

**BOROUGH OF LEONIA**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2018**

**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, 2018**



# 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  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, 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, 2018, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended 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 audit. We conducted our audit 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, 2018, or changes in financial position, or, where applicable, cash flows for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 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 year ended December 31, 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 44 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Leonia as of December 31, 2018, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended 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***

***Prior Year’s Financial Statements Audited by Other Auditors***

The financial statements of the Borough of Leonia as of and for the year ended December 31, 2017 were audited by other auditors whose report dated June 30, 2018 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, 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. Their report also expressed an unmodified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting.

*Other Information*

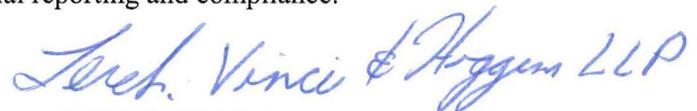
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Leonia as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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

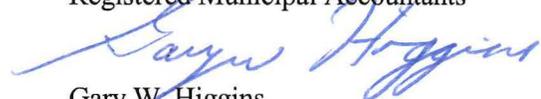
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2019 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 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  
July 23, 2019

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>Regular Fund</b>			
Cash	A-4	\$ 3,941,678	\$ 5,620,655
Change Funds	A-5	<u>300</u>	<u>300</u>
		<u>3,941,978</u>	<u>5,620,955</u>
<b>Receivables and Other Assets with Full Reserves</b>			
Delinquent Taxes Receivable	A-7	299,559	311,128
Tax Title Liens Receivable	A-8	1,211	734
Due from Other Trust Fund	A-24	57,893	58,069
Due from General Capital Fund	A-23	2,037	227
Due from Animal Control Fund	B-8	37,823	
Revenue Accounts Receivable	A-9	<u>11,865</u>	<u>-</u>
		<u>410,388</u>	<u>370,158</u>
<b>Total Regular Fund</b>		<u>4,352,366</u>	<u>5,991,113</u>
<b>Federal and State Grant Fund</b>			
Cash	A-4	54,681	46,996
Grants Receivable	A-26	<u>233</u>	<u>233</u>
<b>Total Federal and State Grant Fund</b>		<u>54,914</u>	<u>47,229</u>
<b>Total Assets</b>		<u>\$ 4,407,280</u>	<u>\$ 6,038,342</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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund			
Appropriation Reserves	A-3,A-10	\$ 1,053,658	\$ 875,491
Encumbrances Payable	A-11	160,905	186,875
Prepaid Taxes	A-14	238,966	2,875,400
Tax Overpayments	A-22	26,505	26,975
Reserve for State Library Aid	A-15	11,140	12,503
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	3,178	2,234
Due to General Capital Fund	A-20	222,994	10,404
Due to Swimming Pool Utility Operating Fund	A-21	417	417
Due to Swimming Pool Utility Capital Fund	A-30	6	-
Accounts Payable	A-29	3,320	-
Due to County for Added and Omitted Taxes	A-16	<u>23,653</u>	<u>4,998</u>
		1,771,552	4,022,107
Reserve for Receivables and Other Assets	A	410,388	370,158
Fund Balance	A-1	<u>2,170,426</u>	<u>1,598,848</u>
Total Regular Fund		<u>4,352,366</u>	<u>5,991,113</u>
Federal and State Grant Fund			
Reserve for Grants and Donations - Unappropriated	A-27	25,365	29,668
Reserve for Grants and Donations - Appropriated	A-25	<u>29,549</u>	<u>17,561</u>
Total Federal and State Grant Fund		<u>54,914</u>	<u>47,229</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,407,280</u>	<u>\$ 6,038,342</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, 2018 AND 2017**

REVENUES AND OTHER INCOME	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Fund Balance Utilized	A-2	\$ 621,000	\$ 400,000
Miscellaneous Revenue Anticipated	A-2	2,346,797	2,299,023
Receipts from Delinquent Taxes	A-2	296,222	237,504
Receipts from Current Taxes	A-2	36,106,581	35,418,277
Non-Budget Revenue	A-2	136,928	176,168
Other Credits to Income			
Unexpended Balances Cancelled	A-1	-	53
Cancellations and Adjustments	A-1		29,393
Interfund Advances Returned	A-1	176	-
Tax Overpayments Cancelled	A-22	21,460	-
Unexpended Balances of Appropriation Reserves	A-10	<u>757,628</u>	<u>458,465</u>
 Total Revenues and Other Income		 <u>40,286,792</u>	 <u>39,018,883</u>
 EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,543,860	5,339,341
Other Expenses	A-3	5,850,700	5,785,703
Capital Improvements	A-3	150,000	-
Municipal Debt Service	A-3	1,189,525	1,171,800
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,300,509	1,301,095
County Taxes	A-16	3,310,353	3,326,171
County Taxes - Added Taxes	A-16	23,653	4,998
County Taxes - Open Space Preservation	A-16	140,865	137,838
Local District School Taxes	A-17	21,545,016	21,194,081
Refund of Prior Year Revenue	A-4	100	28,954
Interfund Advances Originating	A-1	<u>39,633</u>	<u>58,000</u>
 Total Expenditures		 <u>39,094,214</u>	 <u>38,347,981</u>
 Excess in Revenue (Carried Forward)		 <u>1,192,578</u>	 <u>670,902</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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Excess in Revenue (Brought Forward)		\$ 1,192,578	\$ 670,902
FUND BALANCE, JANUARY 1	A	<u>1,598,848</u>	<u>1,327,946</u>
		2,791,426	1,998,848
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>621,000</u>	<u>400,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 2,170,426</u>	<u>\$ 1,598,848</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	2018 Anticipated <u>Budget</u>	Realized <u>in 2018</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 621,000	\$ 621,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-9	1,900	1,800	\$ (100)
Other	A-9	5,000	5,750	750
Fees and Permits				
Other	A-2	62,000	83,956	21,956
Fines and Costs - Municipal Court	A-9	304,000	224,743	(79,257)
Interest and Costs on Taxes	A-9	61,100	81,399	20,299
Interest on Investments and Deposits	A-2	5,900	36,591	30,691
Cable Television Franchise Fee	A-9	38,957	38,957	-
Verizon FIOS Franchise Fee	A-9	61,000	60,185	(815)
Sewer - Surcharges	A-9	19,261	30,725	11,464
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	174,321	2,321
Interlocal Agreement- Board of Education	A-9	23,000	14,988	(8,012)
Public and Private Revenues Offset				
With Appropriations				
Recycling Tonnage Grant	A-27	11,044	11,044	-
Alcoholic Education and Rehabilitation Fund	A-27	836	836	-
Body Armor Replacement Grant - State	A-27	1,946	1,946	-
Body Armor Replacement Grant - Federal	A-27	467	467	-
Clean Communities Program	A-27	15,374	15,374	-

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, 2018**

	<u>Reference</u>	2018 Anticipated <u>Budget</u>	Realized <u>in 2018</u>	Excess or <u>(Deficit)</u>
Other Special Items:				
Towing Licenes and Administration	A-9	9,500	5,755	\$ (3,745)
Sewer Billing - Commercial	A-9	145,000	115,473	(29,527)
Cellular Tower Rental	A-9	77,900	83,235	5,335
Payments in Lieu of Taxes	A-9	63,000	66,412	3,412
Uniform Fire Safety Act	A-9	6,000	8,812	2,812
Due From Extra Duty Trust -Administration Fees	A-9	51,900	196,618	144,718
Copies	A-9	2,700	2,485	(215)
Planning/Zoning Board Fees	A-9	6,600	13,150	6,550
Motor Vehicle Inspections	A-9	4,000	1,300	(2,700)
Garage Sale Permits	A-9	600	590	(10)
Property Rental	A-9	24,000	24,070	70
Fire Prevention Permits	A-9	1,500	1,426	(74)
Property Rental	A-9	<u>60,000</u>	<u>15,000</u>	<u>(45,000)</u>
	A-1	<u>2,265,874</u>	<u>2,346,797</u>	<u>80,923</u>
Receipts from Delinquent Taxes	A-2	<u>300,000</u>	<u>296,222</u>	<u>(3,778)</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for:				
Municipal Purposes	A-2	10,707,069	10,944,410	237,341
Minimum Library Tax	A-2	<u>467,284</u>	<u>467,284</u>	<u>-</u>
		<u>11,174,353</u>	<u>11,411,694</u>	<u>237,341</u>
Budget Totals		<u>\$ 14,361,227</u>	14,675,713	<u>\$ 314,486</u>
	<u>Reference</u>	A-3		
Non-Budget Revenue	A-2		<u>136,928</u>	
			<u>\$ 14,812,641</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, 2018**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-7	\$ 36,106,581
Allocated to School and County Taxes	A-16,A-17	<u>25,019,887</u>
		11,086,694
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>325,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,411,694</u>
Fees and Permits - Other		
Fire Prevention		\$ 22,600
Contractor Registration		500
CRO		20,091
Building Department Penalties		11,000
Soil Movement Permit		1,030
Zoning Permit		10,055
Dumpster Fee		1,000
CO's After the Fact		440
Street Opening		<u>17,240</u>
	A-2, A-9	<u>\$ 83,956</u>
Analysis of Interest on Investments		
Revenue Accounts Receivable	A-9	\$ 10,732
Due from Other Trust Fund	A-24	2,235
Due from Animal Control Trust Fund	B-7	317
Due from General Capital Fund	A-23	<u>23,307</u>
	A-2	<u>\$ 36,591</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, 2018**

	<u>Reference</u>	
Analysis of Non-Budget Revenue		
Miscellaneous Receipts		94,312
Administrative Fee- Seniors and Veterans		720
Statutory Excess - Animal Control		37,820
NSF Fees		<u>4,076</u>
	A-2	<u>\$ 136,928</u>
Cash Receipts	A-4	\$ 99,108
Due from Animal Control Trust Fund	B-7	<u>37,820</u>
		<u>\$ 136,928</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, 2018**

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Office of the Administrator					
Salaries & Wages	\$ 255,000	\$ 273,335	\$ 272,306	\$ 1,029	
Other Expenses	49,620	52,280	51,537	743	
Administrative and Executive					
Other Expenses	114,450	95,421	95,421	-	
Codification of Ordinances	5,000	5,000	5,000	-	
Postage					
Other Expenses	20,750	20,750	19,945	805	
Copier Operations					
Other Expenses	16,500	16,500	10,903	5,597	
Elections					
Other Expenses	8,000	8,000	8,000	-	
Financial Administration					
Other Expenses					
Annual Audit	35,000	35,000	32,195	2,805	
Computerized Data Processing					
Other Expenses	65,000	65,000	62,774	2,226	
Revenue Administration (Tax Collection)					
Salaries & Wages	148,600	108,098	108,098	-	
Other Expenses	44,750	3,953	3,289	664	
Assessment of Taxes					
Salaries & Wages	18,500	18,500	18,238	262	
Other Expenses	2,125	2,125	1,626	499	
Legal Services & Costs					
Other Expenses	113,000	141,030	140,338	692	
Municipal Prosecutor					
Salaries & Wages	16,096	16,096	13,263	2,833	
Engineering Services					
Other Expenses	93,000	108,033	108,033	-	
Historical Commission					
Other Expenses	4,000	4,000	-	4,000	
<b>LAND USE ADMINISTRATION</b>					
Municipal Land Use Law (NJS 40:55D-1)					
Planning, Zoning Board					
Salaries & Wages	2,000	2,000	1,650	350	
Other Expenses	8,350	5,961	5,961	-	
Hepatitis B Vaccine and Training					
Other Expenses	1,000	1,000	-	1,000	
<b>INSURANCE</b>					
General Liability	550,850	550,850	524,613	26,237	
Employee Group Health	1,181,000	1,181,000	917,863	263,137	
Employee Group Health - Waiver	40,500	40,500	24,505	15,995	
<b>PUBLIC SAFETY</b>					
Police					
Salaries & Wages	3,076,410	3,065,150	2,865,896	199,254	
Other Expenses	364,600	364,600	364,388	212	
Emergency Management System					
Salaries & Wages	2,500	2,500	2,500	-	
Other Expenses	4,900	4,900	2,895	2,005	
Fire					
Other Expenses	143,650	143,650	100,182	43,468	
Fire Marshall					
Salaries & Wages	17,000	22,799	21,672	1,127	
Other Expenses	3,000	3,000	1,173	1,827	

**BOROUGH OF LEONIA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018 Appropriated</u>		<u>2018 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	\$ 128,474	\$ 128,474	\$ 128,207	\$ 267	
Other Expenses	26,800	26,800	20,299	6,501	
Public Defender					
Salaries & Wages	9,200	9,200	7,283	1,917	
Other Expenses	200	200		200	
Right to Know - PEOSHA (Ch. 516 PL 1983)					
Other Expenses	3,500	3,500	3,500	-	
Uniform Fire Safety Act (PL 1983, Ch. 183)					
Fire Prevention					
Salaries & Wages	7,000	7,000	6,978	22	
PUBLIC WORKS FUNCTIONS					
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries & Wages	1,411,400	1,411,400	1,265,577	145,823	
Other Expenses	208,050	208,050	187,946	20,104	
Shade Tree					
Other Expenses	2,000	2,000	180	1,820	
Garbage and Trash Removal					
Other Expenses	318,000	318,000	315,214	2,786	
Buildings and Grounds					
Other Expenses	121,500	131,368	130,426	942	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries & Wages	60,100	61,300	61,300	-	
Other Expenses	55,760	55,760	41,835	13,925	
Board of Recreation Commission (R.S. 40:12)					
Salaries & Wages	143,500	143,500	122,135	21,365	
Other Expenses	45,900	45,900	44,516	1,384	
Senior Citizens Activities					
Salaries & Wages	35,700	35,700	35,641	59	
Other Expenses	9,500	9,500	6,616	2,884	
Senior Citizen Bus					
Salaries & Wages	28,000	28,000	25,425	2,575	
Other Expenses	10,000	10,000	5,396	4,604	

**BOROUGH OF LEONIA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018 Appropriated</u>		<u>2018 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	\$ 132,400	\$ 136,164	\$ 136,164	\$ -	
Other Expenses	6,250	3,754	3,734	20	
Fire Sub-Code Official					
Salaries & Wages	13,050	13,262	13,262	-	
Electric Sub-Code Official					
Salaries & Wages	10,800	11,382	11,382	-	
UTILITY EXPENSE AND BULK PURCHASES					
		*			
Electricity and Gas	130,000	130,000	91,726	38,274	
Street Lighting	100,000	100,000	73,959	26,041	
Gasoline	40,000	40,000	37,317	2,683	
Fire Hydrant	104,000	104,000	94,672	9,328	
Telephone and Telegraph	80,000	88,605	88,587	18	
Water	6,000	6,000	5,915	85	
Diesel Fuel	45,000	51,720	51,720	-	
Salary and Wage Adjustment	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total Operations Within "CAPS"	<u>9,747,235</u>	<u>9,731,570</u>	<u>8,801,176</u>	<u>930,394</u>	<u>-</u>
Detail:					
Salaries & Wages	5,565,730	5,543,860	5,116,977	426,883	-
Other Expenses	<u>4,181,505</u>	<u>4,187,710</u>	<u>3,684,199</u>	<u>503,511</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Statutory Charges					
Public Employees Retirement System	337,766	353,431	353,431	-	
Social Security System (O.A.S.I.)	295,000	295,000	282,137	12,863	
Police and Firemen's Retirement System of NJ	642,078	642,078	642,078	-	
State Unemployment Insurance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,284,844</u>	<u>1,300,509</u>	<u>1,277,646</u>	<u>22,863</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,032,079</u>	<u>11,032,079</u>	<u>10,078,822</u>	<u>953,257</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
INSURANCE (N.J.S.A. 40A:4-45.3(OO))					
Maintenance of Free Public Library (Ch. 82, P.L. 1985)	275,592	312,300	280,205	32,095	
Minimum Funding Free Public Library	467,284	430,576	430,576	-	
Length of Service Award Program (LOSAP)	38,000	38,000	-	38,000	
BCUA - Share of Costs	818,403	818,403	799,141	19,262	
BCUA - Recycling Tax	<u>11,044</u>	<u>11,044</u>	<u>-</u>	<u>11,044</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,610,323</u>	<u>1,610,323</u>	<u>1,509,922</u>	<u>100,401</u>	<u>-</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 Appropriated		2018 Expended		Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>OPERATIONS - EXCLUDED FROM "CAPS" (Continued)</b>					
Interlocal Municipal Service Agreements					
Board of Rducation - Gas/Diesel Agreement	23,000	23,000	23,000	-	-
<b>Total Interlocal Municipal Service Agreements</b>	<b>23,000</b>	<b>23,000</b>	<b>23,000</b>	<b>-</b>	<b>-</b>
<b>Public and Private Programs Offset by Revenues</b>					
Recycling Tonnage Grant	11,044	11,044	11,044	-	
Alcohol Education and Rehabilitation Fund	836	836	836	-	
Body Armor Fund - State	1,946	1,946	1,946	-	
Body Armor Fund - Federal	467	467	467	-	
Clean Communities Program	15,374	15,374	15,374	-	-
<b>Total Public and Private Programs Offset by Revenues</b>	<b>29,667</b>	<b>29,667</b>	<b>29,667</b>	<b>-</b>	<b>-</b>
<b>Total Operations Excluded from "CAPS"</b>	<b>1,662,990</b>	<b>1,662,990</b>	<b>1,562,589</b>	<b>100,401</b>	<b>-</b>
<b>Detail:</b>					
Other Expenses	1,662,990	1,662,990	1,562,589	100,401	-
<b>CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	150,000	150,000	150,000	-	-
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>-</b>	<b>-</b>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	860,000	860,000	860,000		-
Interest on Bonds	65,625	65,625	65,625		-
Payment of Bond Anticipation Notes and Capital Noted	152,000	152,000	152,000		-
Interest on Notes	60,736	60,736	60,590		\$ 146
<b>Wastewater Loan - Spring Street Sewer</b>					
Principal	20,342	20,342	20,342		-
Interest	6,885	6,885	5,398		1,487
<b>Wastewater Loan - Salt Dome</b>					
Principal	19,595	19,595	19,595		-
Interest	5,975	5,975	5,975	-	-
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<b>1,191,158</b>	<b>1,191,158</b>	<b>1,189,525</b>	<b>-</b>	<b>1,633</b>

**BOROUGH OF LEONIA**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018 Appropriated</u>		<u>2018 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"	\$ 3,004,148	\$ 3,004,148	\$ 2,902,114	\$ 100,401	\$ 1,633
Subtotal General Appropriations	14,036,227	14,036,227	12,980,936	1,053,658	1,633
Reserve for Uncollected Taxes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	-	-
Total General Appropriations	<u>\$ 14,361,227</u>	<u>\$ 14,361,227</u>	<u>\$ 13,305,936</u>	<u>\$ 1,053,658</u>	<u>\$ 1,633</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, 2018**

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Cash Disbursed	A-4		\$ 13,351,122
Less Refunds	A-4		<u>773,348</u>
			12,577,774
Federal and State Grants Appropriated	A-25		29,667
Encumbrances Payable	A-11		160,905
Due to General Capital	A-20		212,590
Reserve for Uncollected Taxes	A-2		<u>325,000</u>
			<u>\$ 13,305,936</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL TRUST FUND</b>			
Cash	B-1	\$ 45,926	\$ 41,799
Change Fund	B-2	<u>25</u>	<u>25</u>
		<u>\$ 45,951</u>	<u>\$ 41,824</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	<u>827,788</u>	<u>842,089</u>
<b>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)</b>			
Investments	B	663,020	768,367
Contribution Receivable	B	<u>31,796</u>	<u>35,050</u>
		<u>694,816</u>	<u>803,417</u>
Total Assets		<u>\$ 1,568,555</u>	<u>\$ 1,687,330</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL TRUST FUND</b>			
Due to State of New Jersey	B-4	\$ 14	\$ -
Due to Current Fund	B-8	37,823	-
Reserve for Animal Control Expenditures	B-3	<u>8,114</u>	<u>41,824</u>
		<u>45,951</u>	<u>41,824</u>
<b>OTHER TRUST FUND</b>			
Due to the State of New Jersey	B-7	196	-
Due to Current Fund	B-5	57,893	58,069
Miscellaneous Reserves	B-6	<u>769,699</u>	<u>784,020</u>
		<u>827,788</u>	<u>842,089</u>
<b>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (Unaudited)</b>			
Reserve for Investments in Length of Service Award Program	B	<u>694,816</u>	<u>803,417</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 1,568,555</u>	<u>\$ 1,687,330</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 2,208,315	\$ 282,173
Deferred Charges to Future Taxation			
Funded	C-4	1,269,400	2,185,336
Unfunded	C-8	12,626,319	9,812,319
Grants Receivable	C-5	107,449	432,720
Due from Current Fund	C-6	<u>222,994</u>	<u>10,404</u>
 Total Assets		 <u>\$ 16,434,477</u>	 <u>\$ 12,722,952</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 890,000	\$ 1,750,000
Loans Payable	C-14	379,400	435,336
Bond Anticipation Notes	C-15	9,612,097	5,342,519
Improvement Authorizations			
Funded	C-9	301	165
Unfunded	C-9	4,396,998	4,757,988
Capital Improvement Fund	C-11	34,500	34,500
Encumbrances Payable	C-12	997,641	386,928
Reserve for Debt Service	C-13	11,051	11,051
Due to Current Fund	C-7	2,037	227
Fund Balance	C-1	<u>110,452</u>	<u>4,238</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 16,434,477</u>	 <u>\$ 12,722,952</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$3,014,222 and \$4,469,800 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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1	C	\$ 4,238	\$ 1,022
Increased By:			
Premium on Sale of Notes	C-1	<u>106,214</u>	<u>3,216</u>
Balance, December 31	C	<u>\$ 110,452</u>	<u>\$ 4,238</u>

**BOROUGH OF LEONIA**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**SWIMMING POOL UTILITY FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 264,826	\$ 240,089
Due from Swimming Pool Capital Fund	D-14	6	
Due from Current Fund	D-11	<u>417</u>	<u>417</u>
Total Operating Fund		<u>265,249</u>	<u>240,506</u>
CAPITAL FUND			
Cash	D-5, D-6	1,016	1,016
Due from Current Fund	D-13	6	
Fixed Capital	D-9	<u>1,398,215</u>	<u>1,398,215</u>
Total Capital Fund		<u>1,399,237</u>	<u>1,399,231</u>
Total Assets		<u>\$ 1,664,486</u>	<u>\$ 1,639,737</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Appropriation Reserves	D-3, D-8	\$ 6,362	\$ 51,796
Encumbrance Payable	D-7	<u>2,877</u>	<u>3,505</u>
Fund Balance	D-1	9,239 <u>256,010</u>	55,301 <u>185,205</u>
Total Operating Fund		<u>265,249</u>	<u>240,506</u>
CAPITAL FUND			
Capital Improvement Fund	D-12	1,000	1,000
Reserve for Amortization	D-10	1,398,215	1,398,215
Due to Swimming Pool Operating Fund	D-14	6	
Fund Balance	D-4	<u>16</u>	<u>16</u>
Total Capital Fund		<u>1,399,237</u>	<u>1,399,231</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,664,486</u>	<u>\$ 1,639,737</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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES AND OTHER INCOME</b>			
Fund Balance Utilized	D-2	\$ 35,000	\$ 35,000
Swimming Pool Fees	D-2	273,708	237,668
Miscellaneous	D-2	16,517	46,306
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-8	<u>55,301</u>	<u>39,879</u>
Total Revenues and Other Income		<u>380,526</u>	<u>358,853</u>
<b>EXPENDITURES</b>			
Budget Appropriations:			
Operating	D-3	246,221	252,242
Capital	D-3	15,000	35,000
Statutory Expenditures	D-3	<u>13,500</u>	<u>13,000</u>
Total Expenditures		<u>274,721</u>	<u>300,242</u>
Excess in Revenue		105,805	58,611
BALANCE, JANUARY 1	D	<u>185,205</u>	<u>161,594</u>
		291,010	220,205
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-2	<u>35,000</u>	<u>35,000</u>
BALANCE, DECEMBER 31	D	<u>\$ 256,010</u>	<u>\$ 185,205</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF REVENUES - REGULATORY BASIS - SWIMMING POOL UTILITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 35,000	\$ 35,000	
Swimming Pool Fees	D-1,D-4	199,721	273,708	\$ 73,987
Miscellaneous	D-1,D-2	<u>40,000</u>	<u>16,517</u>	<u>(23,483)</u>
 Total		 <u>\$ 274,721</u>	 <u>\$ 325,225</u>	 <u>\$ 50,504</u>

Analysis of Miscellaneous Revenues

Swimming Pool Lessons		\$ 9,322
Swimming Pool Rental		200
Swimming Pool Miscellaneous		4,891
Interest on Investments		<u>2,104</u>
	D-1,D-2	<u>\$ 16,517</u>
Cash Receipts	D-4	\$ 16,511
Interest Due from Swimming Pool Capital	D-14	<u>6</u>
		<u>\$ 16,517</u>

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**SWIMMING POOL UTILITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATING</b>					
Salaries & Wages	\$ 152,262	\$ 152,262	\$ 151,672	\$ 590	
Other Expenses	93,959	93,959	91,112	2,847	
<b>CAPITAL</b>					
Capital Outlay	15,000	15,000	13,891	1,109	-
<b>STATUTORY EXPENDITURES</b>					
Social Security System	<u>13,500</u>	<u>13,500</u>	<u>11,684</u>	<u>1,816</u>	<u>-</u>
 Total	 <u>\$ 274,721</u>	 <u>\$ 274,721</u>	 <u>\$ 268,359</u>	 <u>\$ 6,362</u>	 <u>\$ -</u>
	<u>Reference</u>	D-2	D-2	D	
Cash Disbursements	D-5		\$ 265,482		
Encumbrances Payable	D-7		<u>2,877</u>		
			<u>\$ 268,359</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, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Land	\$ 26,300,600	\$ 26,300,600
Buildings and Building Improvements	5,842,814	5,842,814
Machinery and Equipment	<u>8,579,856</u>	<u>8,063,815</u>
Total Assets	<u>\$ 40,723,270</u>	<u>\$ 40,207,229</u>
<b>RESERVES</b>		
Investment in General Fixed Assets	<u>\$ 40,723,270</u>	<u>\$ 40,207,229</u>
Total Reserves	<u>\$ 40,723,270</u>	<u>\$ 40,207,229</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Borough of Leonia have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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 Trust 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, unemployment, 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.

Swimming 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.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

**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, 2017 balances to conform to the December 31, 2018 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.

**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.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**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.

**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.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Deferred Charges** -- Certain expenditures 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.

**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 initial, individual cost of \$2,000 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.

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

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.

**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

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgets and Budgetary Accounting (Continued)**

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. The governing body approved several budget transfers during 2018 and 2017.

**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, 2018 and 2017, the book value of the Borough's deposits were \$7,344,555 and \$7,074,057 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,916,074 and \$7,102,616, 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>2018</u>	<u>2017</u>
Insured	<u>\$ 6,916,074</u>	<u>\$ 7,102,616</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, 2018 and 2017, none of the Borough’s bank balances were exposed to custodial credit risk.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments**

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

As of December 31, 2018 and 2017, the Borough had the following investments:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Investment:		
Lincoln Financial Group LOSAP Investment Fund	<u>\$ 663,020</u>	<u>\$ 768,367</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, 2018 and 2017, \$663,020 and \$768,367 of the Borough’s investments was exposed to custodial credit risk as follows:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 663,020</u>	<u>\$ 768,367</u>

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and N.J.A.C. 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the Borough’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation was rated Baa1 by Moody’s Investor Services.

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

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

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

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ 299,559	\$ 311,128
Tax Title Liens	<u>1,211</u>	<u>734</u>
	<u>\$ 300,770</u>	<u>\$ 311,862</u>

In 2018 and 2017, the Borough collected \$296,222 and \$237,504 from delinquent taxes, which represented 95.0% and 99.9%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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>2018</u>		<u>2017</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	\$ 97,753		\$ 58,296	
Trust Funds		\$ 223,417		\$ 10,821
Animal Control Fund		37,823		
Other Trust Fund		57,893		58,069
General Capital Fund	222,994	2,037	10,404	227
Utility Funds				
Swimming Pool Operating Fund	423		417	
Swimming Pool Capital Fund	6	6	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total	\$ 321,176	\$ 321,176	\$ 69,117	\$ 69,117

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, 2018 AND 2017**

**NOTE 6 FUND BALANCES APPROPRIATED**

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

	Fund Balance December 31, <u>2018</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2017</u>	Utilized in Subsequent Year's Budget
<b>Current Fund</b>				
Cash Surplus	\$ 2,170,426	\$ 1,321,000	\$ 1,598,848	\$ 621,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,170,426</u>	<u>\$ 1,321,000</u>	<u>\$ 1,598,848</u>	<u>\$ 621,000</u>
<b>Swimming Pool Utility Fund</b>				
Cash Surplus	\$ 255,587	\$ 74,000	\$ 184,788	\$ 35,000
Non-Cash Surplus	<u>423</u>	<u>-</u>	<u>417</u>	<u>-</u>
	<u>\$ 256,010</u>	<u>\$ 74,000</u>	<u>\$ 185,205</u>	<u>\$ 35,000</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 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, 2018 and 2017.

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Land and Improvements	\$ 26,300,600			\$ 26,300,600
Buildings and Building Improvements	5,842,814			5,842,814
Machinery and Equipment	<u>8,063,815</u>	\$ 516,041	<u>-</u>	<u>8,579,856</u>
	<u>\$ 40,207,229</u>	<u>\$ 516,041</u>	<u>\$ -</u>	<u>\$ 40,723,270</u>
	(Restated)			
	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Land and Improvements	\$ 26,300,600			\$ 26,300,600
Buildings and Building Improvements	5,842,814			5,842,814
Machinery and Equipment	<u>7,707,865</u>	355,950	<u>-</u>	<u>8,063,815</u>
	<u>\$ 39,851,279</u>	<u>\$ 355,950</u>	<u>\$ -</u>	<u>\$ 40,207,229</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 FIXED ASSETS (Continued)**

**B. Swimming Pool Utility Fund Fixed Assets**

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2018 and 2017.

<u>Swimming Pool Utility Fund</u>	Balance December 31, 2017	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2018
<b><u>2018</u></b>				
Fixed Capital				
Facility Equipment and Improvements	\$ 1,398,215	\$ -	\$ -	\$ 1,398,215
	Balance December 31, 2016	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2017
<b><u>2017</u></b>				
Fixed Capital				
Facility Equipment and Improvements	\$ 1,398,215	\$ -	\$ -	\$ 1,398,215

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and swimming pool utility capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,881,497	\$ 7,527,855
Less Funds Temporarily Held to Pay Bonds and Notes	<u>11,051</u>	<u>11,051</u>
Net Debt Issued	10,870,446	7,516,804.00
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,014,222</u>	<u>4,469,800</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 13,884,668</u>	<u>\$ 11,986,604</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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 0.99% and 0.87% at December 31, 2018 and 2017, respectively.

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
General Debt	\$ 11,997,655	\$ 11,051	\$ 11,986,604
School Debt	<u>21,245,000</u>	<u>21,245,000</u>	<u>-</u>
Total	<u>\$ 33,242,655</u>	<u>\$ 21,256,051</u>	<u>\$ 11,986,604</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>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 49,002,575	\$ 48,107,928
Less: Net Debt	<u>13,884,668</u>	<u>11,986,604</u>
Remaining Borrowing Power	<u>\$ 35,117,907</u>	<u>\$ 36,121,324</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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>2018</u>	<u>2017</u>
\$5,750,000, 2009 General Bonds, due in annual installment of \$890,000 through September 1, 2019, interest at 3.75%	\$ 890,000	\$ 1,750,000

**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>2018</u>	<u>2017</u>
\$453,107, 2007 Loan, due in annual installments of \$9,922 to \$12,943 through August 1, 2027, interest at 4.00% to 5.00%	\$ 232,484	\$ 251,826
\$317,500, 2008 Loan, due in annual installments of \$3,616 to \$9,294 through August 1, 2028, interest at 4.00% to 5.00%	146,916	183,510
Total	\$ 379,400	\$ 435,336

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 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, 2018 is as follows:

Calendar Year	General-Bonds		General - Loans		Total
	Principal	Interest	Principal	Interest	
2019	\$ 890,000	\$ 33,375	\$ 37,319	\$ 9,936	\$ 970,630
2020			44,922	9,540	54,462
2021			44,210	8,490	52,700
2022			43,405	7,290	50,695
2023			41,599	6,090	47,689
2024-2028	-	-	167,945	13,935	181,880
Total	<u>\$ 890,000</u>	<u>\$ 33,375</u>	<u>\$ 379,400</u>	<u>\$ 55,281</u>	<u>\$ 1,358,056</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, 2017	Additions	Reductions	(A) Adjustments	Balance, December 31, 2018	Due Within One Year
<b><u>2018</u></b>						
General Capital Fund						
Bonds Payable	\$ 1,750,000		\$ 860,000		\$ 890,000	\$ 890,000
Intergovernmental Loans Payable	435,336	-	38,936	\$ (17,000)	379,400	37,319
General Capital Fund Long-Term Liabilities	<u>\$ 2,185,336</u>	<u>\$ -</u>	<u>\$ 898,936</u>	<u>\$ (17,000)</u>	<u>\$ 1,269,400</u>	<u>\$ 927,319</u>
	Balance, December 31, 2016	Additions	Reductions	Adjustments	Balance, December 31, 2017	Due Within One Year
<b><u>2017</u></b>						
General Capital Fund						
Bonds Payable	\$ 2,585,000		\$ 835,000		\$ 1,750,000	\$ 860,000
Intergovernmental Loans Payable	475,889	-	40,553	\$ -	435,336	38,936
General Capital Fund Long-Term Liabilities	<u>\$ 3,060,889</u>	<u>\$ -</u>	<u>\$ 875,553</u>	<u>\$ -</u>	<u>\$ 2,185,336</u>	<u>\$ 898,936</u>

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough’s short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<b><u>2018</u></b>						
<u>General Capital Fund</u>						
Various Public Improvements	2.75%	2/15/2019	<u>5,342,519</u>	<u>9,612,097</u>	<u>5,342,519</u>	<u>9,612,097</u>
Total General Capital Fund			<u>\$ 5,342,519</u>	<u>\$ 9,612,097</u>	<u>\$ 5,342,519</u>	<u>\$ 9,612,097</u>
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<b><u>2017</u></b>						
<u>General Capital Fund</u>						
Various Public Improvements	1.14%	2/16/2018	<u>5,495,544</u>	<u>5,342,519</u>	<u>5,495,544</u>	<u>5,342,519</u>
Total General Capital Fund			<u>\$ 5,495,544</u>	<u>\$ 5,342,519</u>	<u>\$ 5,495,544</u>	<u>\$ 5,342,519</u>

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

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2018</u></b>		
2018 Road Resurfacing Program	\$319,571	2019
Ford 350 Chassis Cab and Options	36,438	2019
Ford 250 Super Cab	35,104	2019
Fire Truck	549,980	2019
Emergency Repair – Wood Terrace	47,350	2019
Fiber optic Installation	37,307	2019

**2017**

Information Not Available

**NOTE 10 OPERATING LEASES**

The Borough leases copiers under noncancelable operating leases. Lease payments for the years ended December 31, 2018 and 2017 were \$11,154 and \$7,225, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	11,590
2020	11,590
2021	10,861
2022	<u>2,185</u>
Total	<u>\$ 36,226</u>

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 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, 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 \$633,686 and \$583,716 at December 31, 2018 and 2017, 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, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 583,716	\$ 49,970		\$ 633,686	
Net Pension Liability - PERS	8,427,853		\$ 2,105,826	6,322,027	
Net Pension Liability - PFRS	11,200,267		1,365,175	9,835,092	
Net OPEB Liability	16,150,930	-	4,653,982	11,496,948	-
	<u>\$ 36,362,766</u>	<u>\$ 49,970</u>	<u>\$ 8,124,983</u>	<u>\$ 28,287,753</u>	<u>\$ -</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 631,000		\$ 47,284	\$ 583,716	
Net Pension Liability - PERS	10,637,969		2,210,116	8,427,853	
Net Pension Liability - PFRS	13,937,918		2,737,651	11,200,267	
Net OPEB Liability	19,901,450	-	3,750,520	16,150,930	-
	<u>\$ 45,108,337</u>	<u>\$ -</u>	<u>\$ 8,745,571</u>	<u>\$ 36,362,766</u>	<u>\$ -</u>

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 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:

<b>Tier</b>	<b>Definition</b>
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:

<b>Tier</b>	<b>Definition</b>
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, 2018 AND 2017**

**NOTE 12 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, 2018 AND 2017**

**NOTE 12 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 PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2017 and 2016 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 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

During the years ended December 31, 2018, 2017 and 2016, 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:

Year Ended December 31	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 642,078	\$ 335,397	\$ -
2017	594,902	320,374	-
2016	576,599	308,697	-

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

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the Borough reported a liability of \$6,322,027 and \$8,427,853, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .03211 percent, which was a decrease of .00409 percent from its proportionate share measured as of June 30, 2017 of .03620 percent.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be a credit of \$(16,420) and \$405,094, respectively, for PERS based on the actuarial valuations. For 2018, the actual contribution reported in the Borough's financial statements of \$335,397 is more than the pension expense credit. The actual contributions reported in the Borough's financial statements for 2017 of \$320,374, is less than the pension expense. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 120,562	\$ 32,598	\$ 198,447	
Changes of Assumptions	1,041,765	2,021,448	1,697,922	\$ 1,691,697
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		59,301	57,388	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>40,749</u>	<u>1,077,046</u>	<u>52,571</u>	<u>531,918</u>
Total	<u>\$ 1,203,076</u>	<u>\$ 3,190,393</u>	<u>\$ 2,006,328</u>	<u>\$ 2,223,615</u>

At December 31, 2018 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>
2019	\$ (291,748)
2020	(298,951)
2021	(615,391)
2022	(556,824)
2023	(224,403)
Thereafter	<u>-</u>
	<u>\$ (1,987,317)</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 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, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65%-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF LEONIA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

*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>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**BOROUGH OF LEONIA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 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>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, 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 4.66% and 4.00% respectively or 1-percentage-point higher 6.66% and 6.00% , respectively than the current rate:

	<b>1% Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 7,949,221</u>	<u>\$ 6,322,027</u>	<u>\$ 4,956,916</u>
	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 10,455,324</u>	<u>\$ 8,427,853</u>	<u>\$ 6,738,719</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF LEONIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 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, 2018 and 2017, the Borough reported a liability of \$9,835,092 and \$11,200,267, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .07268 percent, which was an increase of .00013 percent from its proportionate share measured as of June 30, 2017 of .07255 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$831,908 and \$1,081,240, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$642,078 and \$594,902, respectively. At December 31, 2018 and 2017, 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:

	<u>2018</u>		<u>2017</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	\$ 100,059	\$ 40,700	\$ 72,661	\$ 65,736
Changes of Assumptions	844,210	2,520,564	1,381,118	1,834,276
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		53,807	213,727	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>281,481</u>	<u>111,907</u>	<u>402,007</u>	<u>184,210</u>
Total	<u>\$ 1,225,750</u>	<u>\$ 2,726,978</u>	<u>\$ 2,069,513</u>	<u>\$ 2,084,222</u>

**BOROUGH OF LEONIA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 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, 2018 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 <u>December 31,</u>	<u>Total</u>
2019	\$ 141,629
2020	(199,431)
2021	(769,903)
2022	(515,028)
2023	(158,495)
Thereafter	<u>-</u>
	<u>\$ (1,501,228)</u>

***Actuarial Assumptions***

The Borough’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF LEONIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

**BOROUGH OF LEONIA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 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>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability*

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14% respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>13,163,050</u>	\$ <u>9,835,092</u>	\$ <u>7,090,133</u>
	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>14,757,274</u>	\$ <u>11,200,267</u>	\$ <u>8,277,781</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF LEONIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 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, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,335,935 and \$1,254,524, respectively. For the years ended December 31, 2018 and 2017, 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 \$158,239 and \$153,457, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$79,120 and \$62,732, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .07268 percent, which was an increase of .00013 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .07255 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**  
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**NOTE 13 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**  
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**NOTE 13 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, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

**Actuarial Methods and Assumptions**

In the June 30, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contribution**

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

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the year ended December 31, 2018 was \$369,127, which equaled the required contributions for that year. The Borough's contributions for the years ended December 31, 2017 and 2016 were not available.

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the Borough reported a liability of \$11,496,948 and \$16,150,930, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The Borough's proportionate share of the net OPEB liability was based on the ratio of the Borough's proportionate share of the OPEB liability attributable to the Borough at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Borough's proportionate share was .07339 percent, which was a decrease of .00572 percent from its proportionate share measured as of June 30, 2017 of .07911 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Borough's OPEB expense to be a credit of \$(50,447) and \$765,721, respectively, based on the actuarial valuations. The actual contribution reported in the Borough's 2018 financial statements of \$369,127 is more than the pension expense credit. The actual contributions for 2017 reported in the Borough's financial statements is not available; however, it is assumed to be less than the OPEB expense. At December 31, 2018 and 2017, 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:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 2,334,290		
Changes of Assumptions		2,916,351		\$ 1,792,616
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 6,076		\$ 2,768	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	3,182,788	-	2,382,360
Contributions made Subsequent to the Measurement Date	-	-	-	-
<b>Total</b>	<u>\$ 6,076</u>	<u>\$ 8,433,429</u>	<u>\$ 2,768</u>	<u>\$ 4,174,976</u>

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 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, 2018 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>
2019	\$ (1,270,824)
2020	(1,270,824)
2021	(1,270,824)
2022	(1,271,516)
2023	(1,272,516)
Thereafter	<u>(2,070,849)</u>
	<u>\$ (8,427,353)</u>

***Actuarial Assumptions***

The Borough’s total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

\*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

**BOROUGH OF LEONIA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

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

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

***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 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

**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>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Sensitivity of Net OPEB Liability to Changes in the Discounts Rate*

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

<b><u>2018</u></b>	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 13,488,960</u>	<u>\$ 11,496,948</u>	<u>\$ 9,905,782</u>
<b><u>2017</u></b>	<b>1% Decrease <u>(2.58%)</u></b>	<b>Current Discount Rate <u>(3.58%)</u></b>	<b>1% Increase <u>(4.58%)</u></b>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 19,050,503</u>	<u>\$ 16,150,930</u>	<u>\$ 13,850,167</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

**NOTE 13 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, 2018 and 2017 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>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>9,590,298</u>	\$ <u>11,496,948</u>	\$ <u>13,964,436</u>
<u>2017</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>13,421,895</u>	\$ <u>16,150,930</u>	\$ <u>19,704,450</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2018 and 2017. 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).

**BOROUGH OF LEONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 14 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.

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>
2018	\$ 8,031	\$ 24,262	\$ 13,036
2017	Not Available	25,111	29,267
2016	Not Available	10,749	44,285

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 15 CONTINGENT LIABILITIES**

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

The Borough 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, 2018, the fourth quarter assessment in the amount of \$124,437 due in January of the subsequent year was not recorded as an expenditure or liability on the Borough's financial statements. This assessment was funded in the subsequent year's budget.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. 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, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 16 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, 2018 and 2017, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

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

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

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

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

The Borough of Leonia has contributed \$1,272 and \$1,267 for 2018 and 2017, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$31,796 and \$35,050 for 2018 and 2017, 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.

**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 18 TAX ABATEMENTS**

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law).

The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$331,684 and \$327,744, respectively under the LTTE program. The Borough received \$66,412 and \$64,564 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

**BOROUGH OF LEONIA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 19 SUBSEQUENT EVENTS**

**Serial Bonds**

On January 7, 2019, the Borough adopted a resolution for the issuance of \$11,540,000 Improvement Bonds for the purpose of funding various capital improvements of the Borough. On February 7, 2019, the Borough awarded the sale of said bonds to BNY Mellon Capital Markets, LLC at variable interest rates. These bonds dated February 15, 2019 will mature over 12 years with the first maturity due February 15, 2020.

**Debt Authorized**

As of the date of audit, the Borough adopted a bond ordinance authorizing the issuance \$1,249,000 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.

**NOTE 20 RESTATEMENT**

The total of the General Fixed Assets Account group at December 31, 2016 has been restated from \$42,738,949 to \$39,851,279 in order to agree to the Borough's accounting records.

**CURRENT FUND**

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

	<u>Current Fund</u>	<u>State and Federal Grant Fund</u>
Balance, January 1, 2018	\$ 5,620,655	\$ 46,996
Increased by Receipts:		
Taxes Receivable	\$ 33,491,653	
Non-Budget Revenues	99,108	
State of NJ - Senior Citizens' and Vet. Deductions	35,750	
Revenue Accounts Receivable	2,291,271	
State Fees Payable	10,846	
Prepaid Taxes	238,966	
Receipts from General Capital Fund	21,497	
Reserve for Library Aid	4,694	
Amount Due to Outside Lienholders	64,467	
Budget Refunds	773,348	
Received from Animal Control Trust Fund	314	
Receipts Due to Other Trust Fund	8,031	
Receipts Due to Swimming Pool Capital Fund	6	
Tax Overpayments	20,990	
Unappropriated Grant Reserves	<u>-</u>	<u>\$ 25,364</u>
	<u>37,060,941</u>	<u>25,364</u>
	42,681,596	72,360
Decreased by Disbursements:		
2018 Budget Appropriations	13,351,122	
2017 Appropriation Reserves	301,418	
Refund of Prior Year Revenue	100	
Amount Due to Outside Lienholders	64,467	
Reserve for Grants Appropriated		17,679
State Fees Payable	9,902	
County Taxes Payable	3,456,216	
Local District School Taxes Payable	21,545,016	
Reserve for Library Aid	6,057	
Payments Due from Other Trust	<u>5,620</u>	<u>-</u>
	<u>38,739,918</u>	<u>17,679</u>
Balance, December 31, 2018	<u>\$ 3,941,678</u>	<u>\$ 54,681</u>

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

	Balance, January 1, <u>2018</u>	Balance, December 31, <u>2018</u>
Police	\$ 50	\$ 50
Finance	150	150
Municipal Court	<u>100</u>	<u>100</u>
	<u>\$ 300</u>	<u>\$ 300</u>

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

Balance, January 1, 2018		\$ -
Increased by:		
Veterans Deductions Per Tax Billings - 2018	\$ 31,250	
Senior Citizen Deductions Per Tax Billings - 2018	4,250	
Veterans Deductions Allowed Per Tax Collector-2018	<u>500</u>	
		<u>36,000</u>
		36,000
Decreased by:		
Cash Received	35,750	
Senior Citizen Deductions Disallowed Per Tax Collector-2018	<u>250</u>	
		<u>36,000</u>
Balance, December 31, 2018		<u>\$ -</u>

**BOROUGH OF LEONIA  
STATEMENT OF TAXES RECEIVABLE**

Year	Balance, January 1, 2018	2018 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collections		Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2018
					2017	2018				
2017	\$ 311,128	-	\$ -	\$ -	-	296,222	-	\$ 14,906	\$ -	-
	311,128	-	-	-	-	296,222	-	14,906	-	-
2018	-	\$ 36,170,587	245,611	250	\$ 2,875,400	33,195,431	\$ 36,000	9,581	477	299,559
	\$ 311,128	\$ 36,170,587	\$ 245,611	\$ 250	\$ 2,875,400	\$ 33,491,653	\$ 36,000	\$ 24,487	\$ 477	\$ 299,559

Analysis of 2018 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 36,170,587
Added Taxes	245,611
	<u>\$ 36,416,198</u>
Tax Levy	
County Taxes (Abstract)	\$ 3,310,353
Due County for Added and Omitted Taxes	23,653
County Open Space Preservation	<u>140,865</u>
	\$ 3,474,871
Local District School Tax (Abstract)	21,545,016
Local Tax for Municipal Purposes	10,707,069
Minimum Library Tax	467,284
Add Additional Tax Levied	<u>221,958</u>
	11,396,311
	<u>\$ 36,416,198</u>

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

Balance, January 1, 2018	\$ 734
Increased by:	
Transfers from Taxes Receivable	- <u>477</u>
Balance, December 31, 2018	<u>\$ 1,211</u>

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

	Balance, January 1, <u>2018</u>	Accrued in 2018	<u>Collected</u>	Balance, December 31, <u>2018</u>
Licenses				
Alcoholic Beverages		\$ 1,800	\$ 1,800	
Other Licenses		5,750	5,750	
Fees and Permits -Other		83,956	83,956	
Municipal Court				
Fines and Costs		236,608	224,743	\$ 11,865
Interest and Costs on Taxes		81,399	81,399	
Interest on Investments and Deposits		10,732	10,732	
Cable Television Franchise Fee		38,957	38,957	
Verizon FIOS Franchise Fee		60,185	60,185	
Sewer Surcharges		30,725	30,725	
Energy Receipts Taxes		976,676	976,676	
Supplemental Energy Receipts Taxes		52,713	52,713	
Uniform Construction Code Fees		174,321	174,321	
Interlocal Agreement - Board of Education		14,988	14,988	
Towing License and Administration		5,755	5,755	
Sewer Billing - Commercial		115,473	115,473	
Cellular Tower Rental		83,235	83,235	
Payments in Lieu of Taxes		66,412	66,412	
Uniform Fire Safety Act		8,812	8,812	
Due from Extra Duty Trust - Administrative Fees		196,618	196,618	
Copies		2,485	2,485	
Planning/Zoning Board Fees		13,150	13,150	
Motor Vehicle Inspections		1,300	1,300	
Garage Sale Permits		590	590	
Property Rental		24,070	24,070	
Fire Prevention Permits		1,426	1,426	
Property Rental	-	15,000	15,000	-
	<u>-</u>	<u>\$ 2,303,136</u>	<u>\$ 2,291,271</u>	<u>\$ 11,865</u>

**BOROUGH OF LEONIA  
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</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	\$ 29,544	\$ 29,544	17,020	\$ 12,524
Revenue Administration	32,619	32,619		32,619
Assessment of Taxes	126	126		126
Municipal Prosecutor	737	737		737
Planning/Zoning Board	200	200		200
Public Safety				
Police	5,907	5,907	\$ 5,838	69
Fire Marshall	242	242		242
Streets and Roads				
Road Repairs and Maintenance	30,501	30,501	14,706	15,795
Health and Human Services				
Board of Health	1,409	1,409	1,354	55
Senior Citizens Activities	71	71		71
Senior Citizens Bus	1,736	1,736		1,736
Recreation Commission	27,483	27,483	2,891	24,592
Uniform Construction Code	2,510	2,510	565	1,945
Electric Sub-Code Official	54	54		54
Public Defender	17	17		17
Municipal Court	5,477	5,521	1,265	4,256
<b>OTHER EXPENSES</b>				
Office of the Administrator	9,856	19,993	\$ 3,721	16,272
Administrative and Executive	9,118	15,588	8,028	7,560
Postage	91	91		91
Copier Operations	3,480	3,480		3,480
Elections	410	410		410
Audit Services	-	30,000		30,000
Computerized Data Processing	16,676	16,676	762	15,914
Assessment of Taxes	505	505		505
Revenue Administration	33,034	33,034	12,102	20,932
Legal Services & Costs	19,653	21,241	10,257	10,984
Engineering Services	131	131		131
Historic Preservation	-	1,000	20	980
Planning/Zoning Board	2,230	2,230	790	1,440
Uniform Construction Code	-	1,752	1,752	-
Hepatitis B Vaccine and Training	1,800	1,800		1,800
Insurance				
Employee Group Health	90,090	91,614	3,935	87,679
Employee Group Health - Waiver	4,694	4,694		4,694
Public Safety				
Police	6,530	52,575	35,869	16,706
Purchase of Police Vehicles	103	103		103
First Aid Organization	3,000	3,000		3,000
Emergency Management System	658	658	198	460
Fire	10,105	22,999	22,695	304
Fire Marshall	1,923	1,923		1,923
Streets and Roads				
Road Repairs and Maintenance	5,522	10,424	7,841	2,583

**BOROUGH OF LEONIA  
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OTHER EXPENSES (Continued)				
Shade Tree	\$ 875	\$ 1,458	\$ 253	\$ 1,205
Garbage and Trash Removal - Tipping Fees - BCUA	29,194	29,194	24,223	4,971
Buildings and Grounds	5,255	20,852	20,459	393
Right to Know - PEOSHA	800	800		800
Recreation Commission	2,668	7,871	4,966	2,905
Health and Human Services				
Board of Health	10,278	10,278	8,249	2,029
Senior Citizens Activities	2,886	4,344	1,444	2,900
Senior Citizens Bus	2,998	3,632		3,632
Utilities				
Gasoline	28,658	32,378	3,840	28,538
Diesel Fuel	4,809	11,455	6,646	4,809
Electricity and Gas	85,196	85,196	8,293	76,903
Telephone and Telegraph	535	1,860	932	928
Street Lighting	24,902	24,902	6,579	18,323
Fire Hydrant	11,594	11,594		11,594
Water	153	608	528	80
CRL Contract	4,000	4,000		4,000
Municipal Court	4,306	11,608	3,026	8,582
Public Defender	50	200	150	50
Statutory Charges				
Social Security System	41,440	41,440		41,440
BCUA - Share of Costs	199,102	199,102	-	199,102
Maintenance of Free Public Library	23,550	50,996	29,541	21,455
LOSAP	34,000	34,000	34,000	-
	<u>\$ 875,491</u>	<u>\$ 1,062,366</u>	<u>\$ 304,738</u>	<u>\$ 757,628</u>
		\$ 875,491		
Appropriation Reserves		<u>186,875</u>		
Encumbrances Payable		<u>\$ 1,062,366</u>		
			\$ 301,418	
Cash Disbursements			<u>3,320</u>	
Accounts Payable			<u>\$ 304,738</u>	

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

Balance, January 1, 2018	\$	186,875
Increased by:		
Charges to 2018 Appropriations		160,905
		347,780
Decreased by:		
Transferred to Appropriation Reserves		186,875
Balance, December 31, 2018	\$	160,905

## EXHIBIT A-12

**STATEMENT RESERVE FOR REVALUATION**

Balance, January 1, 2018	\$	9,700
Balance, December 31, 2018	\$	9,700

## EXHIBIT A-13

**STATEMENT OF STATE FEES PAYABLE**

Balance, January 1, 2018	\$	2,234
Increased by:		
Cash Received		10,846
		13,080
Decreased by:		
Cash Disbursed		9,902
Balance, December 31, 2018	\$	3,178
 <u>Analysis</u>		
Building Fees	\$	2,853
Marriage License Fees		325
	\$	3,178

**BOROUGH OF LEONIA  
STATEMENT OF PREPAID TAXES**

Balance, January 1, 2018	\$	2,875,400
Increased by:		
Collection of 2019 Taxes		238,966
		3,114,366
Decreased by:		
Application to 2018 Taxes Receivable		2,875,400
Balance, December 31, 2018	\$	238,966

**STATEMENT OF RESERVE FOR LIBRARY AID**

Balance, January 1, 2018	\$	12,503
Increased By:		
Cash Receipts		4,694
		17,197
Decreased By:		
Cash Disbursements		6,057
Balance, December 31, 2018	\$	11,140

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2018	\$	4,998
Increased by:		
2018 Tax Levy	\$	3,310,353
2018 Open Space Preservation		140,865
2018 Added and Omitted Taxes (54:4-63.1 et seq.)		23,653
		3,474,871
		3,479,869
Decreased by:		
Cash Disbursed		3,456,216
Balance, December 31, 2018	\$	23,653

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

Increased by:	
Levy - Calendar Year 2018	\$ 21,545,016
Decreased by:	
Cash Disbursed	<u>21,545,016</u>
Balance, December 31, 2018	<u><u>\$ -</u></u>

**STATEMENT OF RESERVE FOR REASSESSMENT**

Balance, January 1, 2018	<u>\$ 16,010</u>
Balance, December 31, 2018	<u><u>\$ 16,010</u></u>

**STATEMENT OF RESERVE FOR MASTER PLAN**

Balance, January 1, 2018	<u>\$ 1,100</u>
Balance, December 31, 2018	<u><u>\$ 1,100</u></u>

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

Balance, January 1, 2018	\$ 10,404
Increased By:	
Cash Disbursements - Made by General Capital Fund	212,590
Balance, December 31, 2018	\$ 222,994

**STATEMENT OF DUE TO SWIMMING POOL OPERATING UTILITY FUND**

Balance, January 1, 2018	\$ 417
Balance, December 31, 2018	\$ 417

**STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2018	\$ 26,975
Increased By:	
Overpayments Received	20,990
	47,965
Decreased By:	
Cancelled to Fund Balance	21,460
Balance, December 31, 2018	\$ 26,505

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

Balance, January 1, 2018		\$ 227
Increased By:		
Interest Earned in General Capital Fund		23,307
		23,534
Decreased By:		
Cash Receipts		21,497
Balance, December 31, 2018		\$ 2,037

**STATEMENT OF DUE FROM OTHER TRUST FUND**

Balance, January 1, 2018		\$ 58,069
Increased By:		
Interest on Investments	\$ 2,235	
Cash Disbursements Due from Other Trust	5,620	
		7,855
		65,924
Decreased By:		
Cash Receipts Due to Other Trust		8,031
Balance, December 31, 2018		\$ 57,893

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

	Balance, January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
ANJEC Open Space Stewardship Grant	\$ 700			\$ 700
Clean Communities		\$ 15,374	6,167	9,207
Drunk Driving Enforcement Fund	7,524		7,524	-
Body Armor Replacement Grant - Federal	429	467		896
Body Armor Replacement Grant - State	6,226	1,946	3,823	4,349
Alcohol Education and Rehabilitation Fund	1,771	836	165	2,442
Recycling Tonnage Grant	911	11,044	-	11,955
	<u>\$ 17,561</u>	<u>\$ 29,667</u>	<u>\$ 17,679</u>	<u>\$ 29,549</u>

EXHIBIT A-26

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

	Balance, January 1, <u>2018</u>	Balance, December 31, <u>2018</u>
ANJEC Open Space Stewardship Grant	\$ 233	\$ 233
	<u>\$ 233</u>	<u>\$ 233</u>

EXHIBIT A-27

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

	Balance, January 1, <u>2018</u>	Cash <u>Receipts</u>	Revenue <u>Realized</u>	Balance, December 31, <u>2018</u>
Clean Communities Program	\$ 15,374	\$ 14,713	\$ 15,374	\$ 14,713
Drunk Driving Enforcement Fund		9,766		9,766
Body Armor Replacement Grant - Federal	467	885	467	885
Body Armor Replacement Grant - State	1,946		1,946	-
Alcohol Education and Rehabilitation Fund	837		836	1
Recycling Tonnage Grant	11,044	-	11,044	-
	<u>\$ 29,668</u>	<u>\$ 25,364</u>	<u>\$ 29,667</u>	<u>\$ 25,365</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF DUE TO OUTSIDE LIENHOLDERS**

Increased By:		
Cash Receipts	\$	64,467
Decreased By:		
Cash Disbursements		<u>64,467</u>
Balance, December 31, 2018	\$	<u>        -</u>

**STATEMENT OF ACCOUNTS PAYABLE**

Increased By:		
Charges to Appropriation Reserves	\$	<u>3,320</u>
Balance, December 31, 2018	\$	<u>3,320</u>

**STATEMENT OF DUE TO SWIMMING POOL CAPITAL FUND**

Increased By:		
Cash Receipts	\$	<u>6</u>
Balance, December 31, 2018	\$	<u>6</u>

**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, 2018	\$ 41,799	\$ 842,089
Increased by Receipts:		
State of New Jersey Dog		
License Fees Collected	\$ 509	
Miscellaneous Reserves		\$ 8,155,753
Animal Control Fees	4,113	
Interest on Investments	<u>317</u>	<u>2,235</u>
	<u>4,939</u>	<u>8,157,988</u>
	46,738	9,000,077
Decreased by Disbursements:		
Expenditures Under		
R.S. 4:19-15.11	3	
Due to State of New Jersey	495	24,066
Payments to Current Fund	314	
Miscellaneous Reserves	<u>-</u>	<u>8,148,223</u>
	<u>812</u>	<u>8,172,289</u>
Balance, December 31, 2018	<u>\$ 45,926</u>	<u>\$ 827,788</u>

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

Balance, January 1, 2018	\$ <u>25</u>
Balance, December 31, 2018	\$ <u><u>25</u></u>

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

Balance, January 1, 2018	\$ 41,824
Increased by:	
Animal Control Fees	
Dog License Fees	\$ 3,661
Miscellaneous	<u>452</u>
	<u>4,113</u>
	45,937
Decreased by:	
Expenditures Under R.S. 4:19-15-11	3
Statutory Excess Due to Current Fund	<u>37,820</u>
	<u>37,823</u>
Balance, December 31, 2018	\$ <u><u>8,114</u></u>

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

Balance, January 1, 2018	\$ -
Increased by:	
Dog License Fees Collected	<u>509</u>
	509
Decreased by:	
Payments Made to State of New Jersey	<u>495</u>
Balance, December 31, 2018	\$ <u><u>14</u></u>

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

Balance, January 1, 2018		\$	58,069
Increased by:			
Cash Receipts - Interest	\$		2,235
Escrow Bills Paid By Current Fund			620
Payroll Advance Due to Current Fund		<u>5,000</u>	<u>7,855</u>
			65,924
Decreased by:			
Unemployment Receipts Due from Current Fund		<u>8,031</u>	<u>57,893</u>
Balance, December 31, 2018		\$	<u>57,893</u>

**OTHER TRUST FUND  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
Unemployment Compensation	\$ 29,267	\$ 8,031	\$ 24,262	\$ 13,036
Payroll Deductions Payable	2		5,000	(4,998)
Net Payroll	-	6,985,409	6,981,923	3,486
Tax Sale Premiums	139,800		139,800	-
Developers and Escrow Deposits	116,025	70,450	43,141	143,334
Performance and Maintenance Bonds	153,247	20,000	8,797	164,450
Federal Forfeiture	19			19
Outside Employment of Off-Duty Police Officers	3	620,986	601,824	19,165
Recycling Program	26,459	7,174	7,811	25,822
COAH	19,054	45		19,099
Recreation Commission	93,346	314,563	351,147	56,762
Developer's Donation Parking	90,403	32,400		122,803
World Trade Center Memorial Donations	8,076			8,076
POAA	11,168	574		11,742
Shade Tree	2,144	8,480		10,624
Health Fair Trust Fund	204			204
Municipal Alliance	92		92	-
Historic Preservation Commission	3,861	-	-	3,861
Fire Safety	73,251	73,670	7,874	139,047
Public Defender	1,552	600		2,152
Public Assistance	-	9,077	387	8,690
Storm Recovery	4,847	2,000	6,047	800
Community Policing	<u>11,200</u>	<u>10,325</u>	<u>-</u>	<u>21,525</u>
	<u>\$ 784,020</u>	<u>\$ 8,163,784</u>	<u>\$ 8,178,105</u>	<u>\$ 769,699</u>
Cash Receipts		\$ 8,155,753		
Due from Current Fund		<u>8,031</u>		
		<u>\$ 8,163,784</u>		
Cash Disbursements		\$ 8,148,223		
Due to Current Fund		5,620		
Due to State of New Jersey		<u>24,262</u>		
		<u>\$ 8,172,485</u>		

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

Balance, January 1, 2018	\$	-
Increased by:		
Unemployment Claims		24,262
		24,262
Decreased By:		
Cash Disbursements		24,066
Balance, December 31, 2018	\$	196

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

Increased by:		
Intrest on Investments	\$	317
Statutory Excess		37,820
	\$	38,137
		38,137
Decreased by:		
Payments Made to Current Fund		314
Balance, December 31, 2018	\$	37,823

**GENERAL CAPITAL FUND**

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

Balance, January 1, 2018		\$ 282,173
Increased by Receipts:		
Grant Receivable	325,271	
Interest on Investments	23,307	
Premium on Sale of Notes	106,214	
Budget Appropriation - Capital Improvemet Fund	150,000	
Deferred Charges to Future Taxation Unfunded - Grant Proceeds	14,000	
Bond Anticipation Notes	<u>4,469,800</u>	
		<u>5,088,592</u>
		5,370,765
Decreased by Disbursements:		
Improvement Authorizations	2,493,213	
Reserve for Encumbrances	386,928	
Payments to Current Fund	21,497	
Bond Anticipation Notes	48,222	
Due from Current Fund	<u>212,590</u>	
		<u>3,162,450</u>
Balance, December 31, 2018		<u>\$ 2,208,315</u>

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

		Balance, December 31, <u>2018</u>
Capital Improvement Fund		\$ 34,500
Encumbrances Payable		997,641
Reserve for Debt		11,051
Due to Current Fund		2,037
Fund Balance		110,452
Due from Current Fund		(222,994)
Grants Receivable		(107,449)
 Ord. No.	 <u>Improvement Authorizations</u>	
20-08	Various Public Improvements	165
16-09	Various Park Improvements	136
11-12	Various Public Improvements	409
13-02	Various Public Improvements	(6,847)
2015-04	Various Public Improvements	(9,933)
2016-06	Various Public Improvements	509,145
2017-12	Various Public Improvements	1,587,944
2018-08	Various Public Improvements	<u>(697,942)</u>
		 <u>\$ 2,208,315</u>

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

Balance, January 1, 2018		\$ 2,185,336
Decreased by:		
2018 Budget Appropriation		
Payment of Bond Principal	\$ 860,000	
Prior Year Adjustment- Loan Principal	17,000	
Payment of Loan Principal:		
Wastewater Loan - Spring Street Sewer	19,342	
Wastewater Loan - Salt Dome	<u>19,594</u>	
		<u>915,936</u>
Balance, December 31, 2018		<u>\$ 1,269,400</u>

**BOROUGH OF LEONIA  
STATEMENT OF GRANTS RECEIVABLE**

Balance, January 1, 2018	\$	432,720
Decreased by:		
Cash Receipts		325,271
 Balance, December 31, 2018	 \$	 <u>107,449</u>
 <u>Analysis of Balance</u>		
New Jersey Department of Transportation		
Ord. 2016-06 - Crescent & Highland	\$	38,875
Bergen County Open Space		
Ord. 2017-12 - Various Public Improvements - Resurfacing		51,000
Ord. 2017-12 - Various Public Improvements - Bleachers		12,500
Bergen County Community Development:		
Ord. 2016-06 - Woodbridge Place		5,074
	\$	<u>107,449</u>

**STATEMENT OF DUE FROM CURRENT FUND**

Balance, January 1, 2018	\$	10,404
Increased by:		
Payments Made on Behalf of Current Fund		212,590
 Balance, December 31, 2018	 \$	 <u>222,994</u>

**STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2018	\$	227
Increased by:		
Interest on Investments		23,307
		23,534
Decreased by:		
Payments to Current Fund		21,497
 Balance, December 31, 2018	 \$	 <u>2,037</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, 2018</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
General Improvements	07/01/09	\$ 5,750,000	9/1/2019	\$ 890,000	3.75%	<u>\$ 1,750,000</u>	<u>\$ 860,000</u>	<u>\$ 890,000</u>
						<u>\$ 1,750,000</u>	<u>\$ 860,000</u>	<u>\$ 890,000</u>
					Paid by Budget Appropriation		<u>\$ 860,000</u>	

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

Balance, January 1, 2018	\$ 34,500
Increased by:	
2018 Budget Appropriations	<u>150,000</u>
	184,500
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>150,000</u>
Balance, December 31, 2018	<u>\$ 34,500</u>

**STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2018	\$ 386,928
Increased by:	
Charges to Improvement Authorizations	<u>997,641</u>
	1,384,569
Decreased by:	
Cash Disbursements	<u>386,928</u>
Balance, December 31, 2018	<u>\$ 997,641</u>

**STATEMENT OF RESERVE FOR DEBT SERVICE**

Balance, January 1, 2018	\$ <u>11,051</u>
Balance, December 31, 2018	<u>\$ 11,051</u>

**BOROUGH OF LEONIA  
STATEMENT OF LOANS PAYABLE**

Balance, January 1, 2018		\$ 435,336
Decreased by:		
Prior Year Adjustment	\$ 17,000	
Paid by Budget Appropriation	<u>38,936</u>	
		<u>55,936</u>
Balance, December 31, 2018		<u>\$ 379,400</u>

**BOROUGH OF LEONIA**  
**STATEMENT OF BOND ANTICIPATION NOTES**

<u>Ordinance #</u>	<u>Improvement Description</u>	<u>Amount of Original Note</u>	<u>Date of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31 2018</u>
01-10/10-10	Various Public Improvements	\$ 1,250,000	4/5/2010	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	\$ 1,109,703	\$ 1,232,250	\$ 1,109,703	\$ - 1,232,250
01-10/10-10	Various Public Improvements	169,885	2/25/2011	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	154,547		154,547	- -
08-11	Various Public Improvements	494,190	10/24/2011	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	371,290	340,290	371,290	- 340,290
11-12	Various Public Improvements	393,925	2/22/2013	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	360,925	344,425	360,925	- 344,425
13-02	Various Public Improvements	493,339	2/21/2014	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	471,839	443,492	471,839	- 443,492
14-03	Various Public Improvements	979,510	9/19/2014	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	927,485	876,485	927,485	- 876,485
2015-04	Various Public Improvements	632,701	2/19/2016	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	632,701	591,326	632,701	- 591,326
2016-06	Various Public Improvements	1,314,029	9/30/2018	2/17/2017 2/16/2018	2/16/2018 2/15/2019	1.14% 2.75%	1,314,029	1,314,029	1,314,029	- 1,314,029
2017-12	Various Public Improvements	4,469,800	2/16/2018	2/16/2018	2/15/2019	2.75%	-	4,469,800	-	4,469,800
							<u>\$ 5,342,519</u>	<u>\$ 9,612,097</u>	<u>\$ 5,342,519</u>	<u>\$ 9,612,097</u>
								Notes Issued	\$4,469,800	
								Note Rollover	5,142,297	\$5,142,297
								Paid by Budget Appopriation		152,000
								Paid with Capital Cash	-	48,222
									<u>\$9,612,097</u>	<u>\$5,342,519</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2018</u>	2018 <u>Authorizations</u>	Notes <u>Issued</u>	ABNI <u>Reinstated</u>	Grant <u>Receipts</u>	Balance, December 31, <u>2018</u>
<u>General Improvements</u>							
13-02	Various Public Improvements				\$ 6,847		\$ 6,847
2015-04	Various Public Improvements				41,375	\$ 14,000	27,375
2017-12	Various Public Improvements	\$ 4,469,800		\$ 4,469,800		-	-
2018-08	Various Public Improvements	<u>-</u>	<u>\$ 2,980,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,980,000</u>
		<u>\$ 4,469,800</u>	<u>\$ 2,980,000</u>	<u>\$ 4,469,800</u>	<u>\$ 48,222</u>	<u>\$ 14,000</u>	<u>\$ 3,014,222</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, 2018	\$ 240,089	\$ 1,016
Increased by:		
Budget Revenue - Swimming Pool Fees	\$ 273,708	
Budget Revenue - Miscellaneous	16,511	
Interest on Investments	<u>-</u>	<u>\$ 6</u>
	<u>290,219</u>	<u>6</u>
	530,308	1,022
Decreased by Disbursements:		
2018 Appropriation Expenditures	265,482	
Payments Due from Current Fund	<u>-</u>	<u>6</u>
	<u>265,482</u>	<u>6</u>
Balance, December 31, 2018	<u>\$ 264,826</u>	<u>\$ 1,016</u>

EXHIBIT D-6

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

Capital Improvement Fund	\$	1,000
Due from Current Fund		(6)
Due to Swimming Pool Operating Fund		6
Fund Balance		<u>16</u>
	\$	<u>1,016</u>

EXHIBIT D-7

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

Balance, January 1, 2018	\$	3,505
Increased by:		
Charges to 2018 Budget		<u>2,877</u>
		6,382
Decreased by:		
Transfer to Appropriation Reserves		<u>3,505</u>
Balance, December 31, 2018	\$	<u>2,877</u>

**BOROUGH OF LEONIA  
STATEMENT OF 2017 APPROPRIATION RESERVES  
SWIMMING POOL UTILITY OPERATING FUND**

	Balance January 1, <u>2018</u>	Transfer From Encumbrances Payable	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:					
Salaries and Wages	\$ 17,230		\$ 17,230		\$ 17,230
Other Expenses	5,638	\$ 3,505	9,143		9,143
Capital Improvements					
Capital Outlay	26,962		26,962		26,962
Statutory Expenditures:					
Social Security System	<u>1,966</u>	<u>-</u>	<u>1,966</u>	<u>-</u>	<u>1,966</u>
	<u>\$ 51,796</u>	<u>\$ 3,505</u>	<u>\$ 55,301</u>	<u>\$ -</u>	<u>\$ 55,301</u>

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

Balance, January 1, 2018	<u>\$ 1,398,215</u>
Balance, December 31, 2018	<u>\$ 1,398,215</u>

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

Balance, January 1, 2018	<u>\$ 1,398,215</u>
Balance, December 31, 2018	<u>\$ 1,398,215</u>

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

Balance, January 1, 2018	\$ <u>417</u>
Balance, December 31, 2018	\$ <u>417</u>

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

Balance, January 1, 2018	\$ <u>1,000</u>
Balance, December 31, 2018	\$ <u>1,000</u>

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

Increased by:	
Payments Made to Current Fund	\$ <u>        6</u>
 Balance, December 31, 2018	 \$ <u>        6</u>

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

Increased by:	
Interest on Investments	\$ <u>        6</u>
 Balance, December 31, 2018	 \$ <u>        6</u>

**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  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Leonia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies in internal control over financial reporting.

### **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 items 2018-001 and 2018-002.

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".

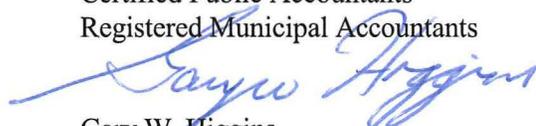
### **Borough of Leonia's Responses to Findings**

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

### **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.

Fair Lawn, New Jersey  
July 23, 2019

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants  
  
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

**BOROUGH OF LEONIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED DECEMBER 31, 2018**

	<u>Grant Year</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Received</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Balance, December 31, 2018</u>	<u>(Memo) Cumulative Expenditures</u>
Division of Law & Public Safety									
Federal Body Armor Replacement	2018	N/A	N/A			\$ 467		\$ 467	
Federal Body Armor Replacement	2019	N/A	N/A	\$ 885					
Federal Body Armor Replacement	Prior Year	N/A	N/A		\$ 429			429	
U.S. Dept. of Transportation									
Ordinance 2015-04 - Moore Avenue	Prior Year	078-6320-480	20.205	\$ 149,000	135,000	14,000	\$ 149,000	-	\$ 149,000
Ordinance 2016-06 - Crescent & Highland	Prior Year	078-6320-480	20.205		38,875			38,875	
U.S. Dept. of Housing and Urban Development									
CDBG - Ordinance 2016-06 - ADA	Prior Year	N/A	14.218	50,000	50,000		50,000	-	50,000
CDBG - Ordinance 2016-06 - Woodridge Place	Prior Year	N/A	14.218	140,271	145,345	-	140,271	5,074	140,271
					<u>\$ 369,649</u>	<u>\$ 14,467</u>	<u>\$ 339,271</u>	<u>\$ 44,845</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, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Amount Received</u>	<u>Balance, January 1, 2018</u>	<u>2018 Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Program	042-4900-765-004	2018 2019	\$ 14,713		\$ 15,374	\$ 6,167	\$ 9,207	\$ 6,167
Recycling Tonnage Grant	042-4910-100-224	2018 Prior Year		\$ 911	11,044		11,044 911	
Body Armor Replacement Grant	066-1020-718-001	2018 Prior Year		6,226	1,946	3,823	1,946 2,403	3,823
Drunk Driving Enforcement Fund	N/A	Prior Year 2019	9,766	7,524		7,524	-	
Alcohol Education and Rehabilitation Fund	N/A	2018 Prior Year		1,771	836	165	836 1,606	165
Anjec Open Space Stewardship Grant	N/A	Prior Year		700	-	-	700	
				<u>\$ 17,132</u>	<u>\$ 29,200</u>	<u>\$ 17,679</u>	<u>\$ 28,653</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, 2018**

**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	\$ 467	\$ 29,200	\$ 29,667
General Capital Fund	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total Financial Awards	<u>\$ 14,467</u>	<u>\$ 29,200</u>	<u>\$ 43,667</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, 2018**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2018, 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	\$ 232,484
2008 Loan	<u>146,916</u>
	<u>\$ 379,400</u>

**BOROUGH OF LEONIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*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, 2018**

*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 2018-001:**

Our audit revealed the following:

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

**Criteria or specific requirement:**

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

**Condition:**

See Finding 2018-001.

**Questioned Costs:**

None.

**Context:**

- Bills in the amount of \$55,167 were not recorded as liabilities at December 31, 2018 in the Current Fund.
- Bills in the amount of \$268,084 were not recorded as liabilities at December 31, 2018 in the General Capital Fund.
- Purchase orders are not being encumbered prior to the receipt of goods/services.
- Payment approval signatures are not being obtained on vouchers prior to payment.

**Cause:**

Unknown.

**Effect:**

None – the financial statements presented for audit have been adjusted to reflect the unrecorded liabilities.

**Recommendation:**

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

**Management’s Response:**

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

**BOROUGH OF LEONIA  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*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 2018-002**

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

- Bids were not solicited for the contract for cleaning services.
- Documentation supporting the use of cooperative purchasing agencies and State contract vendors was not always maintained on file.
- There was one instance where a resolution was not approved for the awarding of a professional services contract.
- Certain documentation was not on file for the bid awarded for garbage collection.
- The Political Contribution Form and Business Registration Certificate was not on file for a professional services contract awarded.
- Payments on a contract were in excess of the not to exceed amount per the resolution awarding the contract.

**Criteria or Specific Requirements**

Local Public Contracts Law and Regulations (N.J.S.A. 40A:11-1 et seq. and N.J.A.C. 5:34).

**Condition**

See Finding 2018-002

**Questioned Cost**

Undeterminable.

**Context**

- The Borough replaced an existing vendor providing cleaning services. The new vendor was paid \$48,448 without bids being solicited.
- Documentation supporting purchases made through the cooperative purchasing agency and state contract vendor for the following items was not maintained on file:
  - Vehicle purchases in the amount of \$121,922.
  - Police Equipment in the amount of \$26,770.

**BOROUGH OF LEONIA  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*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 2018-002 (Continued)**

**Context (Continued)**

- The professional services contract for water testing was not approved by resolution.
- The Proof of Advertisement, Statement of Corporate Ownership and Business Registration Certificate was not on file for the bid awarded for garbage collection.
- The Political Contribution Form and Business Registration Certificate was not on file for a professional services contract awarded for Planning Services.
- A contract was awarded for auto repairs in an amount not to exceed \$35,000 however the vendor was paid \$46,935.

**Cause**

Unknown.

**Effects**

Noncompliance with the requirements of the Local Public Contracts Law.

**Recommendation**

Procedures over purchasing be reviewed and revised to ensure all contract awards and purchases are made in accordance with the requirements of the Local Public Contracts Law.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**BOROUGH OF LEONIA**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

*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, 2018**

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**

There were none.

**BOROUGH OF LEONIA**

**BERGEN COUNTY**

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**PART III**

**SUPPORTING DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2018**

**BOROUGH OF LEONIA  
SUPPORTING DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 621,000	1.54 %	\$ 400,000	1.03 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,483,725	6.17	2,475,191	6.34
Collection of Delinquent Taxes and Tax Title Liens	296,222	0.74	237,504	0.61
Collection of Current Tax Levy	36,106,581	89.62	35,418,277	90.77
Other Credits to Income	<u>779,264</u>	<u>1.93</u>	<u>487,911</u>	<u>1.25</u>
 Total Income	 <u>40,286,792</u>	 <u>100.00</u> %	 <u>39,018,883</u>	 <u>100.00</u> %
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	14,034,594	35.90 %	13,597,939	35.46 %
County Taxes	3,474,871	8.89	3,469,007	9.05
Local School Taxes	21,545,016	55.11	21,194,081	55.26
Other Expenditures	<u>39,733</u>	<u>0.10</u>	<u>86,954</u>	<u>0.23</u>
 Total Expenditures	 <u>39,094,214</u>	 <u>100.00</u> %	 <u>38,347,981</u>	 <u>100.00</u> %
 Excess in Revenue	 1,192,578		 670,902	
 Fund Balance, January 1	 <u>1,598,848</u>		 <u>1,327,946</u>	
	2,791,426		1,998,848	
 Less Utilization as Anticipated Revenue	 <u>621,000</u>		 <u>400,000</u>	
 Fund Balance, December 31	 <u>\$ 2,170,426</u>		 <u>\$ 1,598,848</u>	

**BOROUGH OF LEONIA  
SUPPORTING DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 35,000	9.20 %	\$ 35,000	9.75 %
Collection of Membership Fees	273,708	71.93	237,668	66.23
Miscellaneous - From Other Than Membership Fees	<u>71,818</u>	<u>18.87</u>	<u>86,185</u>	<u>24.02</u>
 Total Income	 <u>380,526</u>	 <u>100.00</u> %	 <u>358,853</u>	 <u>100.00</u> %
 <b>EXPENDITURES</b>				
Budget Expenditures				
Operating	246,221	89.63 %	252,242	84.01 %
Capital	15,000	5.46	35,000	11.66
Deferred Charges and Statutory Expenditures	<u>13,500</u>	<u>4.91</u>	<u>13,000</u>	<u>4.33</u>
 Total Expenditures	 <u>274,721</u>	 <u>100.00</u> %	 <u>300,242</u>	 <u>100.00</u> %
 Excess in Revenue	 105,805		 58,611	
 Fund Balance, January 1	 <u>185,205</u>		 <u>161,594</u>	
	291,010		220,205	
 Less Utilization as Anticipated Revenue	 <u>35,000</u>		 <u>35,000</u>	
 Fund Balance, December 31	 <u>\$ 256,010</u>		 <u>\$ 185,205</u>	

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$2.946</u>	<u>\$2.911</u>	<u>\$2.785</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.872	.861	.856
County (including Open Space Tax)	.281	.283	.272
Local School	1.755	1.730	1.620
Library	.038	.037	.037

Assessed Valuation

2018	<u>\$1,227,934,816</u>	
2017		<u>\$1,225,603,314</u>
2016		<u>\$1,221,934,632</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>
2018	\$ 36,416,198	\$ 36,106,581	99.14%
2017	35,735,634	35,418,932	99.11%
2016	34,129,611	33,828,801	99.12%

**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>
2018	\$ 299,559	\$ 1,211	\$ 300,770	0.83%
2017	311,128	734	311,862	0.87%
2016	231,791	5,937	237,728	0.70%

**Property Acquired By Tax Title Lien Liquidation**

No properties have been acquired in 2018 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	2018	\$2,170,426	\$1,321,000
	2017	1,598,848	621,000
	2016	1,327,946	400,000
Swimming Pool Utility Operating Fund	2018	\$256,010	\$74,000
	2017	185,205	35,000
	2016	161,594	35,000

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Judah Zeigler	Mayor	12/31/19
Greg Makroulakis	Council President	12/31/18
Mark Minichiello	Councilman	12/31/18
William Ziegler	Councilman	12/31/19
Bernadette Flaim	Councilwoman	12/31/19
Pat Fusco	Councilman	12/31/20
Maureen Davis	Councilwoman	12/31/20
Alex Torpey	Administrator	
Barbara Rae	Municipal Clerk	
Vincent Buono	Chief Financial Officer	
Lynn Hemmer	Treasurer	
Michael Appicella	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	
Joanna Adamiak	Registered Environmental Health Inspector	
John Villareal	Public Works Superintendent	
Gittleman, Muhlstock, Chewcaskie, LLP	Borough Attorney	
Lerch, Vinci & Higgins, LLC	Borough Auditor	
Rogut, McCarthy Troy LLC	Bond Counsel	
Timothy Henderson	Tax Assessor	
Timothy Henderson	Assessment Search Officer	
Costa Engineering	Borough Engineer	
Thomas Rowe	Chief of Police	
John R. DeSheplo, Esq.	Municipal Court Judge	
Cherron Gil	Municipal Court Administrator	
Kelly O'Toole-Monroe	Deputy Court Administrator	
Mark Fierro, Esq.	Prosecutor	
Robert Metzdorf, Esq.	Public Defender	
Mark Moeller	Building Inspector, Construction Code Official, Building Sub-Code Official	
Dan Melfi	Zoning Official	
Jack Terhune	Property Maintenance Officer	
Michael Quercia	Plumbing Sub-Code Official	
Jim Hoffman	Electrical Inspector	
Dave Haenelt	Fire Sub-Code Official	
Dave Haenelt	Fire Marshall	
Robert Chase	Fire Inspector	
John Biondi	Fire Chief	
Barbara Davidson	Recreation Director	
Conklin & Kraft Agency	Risk Management Consultants	
Al Martone	Recycling Coordinator	

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

## **BOROUGH OF LEONIA SUPPORTING DATA**

### **GENERAL COMMENTS**

#### **Current Year**

The audit indicated that certain departments did not turn over receipts to the Finance Department within forty eight (48) hours of receipt. It is recommended that all departments turn over receipts to the Finance Department within forty eight (48) hours of receipt.

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 there is no independent verification of payroll deductions remitted to the State by the Borough's third party payroll provider. It is recommended that the Borough implement procedures to verify the payment of payroll deductions to the State by its third party payroll provider.

The audit indicated that there exists various interfunds balances as of December 31, 2018. It is recommended that all interfunds be cleared of record on a periodic basis and as of December 31.

The audit of health benefits paid for Borough employees indicated that certain terminated employees were not removed from the health benefits program timely. It is recommended that terminated employees be removed from the health benefits program upon termination.

The audit indicated that there is an aggregated statutory excess relating to prior years in the Animal Control Trust Fund in the amount of \$37,820 as of December 31, 2018. It is recommended that the Borough calculate any potential statutory excess in the Animal Control Trust Fund annually and transfer the excess, if any, to the Current Fund.

The audit revealed that not all registration forms for Recreation and Swimming Pool fees were retained and available for audit. It is recommended that all registration forms relating to Recreation and Swimming Pool fees be retained and available for audit.

The audit indicated that certain Borough employees are permitted to make Borough purchases on account with local vendors. The Borough should prepare and adopt a written policy regarding the procedures for allowing purchases on account.

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

The audit of payroll indicated that there were certain instances where employee's hours per the timesheets were not in agreement with the hours for which they were paid for. In addition, there were several instances where timesheets were not properly approved. It is recommended that the hours on employee timesheets be in agreement with amounts utilized for payment and be properly approved.

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 into a State sponsored pension plan.

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**GENERAL COMMENTS (Continued)**

**Current Year (Continued)**

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report includes 414 tickets that were outstanding in excess of six months. It is recommended that all municipal court tickets on the Tickets Assigned Not Issued report in excess of six months be recalled.

Our audit of the Municipal Court revealed the following with regards to receipts reported in the Municipal Court accounting records.

- There were several instances where credit card payments posted to the system did not agree with the amounts deposited per the bank statement.
- There were several instances where the daily receipts journal did not agree with the amount per the monthly cashbook.
- There were several instances where manual adjustments were made to the monthly bank reconciliation but not posted to the system.

It is recommended that all receipts be properly and accurately posted to the Municipal Court accounting records.

The audit of fees collected by the Construction Code Department revealed certain electrical fees collected were not in accordance with the approved fee schedule. It is recommended that all construction code fees be calculated in accordance with the approved fee schedule.

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

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement.

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

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

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

2018 Road Resurfacing Program  
Sewer Repairs at Various Locations  
Auto Repair Services

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 3, 2018 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 2018.

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>
2018	1
2017	1
2016	Not Available

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.

**Suggestions to Management**

- Old outstanding checks and other reconciling items on the various Borough bank account reconciliations should be reviewed and cleared of record.

**BOROUGH OF LEONIA  
SUPPORTING DATA**

**RECOMMENDATIONS**

It is recommended that:

1. Procedures over cash disbursements and liabilities be reviewed and enhanced to ensure the appropriate recording of expenditures and the approval of payments prior to the submission to the governing body.
2. Procedures over purchasing be reviewed and revised to ensure all contract awards and purchases are made in accordance with the requirements of the Local Public Contracts Law.
3. All departments turn over receipts to the Finance Department within forty eight (48) hours of receipt.
4. Old escrow deposits continue to be reviewed and cleared of record, where applicable.
5. The Borough implement procedures to verify the payment of payroll deductions to the State by its third party payroll provider.
6. All interfunds be cleared of record on a periodic basis and as of December 31.
7. Terminated employees be removed from the health benefits program upon termination.
8. The Borough calculate any potential statutory excess in the Animal Control Trust Fund annually and transfer the excess, if any, to the Current Fund.
9. All registration forms relating to Recreation and Swimming Pool fees be retained and available for audit.
10. The Borough should prepare and adopt a written policy regarding the procedures for allowing purchases on account.
11. The salary ordinance be updated to include all positions and properly reflect the salary range for all positions.
12. The hours on employee timesheets be in agreement with amounts utilized for payment and be properly approved.
13. All employees who meet the eligibility requirements be enrolled in a State sponsored pension plan.
14. All municipal court tickets on the Tickets Assigned Not Issued Report in excess of six months be recalled.
15. All receipts be properly and accurately posted to the Municipal Court accounting records.
16. All construction code fees be calculated in accordance with the approved fee schedule.

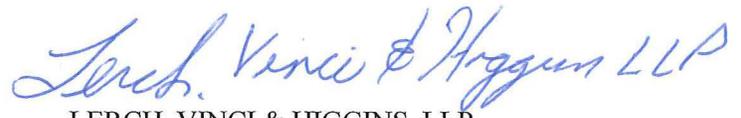
Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all.

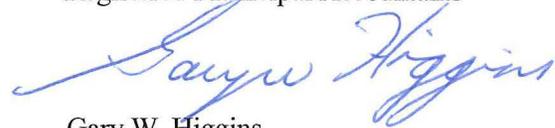
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The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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



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



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405