>Year 2020</u>		<u>Year 2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,071,000	2.51 %	\$ 1,321,000	3.15 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,342,338	5.48	2,595,929	6.18
Collection of Delinquent Taxes and Tax Title Liens	304,629	0.71	291,927	0.69
Collection of Current Tax Levy	38,081,409	89.10	36,691,325	87.35
Other Credits to Income	<u>938,533</u>	<u>2.20</u>	<u>1,106,193</u>	<u>2.63</u>
 Total Income	 <u>42,737,909</u>	 <u>100.00</u> %	 <u>42,006,374</u>	 <u>100.00</u> %
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	15,196,497	36.12 %	15,269,949	37.11 %
County Taxes	3,746,824	8.90	3,525,902	8.57
Local School Taxes	22,862,654	54.34	21,877,464	53.16
Other Expenditures	<u>269,591</u>	<u>0.64</u>	<u>479,323</u>	<u>1.16</u>
 Total Expenditures	 <u>42,075,566</u>	 <u>100.00</u> %	 <u>41,152,638</u>	 <u>100.00</u> %
 Excess in Revenue	 662,343		 853,736	
 Adjustments to Income before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	    <u>-</u>		    <u>80,000</u>	
 Statutory Excess in Revenue	 662,343		 933,736	
 Fund Balance, January 1	 <u>1,783,162</u>		 <u>2,170,426</u>	
	2,445,505	-	3,104,162	-
 Less Utilization as Anticipated Revenue	 <u>1,071,000</u>		 <u>1,321,000</u>	
 Fund Balance, December 31	 <u>\$ 1,374,505</u>		 <u>\$ 1,783,162</u>	

**BOROUGH OF LEONIA  
SUPPORTING DATA**

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

	<u>Year 2020</u>		<u>Year 2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 74,000	25.63 %	\$ 74,000	18.98 %
Collection of Membership Fees	148,955	51.59	290,567	74.53
Miscellaneous - From Other Than Membership Fees	<u>65,751</u>	<u>22.78</u>	<u>25,290</u>	<u>6.49</u>
Total Income	<u>288,706</u>	<u>100.00</u> %	<u>389,857</u>	<u>100.00</u> %
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	277,380	89.08 %	255,000	81.21 %
Capital	20,000	6.42	45,000	14.33
Deferred Charges and Statutory Expenditures	<u>14,000</u>	<u>4.50</u>	<u>14,000</u>	<u>4.46</u>
Total Expenditures	<u>311,380</u>	<u>100.00</u> %	<u>314,000</u>	<u>100.00</u> %
Operating Deficit	<u>\$ (22,674)</u>			
Excess in Revenue			75,857	
Fund Balance, January 1	<u>257,867</u>		<u>256,010</u>	
	257,867		331,867	
Less Utilization as Anticipated Revenue	<u>74,000</u>		<u>74,000</u>	
Fund Balance, December 31	<u>\$ 183,867</u>		<u>\$ 257,867</u>	

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rate</u>	<u>\$3.090</u>	<u>\$2.982</u>	<u>\$2.946</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.905	.890	.872
County (including Open Space Tax)	.302	.285	.281
Local School	1.843	1.768	1.755
Library	.040	.039	.038

Assessed Valuation

2020	<u>\$1,240,711,213</u>	
2019		<u>\$1,237,461,403</u>
2018		<u>\$1,227,934,816</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>
2020	\$ 38,401,585	\$ 38,081,409	99.16%
2019	36,998,124	36,691,325	99.17%
2018	36,416,198	36,106,581	99.14%



**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>
2020	\$ 293,584	\$ 2,195	\$ 295,779	0.77%
2019	304,872	1,694	306,566	0.83%
2018	299,559	1,211	300,770	0.83%

**Property Acquired By Tax Title Lien Liquidation**

No properties have been acquired in 2020 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	2020	\$1,374,505	\$700,000
	2019	1,783,162	1,071,000
	2018	2,170,426	1,321,000
	2017	1,598,848	621,000
Swimming Pool Utility Operating Fund	2020	\$183,867	\$96,674
	2019	\$257,867	\$74,000
	2018	256,010	74,000
	2017	185,205	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	12/31/21
Joanne Choi Terrell	Councilman	12/31/21
William Ziegler	Councilman	12/31/22
Bernadette Flaim	Councilwoman	12/31/22
Andrea Wardrop	Administrator	
Anne Dodd	Municipal Clerk	
Sheri Luna	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	
Michelle Netusil	Registered Environmental Health Inspector	
John Villareal	Public Works Superintendent	
Cleary Giacobbe Alfieri Jacobs	Borough Attorney	
Lerch, Vinci & Higgins, LLC	Borough Auditor	
Rogut McCarthy LLC	Bond Counsel	
Timothy Henderson	Tax Assessor	
Timothy Henderson	Assessment Search Officer	
Pennoni Engineering	Borough Engineer	
Thomas Rowe	Chief of Police (Through 10/8/20)	
Scott Tamagny	Acting Police Chief (From 10/8/20)	
John Desheplo	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	
James Hoffmann	Electrical Inspector	
Dave Haenelt	Fire Sub-Code Official	
Dave Haenelt	Fire Marshall	
Robert Chace	Fire Inspector	
John Biondi	Fire Chief	
Barbara Davidson	Recreation Director	
Nelson-Patterson & Conklin & Kraft Agency	Risk Management Consultants	
Al Martone	Recycling Coordinator	

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**GENERAL COMMENTS**

**Current Year**

The audit of the Borough's general ledgers indicated numerous opening balances were not in agreement with the prior year audit. It is recommended that the general ledger opening balances be in agreement with the prior year audit balances.

Our audit indicated there exists certain old outstanding grant receivables in the Current and General Capital Funds and certain old outstanding grant reserves in the Current Fund at year end. It is recommended that the old outstanding grant receivables and grant reserves be reviewed and cleared of record.

The audit of the Other Trust Fund disclosed two miscellaneous reserve balances were in a deficit position as of December 31, 2020. It is recommended that the deficits in the Other Trust Fund miscellaneous reserves be funded.

**Prior Year Unresolved**

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, 2020. It is recommended the inactive reserves in the Current and Other Trust Funds be reviewed and cleared of record.

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.

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, 2020. 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 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 \$44,000 (effective July 1, 2020), 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:

Kingsley Road Improvements      Broad Avenue Road Improvements – Section 7&8  
Turf Field at High School      2020 Roadway Improvements  
Golf Course Drive Retaining Wall Project

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 4, 2020 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 (10<sup>th</sup>) 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 2020.

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>
2020	1
2019	1
2018	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.
- \* 2. Old escrow deposits continue to be reviewed and cleared of record, where applicable.
- \* 3. All interfunds be cleared of record on a periodic basis and as of December 31.
- \* 4. A written policy regarding the procedures for allowing purchases on account be prepared and formally adopted by the governing body.
- \* 5. Timesheets be properly approved and/or maintained.
- \* 6. All employees who meet the eligibility requirements be enrolled in a State sponsored pension plan.
- \* 7. A capitalization threshold be established for the General Fixed Assets Account Group and land values be properly recorded in the fixed assets report.
- \* 8. The inactive reserves in the Current and Other Trust Funds be reviewed and cleared of record.
- \* 9. 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.
- 10. The general ledger opening balances be in agreement with the prior year audit balances.
- 11. Old outstanding grant receivables and grant reserves be reviewed and cleared of record.
- 12. The deficits in the Other Trust Fund miscellaneous reserves be funded.

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.

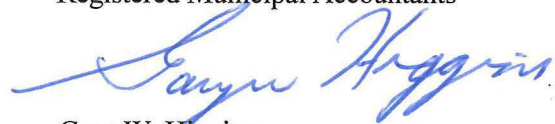
\* \* \* \* \*

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