

PRELIMINARY OFFICIAL STATEMENT DATED MAY 10, 2022

NEW ISSUE
SERIAL BONDS

RATING: S&P Global: “AA”
(See “RATING” herein)

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See “TAX MATTERS” herein.

\$12,415,000*
GENERAL IMPROVEMENT BONDS
BOROUGH OF LEONIA
IN THE COUNTY OF BERGEN, NEW JERSEY
(Book-Entry Only) (Callable)

Dated: June 1, 2022

Due: June 1, as shown on the inside cover page

The \$12,415,000* General Improvement Bonds (the “Bonds”) of the Borough of Leonia, in the County of Bergen, New Jersey (the “Borough”), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See “THE BONDS – Book-Entry Only System” herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on June 1 of each of the years set forth on the inside cover page, and interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 2022 in each year until maturity or prior redemption. The Bonds are subject to optional redemption prior to their stated maturities. See “THE BONDS – Prior Redemption” herein.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about June 1, 2022.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O’CLOCK A.M. ON MAY 19, 2022
AT THE BOROUGH HALL
312 BROAD AVENUE
LEONIA, NEW JERSEY 07605**

Dated: May __, 2022

* Preliminary, subject to change.

This is a Preliminary Official Statement “deemed final” within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>Bond Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2023	\$400,000	%	%	
2024	425,000			
2025	475,000			
2026	500,000			
2027	520,000			
2028	535,000			
2029	550,000			
2030	565,000			
2031	585,000			
2032	600,000			
2033	625,000			
2034	650,000			
2035	675,000			
2036	700,000			
2037	725,000			
2038	740,000			
2039	760,000			
2040	785,000			
2041	800,000			
2042	800,000			

* Preliminary, subject to change.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

MAYOR

Judah Zeigler

BOROUGH COUNCIL

Bernadette Flaim – Council President

Maureen Davis

Pasquale Fusco

Louis Grandelis

Joanne Choi Terrell

William Ziegler

BOROUGH ADMINISTRATOR

Andrea L. Wardrop, MPA, CFM

BOROUGH CLERK

Trina Lindsey

CHIEF FINANCIAL OFFICER

Sheryl A. Luna

BOROUGH ATTORNEY

Brian M. Chewcaskie, Esq.

Cleary Giacobbe Alfieri Jacobs, LLC

Oakland, New Jersey

BOROUGH AUDITOR

Lerch, Vinci & Higgins, LLP

Fair Lawn, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC

Bordentown, New Jersey

BOND COUNSEL

Rogut McCarthy LLC

Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

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**OFFICIAL STATEMENT
OF THE BOROUGH OF LEONIA
IN THE COUNTY OF BERGEN, NEW JERSEY
RELATING TO**

\$12,415,000* GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Leonia (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$12,415,000* General Improvement Bonds (the “Bonds”) dated June 1, 2022. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk and may be distributed in connection with the Bonds.

This Preliminary Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the “final official statement” within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds will be dated and bear interest from June 1, 2022 and will mature on June 1 in the years and in the principal amounts as set forth on the inside cover page. Interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 2022 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds, in the aggregate principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “THE BONDS – Book-Entry Only System” herein.

* Preliminary, subject to change.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

Prior Redemption

The Bonds maturing on or before June 1, 2029 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after June 1, 2030 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after June 1, 2029, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, an within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent

shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on April 18, 2022.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to provide funding for unfunded capital projects in the amount of \$12,415,000.

The projects to be funded by the sale are listed below:

<u>Ordinance No.</u>	<u>Description</u>	<u>Amount</u>
2020-23	Acquisition of real property for site of new municipal building	\$1,476,000
2022-01	Construction of new municipal building	10,654,000
2022-05	Remediation phase of Borough Hall renovation project	285,000
	Total	<u>\$12,415,000</u>

NO DEFAULT

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not anticipate issuing any additional bonds or any tax anticipation notes during the remainder of 2022. The Borough plans to renew its outstanding bond anticipation notes (minus any statutory pay downs) maturing on August 19, 2022 and may issue additional bond anticipation notes for new money borrowing, as needed, during the remainder of 2022.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the “Director”), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’

“Requirements of Audit”, includes recommendations for improvement of the local units’ financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

Debt Limits

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the Borough is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. On December 31, 2021 the statutory net debt as a percentage of average equalized valuation was 1.183%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$18,544,485	\$ 11,051	\$18,533,434
Local School Purposes	<u>12,295,000</u>	<u>12,295,000</u>	<u>0</u>
Total:	\$30,839,485	\$12,306,051	\$18,533,434

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Overlapping Debt

The County debt, which overlaps the Borough, is not considered in the calculation of the debt limits of the Borough. It represents the debt outstanding at the County level for which the Borough will fund its portion of debt service through the normal payments of County taxes.

Short-Term Financing

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent

anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

School Debt (N.J.S.A. 18A:24-1 et seq.)

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt

service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

Investment of Municipal Funds

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“U.S. Government Securities”); (2) government money market mutual funds invested in U.S. Government Securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation (“local obligations”); (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less (a) constituting local obligations or (b) approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above, or local obligations. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.*, or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in U.S. Government Securities, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving U.S. Government Securities and Federal Government Agency obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2021, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits. The Borough's 2022 Budget will be in compliance with both "CAPS" taking into account applicable adjustments and without conducting a referendum to exceed cap limits.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." See "INFECTIOUS DISEASE OUTBREAK – COVID-19" herein for a discussion of recent amendments to N.J.S.A. 40A:4-26 in response to the COVID-19 outbreak.

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality's fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or

municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See “Assessment And Collection of Taxes – Tax Collection Procedure” herein for a brief discussion of Chapter 99.

Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year’s budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project. See “INFECTIOUS DISEASE OUTBREAK – COVID-19” herein for a discussion of recent amendments to the special emergency provisions in the Local Budget Law in response to the COVID-19 outbreak.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three months of the year to the previous years’ budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

Operation of Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “Current” or operating budget.

Fiscal Year

The Borough’s fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In

addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria for a mandatory change to the State fiscal year, and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing three years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. 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. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 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. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Phil Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Borough makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Bergen County Tax Board on or before the first day of June of the current tax year for review. The Bergen County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Bergen County Tax Board, appeal may be made to the Tax Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds). Further, pursuant to Assembly Bill No. 862, signed into law by Governor Murphy on January 18, 2022, residential tax appeal refunds, or commercial tax appeal refunds exceeding \$100,000, may be paid to the property owner, with interest, as a credit against the balance of property taxes that become due within a three year period, with any excess after three years being paid immediately.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be

delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see “TAX MATTERS – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Proposals for Tax Changes

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of

the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not materially or adversely impair the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

FINANCIAL STATEMENTS

Appendix "B" to this Official Statement contains (a) compiled financial statements of the Borough for the year ended December 31, 2021 and (b) audited financial statements of the Borough for the years ended December 31, 2020 and 2019. The compiled and audited financial data was provided by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the "Auditor"), and is included herein in reliance upon the authority of such firm. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete 2021 Annual Financial Statement (unaudited) and Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

The Borough Auditor has not participated in the preparation of this Official Statement except to the extent as previously stated.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, the rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at a public sale from the Borough for resale by _____ (the "Underwriter").

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, then President Trump declared a national emergency to unlock Federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey (the "State") declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread to the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminated most of the Governor's pandemic-related executive orders on July 4, 2021. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) terminated on January 1, 2022. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022 but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 2022. On March 4, 2022, the Governor declared, via Executive Order No. 292, an end to the

reinstated public health emergency, effective March 7, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. See <https://covid19.nj.gov> for further detail regarding the impact of COVID-19 on the State and the Governor's various executive orders.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020, c. 74 ("Chapter 74") on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): (1) direct COVID-19 response expenses; and (2) deficits in prior year's operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19.

The Borough's finances and operations may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of property taxes, which are the Borough's primary revenue source for supporting its budget. The Borough cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain its facilities, or costs to operate remotely and support Borough functions and critical government actions during an outbreak, or any resulting impact such costs could have on the operations of the Borough. However, as of the date hereof, even though the Borough's finances and operations had certain reduced revenue streams due to the COVID-19 outbreak, the overall finances and operations of the Borough have not been materially and adversely affected due to the COVID-19 outbreak.

The degree of any such impact on the operations and finances of the Borough cannot be predicted due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Borough and its economy. The Borough is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 11, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to a \$1,400 increase in direct stimulus payments to individuals and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Borough.

Generally, according to the Plan and implementing regulations, the allowable use of the funds to be provided to the Borough include the following categories:

- Replacing lost public sector revenue;
- Investing in water, sewer, broadband and other infrastructure;
- Providing premium pay for essential workers;
- Supporting public health expenditures;
- Addressing COVID-19 related negative economic impacts; and
- Addressing the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households.

However, such funds may not be used to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation or administrative interpretation during the covered period reducing or delaying any tax or tax increase. Additionally, such funds may not be used for deposit in any pension fund. Such funds may be used to offset the amounts required to be raised in budgets for special emergency appropriations for COVID-19 deficits authorized by Chapter 74 discussed above. The Borough will be required to provide periodic reports detailing the accounting of the use of funds.

For municipalities with populations less than 50,000, such as the Borough, the relief funds will be distributed by the State. The relief funds will be received from the State in two equal payments, one within 30 days of receipt of the funding by the State and the balance no earlier than 12 months from the initial payment. The deadline to obligate the funds is December 31, 2024, and to spend them is December 31, 2026. The Borough has been notified that it will receive \$945,680.39 under the Plan. In July of 2021, the Borough received its first payment of \$472,840.19 and the Borough intends to use the funds to support public health expenditures and to replace lost public sector revenue. The Borough has not yet determined how it will spend the remainder of the funds to be received.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough, or adversely affect the power of the Borough to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors'

rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See “Appendix C – Proposed Form of Bond Counsel Opinion” herein.

Certificates of Borough Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer and the Borough Clerk that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there has been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on April 18, 2022, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

- (A) Not later than seven months after the end of the Borough’s fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2021, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough

and (ii) certain financial information and operating data consisting of information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings "Budget Information", "Financial Information" and "Debt Information" in Appendix "A" hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has previously entered into continuing disclosure undertakings under Rule 15c2-12. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in December of 2015 to serve as continuing disclosure agent to assist in the filing of certain information on the MSRB’s Electronic Municipal Market Access Dataport (“EMMA”) as required under its obligations.

PREPARATION OF OFFICIAL STATEMENT

The Municipal Advisor assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which the Municipal Advisor considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

The Borough Auditor takes responsibility for the financial statements to the extent specified in the Accountant’s Compilation Report and the Independent Auditor’s Report as presented in Appendix “B”.

All other information has been obtained from sources which the Borough considers to be reliable and the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a “final official statement” for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Sheryl Luna, Chief Financial Officer, Borough of Leonia, 312 Broad Avenue, Leonia, New Jersey 07605, telephone (201) 592-5780, or to the Municipal Advisor, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered by the Chief Financial Officer and the Borough Clerk on behalf of the Borough.

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

By: _____
Sheryl A. Luna, Chief Financial Officer

By: _____
Trina Lindsey, Borough Clerk

Dated: May __, 2022

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

The Borough of Leonia was incorporated in 1894 and occupies 1.6 square miles. The Borough's location in Eastern Bergen County affords easy access to New York City and Newark International Airport. Leonia is bordered by the Boroughs of Fort Lee and Palisades Park, the City of Englewood, the Township of Teaneck and the Village of Ridgefield Park.

Form of Government

The Borough was incorporated under the borough form of government. There is a Mayor and a six-member Council. The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the municipal Public Library.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

Transportation

Bus service to New York City and surrounding areas, as well as being located minutes from the George Washington Bridge make Leonia an excellent home for commuters.

Borough residents have quick and easy access to all parts of New Jersey and New York via Routes 4, 46 and 80, the Garden State Parkway and the New Jersey Turnpike.

Protection

The Leonia Police Department consists of police officers, detectives and school guards. The First Aid Squad provides ambulance service to the public and operates with volunteers.

The Borough is served by a volunteer Fire Company which operates modern fire apparatuses housed in their own building.

Sanitation

The Borough provides garbage collection for all homes on a twice-weekly basis. Recycling pick-up is provided for all homes on a weekly basis, alternating between cardboard/paper and co-mingled recycling. The Borough contracts with a private scavenger for these services. Payment for such garbage and recycling collection services is part of the general property tax levy.

The Borough is a participant in the Bergen County Utilities Authority which provides sewerage treatment for the entire municipality. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is part of the general property tax levy.

Utilities

Electricity and gas is supplied by Public Service Electric & Gas Company. Water is supplied to the Borough by Veolia North America.

Recreation

Children and adults are kept busy throughout the year with sports programs, holiday celebrations, summer camp and other community programs. The Borough operates a free Public Library which coordinates its activities with the needs of both the school system and its residents.

Education

The Borough's school district educates students from pre-kindergarten through twelfth grade. Students from the Borough of Edgewater attend the district's schools for grades seven through twelve as part of sending/receiving relationship with the Edgewater Board of Education

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two primary retirement systems depending on their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

Population

Population trends for the Borough, County and the State of New Jersey since 1990 are shown below:

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Borough of Leonia	8,365	8,914	8,937	9,304
County of Bergen	825,380	884,118	905,116	930,394
State of New Jersey	7,730,188	8,414,350	8,791,894	8,882,371

Source: U.S. Census Bureau.

Income as of 2020

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Leonia	\$ 96,468	\$ 121,793	\$ 52,972
County of Bergen	104,623	126,103	52,800
State of New Jersey	85,245	104,804	44,153

Source: U.S. Census Bureau, 2016 - 2020 American Community Survey 5 Year Estimates.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Leonia, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Leonia</u>				
2021	4,591	4,349	242	5.3%
2020	4,471	4,069	402	9.0%
2019	4,526	4,434	92	2.0%
2018	4,485	4,360	125	2.8%
2017	4,559	4,419	140	3.1%
<u>County of Bergen</u>				
2021	493,303	463,475	29,828	6.0%
2020	477,892	432,189	45,703	9.6%
2019	484,575	470,940	13,635	2.8%
2018	477,023	461,356	15,667	3.3%
2017	483,324	464,527	18,797	3.9%
<u>State of New Jersey</u>				
2021	4,661,100	4,365,400	295,700	6.3%
2020	4,495,200	4,055,300	439,900	9.8%
2019	4,522,200	4,367,300	154,900	3.4%
2018	4,455,500	4,278,300	177,200	4.0%
2017	4,518,800	4,309,700	209,100	4.6%

Source: New Jersey Department of Labor and Workforce Development, Bureau of Labor Statistics

BUDGET INFORMATION
Current Fund

	<u>2022 (1)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Anticipated Revenues					
Surplus Anticipated	\$ 436,760	\$ 700,000	\$ 1,071,000	\$ 1,321,000	\$ 621,000
Miscellaneous Revenues	3,348,968	2,957,016	2,420,923	2,404,747	2,265,874
Receipts from Delinquent Taxes	359,000	290,000	300,000	300,000	300,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,072,053</u>	<u>11,889,278</u>	<u>11,729,575</u>	<u>11,494,457</u>	<u>11,174,353</u>
	<u>\$ 16,216,781</u>	<u>\$ 15,836,294</u>	<u>\$ 15,521,498</u>	<u>\$ 15,520,204</u>	<u>\$ 14,361,227</u>
Appropriations					
Salaries and Wages	\$ 6,003,229	\$ 6,058,597	\$ 5,817,840	\$ 5,682,905	\$ 5,565,730
Other Expenses	6,365,918	6,406,312	6,330,205	6,150,867	5,844,495
Deferred Charges and Statutory Expenditures	1,590,155	1,404,893	1,351,913	1,341,499	1,284,844
Capital Improvements	200,000	200,000	200,000	650,000	150,000
Municipal Debt Service	1,682,479	1,441,492	1,496,540	1,369,933	1,191,158
Reserve for Uncollected Taxes	<u>375,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
	<u>\$ 16,216,781</u>	<u>\$ 15,836,294</u>	<u>\$ 15,521,498</u>	<u>\$ 15,520,204</u>	<u>\$ 14,361,227</u>

(1) Budget as introduced

Source: Borough of Leonia Adopted Budgets.

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2021 (Unaudited)	\$1,323,595	\$436,760
2020	1,374,505	700,000
2019	1,783,162	1,071,000
2018	2,170,426	1,321,000
2017	1,598,848	621,000

(1) Budget as introduced

Source: Borough of Leonia Annual Audit Reports and 2021 Unaudited Annual Financial Statement.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2021 (Unaudited)	\$ 39,820,503	\$ 39,411,036	98.97%
2020	38,401,585	38,081,409	99.17%
2019	36,998,124	36,691,325	99.17%
2018	36,416,198	36,106,581	99.14%
2017	35,735,634	35,418,932	99.11%

Source: Borough of Leonia Annual Audit Reports and 2021 Unaudited Annual Financial Statement.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2021 (Unaudited)	\$ 2,714	\$ 375,129	\$ 377,843	0.95%
2020	2,195	293,584	295,779	0.77%
2019	1,694	304,872	306,566	0.83%
2018	1,211	299,559	300,770	0.83%
2017	734	311,128	311,862	0.87%

Source: Borough of Leonia Annual Audit Reports and 2021 Unaudited Annual Financial Statement.

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2022 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Ambrose DC Assets, LLC	\$ 10,200,000
Puck Leonia, LLC/ST Leonia, LLC	9,794,400
313 Woodlance Place, LLC	8,280,000
Center Point Willow Tree, LLC	8,000,000
Kurtz, Anthony & Nora III, LLC	7,974,900
400 Willow Tree Rd, LLC	7,300,000
Fairlawn Company	7,207,000
Leonia Manor Associates, LLC	5,250,000
CVS Pharmacy	4,250,000
Southwind Farms	3,740,000
	<u>\$ 71,996,300</u>

Source: Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2022	\$ 6,193,100	\$ 1,067,367,200	\$ 75,152,900	\$ 22,454,500	\$ 70,884,800	\$ 1,242,052,500
2021	6,222,800	1,067,258,700	75,091,400	22,454,500	70,884,800	1,241,912,200
2020	5,404,100	1,065,767,800	75,426,400	22,454,500	70,884,800	1,239,937,600
2019	5,360,900	1,062,463,000	75,307,100	22,654,500	70,884,800	1,236,670,300
2018	6,899,700	1,059,436,700	75,357,100	22,654,500	62,789,800	1,227,137,800

Source: Tax Duplicate.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2022	\$ 1,242,052,500	\$ 720,729	\$ 1,242,773,229	N/A	N/A
2021	1,241,912,200	772,624	1,242,684,824	79.91%	1,559,500,435
2020	1,239,937,600	773,613	1,240,711,213	82.60%	1,506,477,130
2019	1,236,670,300	791,103	1,237,461,403	85.95%	1,443,730,820
2018	1,227,137,800	797,016	1,227,934,816	87.42%	1,408,651,881

Source: Tax Duplicate and Abstract of Ratables of Bergen County

**Components of Real Estate Tax Rate
(per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2021	\$3.201	\$0.956	\$1.928	\$0.317
2020	3.090	0.945	1.843	0.302
2019	2.982	0.929	1.768	0.285
2018	2.946	0.910	1.755	0.281
2017	2.911	0.898	1.730	0.283

Source: Tax Collector

**Apportionment of Tax Levy
(Including School and County Purposes)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2021	\$ 39,820,503	\$ 11,932,359	\$ 23,960,761	\$ 3,927,383
2020	38,401,585	11,792,107	22,862,654	3,746,824
2019	36,998,124	11,594,758	21,877,464	3,525,902
2018	36,416,198	11,419,964	21,545,016	3,451,218
2017	35,735,634	11,072,546	21,194,081	3,469,007

Source: Tax Collector

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2021 (Unaudited)

Municipal		
Equalized Valuation Basis (last 3 years average)	\$	1,567,068,356
3 1/2% Borrowing Margin		54,847,392
Net Debt Issued, Outstanding and Authorized		18,533,434
Remaining Municipal Borrowing Capacity		36,313,958
Local School		
4% Borrowing Margin		62,682,734
Debt, Issued, Outstanding and Authorized		12,295,000
Remaining School Borrowing Capacity		50,387,734

Gross and Statutory Net Debt

<u>Year</u>	<u>Gross Debt</u>		<u>Statutory Net Debt</u>	
	<u>Amount</u>		<u>Amount</u>	<u>Percentage</u>
2021 (Unaudited)	\$ 30,839,485	\$	18,533,434	1.18%
2020	35,436,696		18,155,645	1.21%
2019	32,062,400		14,781,347	1.02%
2018	33,190,719		13,884,668	0.99%
2017	33,242,655		11,997,655	0.87%

Source: Borough of Leonia Audit Reports and the 2021 Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2021 (Unaudited)

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 9,240,000	
Loans	255,041	
Notes	7,394,000	
Bonds and Notes Authorized But Not Issued	1,655,444	
		\$ 18,544,485

LOCAL SCHOOL

Bonds Issued and Outstanding		12,295,000
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TOTAL GROSS DEBT 30,839,485

STATUTORY DEDUCTIONS

Municipal Purpose	11,051	
Local School	12,295,000	
		12,306,051

TOTAL NET DEBT \$ 18,533,434

OVERLAPPING DEBT

County of Bergen (Note 1)	12,297,557	
Bergen County Utilities Authority (Note 2)	1,603,872	

TOTAL OVERLAPPING DEBT \$ 13,901,429

GROSS DEBT

Per Capita (2020 - 9,304)		\$ 3,315
Percent of Net Valuation Taxable (2021 - \$1,242,684,824)		2.48%
Percent of Estimated True Value of Real Property (2021 - \$1,559,500,435)		1.98%

NET MUNICIPAL DEBT

Per Capita (2020 - 9,304)		\$ 1,992
Percent of Net Valuation Taxable (2021 - \$1,242,684,824)		1.49%
Percent of Estimated True Value of Real Property (2021 - \$1,559,500,435)		1.19%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2020 - 9,304)		\$ 4,809
Percent of Net Valuation Taxable (2021 - \$1,242,684,824)		3.60%
Percent of Estimated True Value of Real Property (2021 - \$1,559,500,435)		2.87%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2020 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Leonia 2021 Annual Debt Statement

APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

**UNAUDITED COMPILED FINANCIAL STATEMENTS
OF THE BOROUGH OF LEONIA
FOR THE YEAR ENDED DECEMBER 31, 2021**

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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
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RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, CPA

ACCOUNTANT’S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Leonia, as of December 31, 2021 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds and account group for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial and accounting 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.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the Borough’s assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/

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

Fair Lawn, New Jersey
April 12, 2022

BOROUGH OF LEONIA
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
ASSETS	
Regular Fund	
Cash	\$ <u>2,906,634</u>
Change Funds	2,906,634
	<u>300</u>
	<u>2,906,934</u>
Receivables and Other Assets with Full Reserves	
Delinquent Taxes Receivable	375,129
Tax Title Liens Receivable	2,714
Due from Other Trust Fund	316,194
Due from Animal Control Fund	<u>7,493</u>
	<u>701,530</u>
Deferred Charges	
Overexpenditure of Appropriation Reserves	7,231
Expenditure without Appropriation	<u>48,480</u>
	<u>55,711</u>
Total Regular Fund	<u>3,664,175</u>
Federal and State Grant Fund	
Cash	407,307
Grants Receivable	<u>110,233</u>
Total Federal and State Grant Fund	<u>517,540</u>
Total Assets	<u>\$ <u>4,181,715</u></u>

BOROUGH OF LEONIA
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2021 (UNAUDITED)

2021

LIABILITIES, RESERVES AND FUND BALANCE

Regular Fund	
Appropriation Reserves	\$ 786,216
Encumbrances Payable	148,375
Prepaid Taxes	227,468
Tax Overpayments	63,486
Reserve for Revaluation	9,700
Reserve for Reassessment	16,010
Reserve for Master Plan	1,100
State Fees Payable	2,280
Due to State - Senior Citizen and Veterans Deductions	750
Due to General Capital Fund	301,515
Reserve for FEMA	48,711
Accounts Payable	29,264
Due to County for Added and Omitted Taxes	<u>4,175</u>
	1,639,050
Reserve for Receivables and Other Assets	701,530
Fund Balance	<u>1,323,595</u>
Total Regular Fund	<u>3,664,175</u>
Federal and State Grant Fund	
Reserve for Grants and Donations - Unappropriated	370,351
Reserve for Grants and Donations - Appropriated	<u>147,189</u>
Total Federal and State Grant Fund	<u>517,540</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 4,181,715</u>

BOROUGH OF LEONIA
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

REVENUES AND OTHER INCOME	<u>2021</u>
Fund Balance Utilized	\$ 700,000
Miscellaneous Revenue Anticipated	2,923,527
Receipts from Delinquent Taxes	281,496
Receipts from Current Taxes	39,411,036
Non-Budget Revenue	256,965
Other Credits to Income	
Interfund Advances Returned	18,200
Unexpended Balances of Appropriation Reserves	<u>968,995</u>
 Total Revenues and Other Income	 <u>44,560,219</u>
 EXPENDITURES	
Budget Appropriations	
Operations	
Salaries and Wages	6,080,697
Other Expenses	6,534,212
Capital Improvements	200,000
Municipal Debt Service	1,440,530
Deferred Charges and Statutory Expenditures -	
Municipal	1,404,893
County Taxes	3,767,258
County Taxes - Added Taxes	4,175
County Taxes - Open Space Preservation	155,950
Local District School Taxes	23,960,761
Refund of Prior Year Revenue	46,459
Interfund Advances Originating	<u>316,194</u>
 Total Expenditures	 <u>43,911,129</u>
 Statutory Excess in Revenue (Carried Forward)	 <u>649,090</u>

BOROUGH OF LEONIA
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
Excess in Revenue (Brought Forward)	\$ 649,090
FUND BALANCE, JANUARY 1	<u>1,374,505</u>
	2,023,595
Decreased by:	
Utilized as Anticipated Revenue	<u>700,000</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 1,323,595</u></u>

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	2021 Anticipated <u>Budget</u>	<u>Added</u> by NJS <u>40A:4-87</u>	Realized <u>in 2021</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 700,000	-	\$ 700,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	1,800		1,200	\$ (600)
Other	4,000		6,348	2,348
Fees and Permits				
Other	118,000		90,316	(27,684)
Fines and Costs - Municipal Court	174,734		89,891	(84,843)
Interest and Costs on Taxes	68,000		68,346	346
Interest on Investments and Deposits	51,000		36,635	(14,365)
Energy Receipts Tax	976,676		976,676	-
Supplemental Energy Receipts Tax	52,713		52,713	-
Uniform Construction Code Fees	190,000		225,630	35,630
Interlocal Agreement- Board of Education	60,000		33,039	(26,961)
Public and Private Revenues Offset With Appropriations				
American Rescue Plan		150,000	150,000	-
Body Armor Replacement Grant - Federal	2,095		2,095	-
Body Armor Replacement Grant	2,512		2,512	-
Clean Communities Program	14,812		14,812	-
Other Special Items:				
Cable Television Franchise Fee	37,155		36,243	(912)
Verizon FIOS Franchise Fee	56,158		51,887	(4,271)
Sewer - Surcharges	21,000		23,843	2,843
Towing Licenses and Administration	6,000		4,800	(1,200)
Sewer Billing - Commercial	131,000		146,599	15,599
Cellular Tower Rental	74,000		121,228	47,228
Payments in Lieu of Taxes	81,000		89,527	8,527
Capital Surplus	25,000		25,000	-
Uniform Fire Safety Act	9,800		11,876	2,076
Due From Extra Duty Trust -Administration Fees	113,000			(113,000)
Contribution from Board of Education - Turf Field Debt Service				-
Reserve for Due From General Capital Fund	468,311		468,311	-
Property Rental	24,000		24,000	-
Property Rental	30,000		30,000	-
Property Rental	75,000	-	65,000	(10,000)
	<u>2,957,016</u>	<u>150,000</u>	<u>2,923,527</u>	<u>(183,489)</u>
Receipts from Delinquent Taxes	<u>290,000</u>	<u>-</u>	<u>281,496</u>	<u>(8,504)</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for:				
Municipal Purposes	11,371,798	-	11,330,412	(41,386)
Minimum Library Tax	517,480	-	517,480	-
	<u>11,889,278</u>	<u>-</u>	<u>11,847,892</u>	<u>(41,386)</u>
Budget Totals	<u>\$ 15,836,294</u>	<u>\$ 150,000</u>	<u>15,752,915</u>	<u>\$ (233,379)</u>

**BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>2021 Appropriated</u>		<u>2021 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Office of the Administrator					
Salaries & Wages	\$ 381,720	\$ 369,720	\$ 369,717	\$ 3	
Other Expenses	141,100	124,100	101,160	22,940	
Clerk					
Salaries & Wages	150,200	131,200	130,606	594	
Other Expenses	60,400	71,400	70,951	449	
Financial Administration					
Salaries & Wages	96,000	96,000	94,077	1,923	
Other Expenses	114,800	110,800	92,156	18,644	
Annual Audit	45,000	45,000	42,488	2,512	
Computerized Data Processing					
Other Expenses	191,000	176,000	140,183	35,817	
Revenue Administration (Tax Collection)					
Salaries & Wages	81,830	82,330	81,829	501	
Other Expenses	6,100	7,900	7,683	217	
Assessment of Taxes					
Salaries & Wages	19,360	19,360	19,354	6	
Other Expenses	1,730	1,830	1,786	44	
Legal Services & Costs					
Other Expenses	199,000	177,000	148,907	28,093	
Municipal Prosecutor					
Salaries & Wages	16,000	16,000	14,215	1,785	
Engineering Services					
Other Expenses	126,500	134,500	131,979	2,521	
Historical Commission					
Other Expenses	1,500	1,500	-	1,500	
LAND USE ADMINISTRATION					
Municipal Land Use Law (NJS 40:55D-1)					
Planning, Zoning Board					
Salaries & Wages	5,000	20,000	19,202	798	
Other Expenses	6,000	30,000	28,250	1,750	
INSURANCE					
General Liability	571,449	571,449	571,449	-	
Employee Group Health	1,058,000	1,058,000	977,756	80,244	
Employee Group Health - Waiver	50,000	50,000	50,000	-	
PUBLIC SAFETY					
Police					
Salaries & Wages	3,019,020	3,139,020	2,998,579	140,441	
Other Expenses	360,750	360,750	345,092	15,658	
Emergency Management System					
Salaries & Wages	5,000	5,000	3,500	1,500	
Other Expenses	2,000	2,000	1,453	547	
Fire					
Other Expenses	134,500	124,500	107,693	16,807	
Fire Marshall					
Salaries & Wages	44,500	44,500	27,227	17,273	
Other Expenses	6,100	6,100	3,249	2,851	

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021 Appropriated</u>		<u>2021 Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
		<u>Modification</u>	<u>Charged</u>		
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Municipal Court					
Salaries & Wages	\$ 139,300	\$ 139,300	\$ 134,197	\$ 5,103	
Other Expenses	55,340	55,340	9,394	45,946	
Public Defender					
Salaries & Wages	9,200	9,200	8,227	973	
Other Expenses	200	200	-	200	
Environmental					
Other Expenses	7,650	7,650	-	7,650	
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	10,267	267	-	267	
PUBLIC WORKS FUNCTIONS					
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries & Wages	1,565,500	1,510,500	1,507,507	2,993	
Other Expenses	217,150	217,150	210,470	6,680	
Shade Tree					
Other Expenses	2,000	2,000	(1,282)	3,282	
Garbage and Trash Removal					
Other Expenses	344,000	344,000	310,811	33,189	
Buildings and Grounds					
Other Expenses	158,000	164,000	128,258	35,742	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries & Wages	69,000	69,000	68,665	335	
Other Expenses	57,132	57,132	42,926	14,206	
Board of Recreation Commission (R.S. 40:12)					
Salaries & Wages	203,200	178,800	156,606	22,194	
Other Expenses	25,100	30,100	28,434	1,666	
Senior Citizens Activities					
Salaries & Wages	19,000	34,000	33,491	509	
Other Expenses	10,100	10,100	8,808	1,292	
Senior Citizen Bus					
Salaries & Wages	27,100	19,100	18,994	106	
Other Expenses	2,300	2,300	130	2,170	

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021 Appropriated</u>		<u>2021 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	\$ 170,400	\$ 170,400	\$ 170,029	\$ 371	
Other Expenses	11,400	11,400	6,467	4,933	
Fire Sub-Code Official					
Salaries & Wages	13,800	13,800	13,800	-	
Electric Sub-Code Official					
Salaries & Wages	13,200	13,200	13,200	-	
UTILITY EXPENSE AND BULK PURCHASES					
Electricity and Gas	135,000	110,000	86,054	23,946	
Street Lighting	100,000	100,000	84,540	15,460	
Gasoline	50,000	56,000	41,971	14,029	
Fire Hydrant	93,273	93,273	69,955	23,318	
Telephone and Telegraph	115,000	120,000	110,575	9,425	
Water	10,000	14,000	12,256	1,744	
Diesel Fuel	60,000	60,000	40,329	19,671	-
Total Operations Within "CAPS"	<u>10,591,671</u>	<u>10,591,671</u>	<u>9,895,353</u>	<u>696,318</u>	<u>-</u>
Detail:					
Salaries & Wages	6,058,597	6,080,697	5,883,022	197,675	-
Other Expenses	<u>4,533,074</u>	<u>4,510,974</u>	<u>4,012,331</u>	<u>498,643</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Deficit in Trust Fund Reserves - Recreation	12,297	12,297	12,297	-	
Statutory Charges					
Public Employees Retirement System	295,250	295,250	295,250	-	
Social Security System (O.A.S.I.)	310,000	310,000	299,083	10,917	
Police and Firemen's Retirement System of NJ	772,346	772,346	772,346	-	
State Unemployment Insurance	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,404,893</u>	<u>1,404,893</u>	<u>1,378,976</u>	<u>25,917</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,996,564</u>	<u>11,996,564</u>	<u>11,274,329</u>	<u>722,235</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)	250,221	250,221	224,432	25,789	
Minimum Funding Free Public Library	517,480	517,480	517,480	-	
Length of Service Award Program (LOSAP)	38,000	38,000	-	38,000	
BCUA - Share of Operating Costs	738,292	738,292	738,292	-	-
BCUA - Debt Service	<u>279,826</u>	<u>279,826</u>	<u>279,826</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,823,819</u>	<u>1,823,819</u>	<u>1,760,030</u>	<u>63,789</u>	<u>-</u>

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021 Appropriated</u>	<u>2021 Expended</u>			
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
		<u>Modification</u>	<u>Charged</u>		
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)					
Interlocal Municipal Service Agreements					
Board of Education - Gas/Diesel Agreement	\$ 30,000	\$ 30,000	\$ 29,808	\$ 192	-
Total Interlocal Municipal Service Agreements	<u>30,000</u>	<u>30,000</u>	<u>29,808</u>	<u>192</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Body Armor Fund	2,095	2,095	2,095	-	-
Body Armor Fund - Federal	2,512	2,512	2,512	-	-
American Rescue Plan		150,000	150,000		
Clean Communities Program	<u>14,812</u>	<u>14,812</u>	<u>14,812</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>19,419</u>	<u>169,419</u>	<u>169,419</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,873,238</u>	<u>2,023,238</u>	<u>1,959,257</u>	<u>63,981</u>	<u>-</u>
Detail:					
Other Expenses	<u>1,873,238</u>	<u>2,023,238</u>	<u>1,959,257</u>	<u>63,981</u>	<u>-</u>
CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,100,000	1,100,000	1,100,000	-	-
Interest on Bonds	235,700	235,700	235,700	-	-
Interest on Notes	53,120	53,120	52,165	\$	955
Wastewater Loan - Spring Street Sewer					
Principal	25,563	25,563	25,563	-	-
Interest	5,290	5,290	5,290	-	-
Wastewater Loan - Salt Dome					
Principal	17,649	17,649	17,649	-	-
Interest	<u>4,170</u>	<u>4,170</u>	<u>4,163</u>	<u>-</u>	<u>7</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,441,492</u>	<u>1,441,492</u>	<u>1,440,530</u>	<u>-</u>	<u>962</u>

BOROUGH OF LEONIA
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021 Appropriated</u>	<u>2021 Expended</u>			
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 3,514,730	\$ 3,664,730	\$ 3,599,787	\$ 63,981	\$ 962
Subtotal General Appropriations	15,511,294	15,661,294	14,874,116	786,216	962
Reserve for Uncollected Taxes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	-	-
Total General Appropriations	<u>\$ 15,836,294</u>	<u>\$ 15,986,294</u>	<u>\$ 15,199,116</u>	<u>\$ 786,216</u>	<u>\$ 962</u>
		Adopted Budget			
		Added by N.J.S.A. 40A:4-87	\$ 15,836,294		
			<u>150,000</u>		
			<u>\$ 15,986,294</u>		

**BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2021 AND 2020**

	<u>2021</u>
ASSETS	
ANIMAL CONTROL TRUST FUND	
Cash	\$ 19,263
	<u>19,263</u>
OTHER TRUST FUND	
Cash	1,264,324
Due from Swimming Pool Capital	<u>1,367</u>
	<u>1,265,691</u>
Total Assets	<u><u>\$ 1,284,954</u></u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>
LIABILITIES, RESERVES AND FUND BALANCE	
ANIMAL CONTROL TRUST FUND	
Due to Current Fund	\$ 7,493
Reserve for Animal Control Expenditures	<u>11,770</u>
	<u>19,263</u>
OTHER TRUST FUND	
Due to Current Fund	316,194
Miscellaneous Reserves	<u>949,497</u>
	<u>1,265,691</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 1,284,954</u>

BOROUGH OF LEONIA
BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
ASSETS	
Cash	\$ 2,091,966
Deferred Charges to Future Taxation	
Funded	9,495,040
Unfunded	9,049,444
Grants Receivable	1,140,701
Due from Current Fund	<u>301,515</u>
 Total Assets	 <u><u>\$ 22,078,666</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE	
General Serial Bonds	\$ 9,240,000
Loans Payable	255,040
Bond Anticipation Notes	7,394,000
Improvement Authorizations	
Funded	451,779
Unfunded	2,568,578
Capital Improvement Fund	656,881
Encumbrances Payable	780,993
Reserve for Grants Receivable	483,627
Reserve for Debt Service	11,051
Fund Balance	<u>236,717</u>
 Total Liabilities, Reserves and Fund Balance	 <u><u>\$ 22,078,666</u></u>

There were bonds and notes authorized but not issued on December 31, 2021 of \$1,655,444.

BOROUGH OF LEONIA
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
Balance, January 1	\$ 205,893
Increased By:	
Premium on Sale of Notes	<u>55,824</u>
	261,717
Decreased by:	
Utilized as Current Fund Revenue	<u>25,000</u>
Balance, December 31	<u><u>\$ 236,717</u></u>

**BOROUGH OF LEONIA
BALANCE SHEET - REGULATORY BASIS
SWIMMING POOL UTILITY FUND
AS OF DECEMBER 31, 2021 (UNAUDITED)**

	<u>2021</u>
ASSETS	
OPERATING FUND	
Cash	\$ 321,904
Due from Swimming Pool Capital Fund	<u>1</u>
Total Operating Fund	<u>321,905</u>
CAPITAL FUND	
Cash	2,384
Fixed Capital	<u>1,406,570</u>
Total Capital Fund	<u>1,408,954</u>
Total Assets	<u>\$ 1,730,859</u>
LIABILITIES, RESERVES AND FUND BALANCE	
OPERATING FUND	
Appropriation Reserves	\$ 37,958
Encumbrance Payable	<u>4,961</u>
Fund Balance	<u>42,919</u> <u>278,986</u>
Total Operating Fund	<u>321,905</u>
CAPITAL FUND	
Capital Improvement Fund	1,000
Reserve for Amortization	1,406,570
Due to Swimming Pool Operating Fund	1
Due to Other Trust Fund	1,367
Fund Balance	<u>16</u>
Total Capital Fund	<u>1,408,954</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 1,730,859</u>

BOROUGH OF LEONIA
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
REVENUES AND OTHER INCOME	
Fund Balance Utilized	\$ 96,674
Swimming Pool Fees	251,793
Miscellaneous	12,512
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>138,878</u>
 Total Revenues and Other Income	 <u>499,857</u>
 EXPENDITURES	
Budget Appropriations:	
Operating	247,190
Capital	25,000
Deferred Charges	22,674
Statutory Expenditures	<u>13,200</u>
 Total Expenditures	 <u>308,064</u>
 Operating Deficit	
 Excess in Revenue	 191,793
 BALANCE, JANUARY 1	 <u>183,867</u>
	375,660
Decreased by:	
Utilized as Anticipated Revenue	<u>96,674</u>
 BALANCE, DECEMBER 31	 <u>\$ 278,986</u>

BOROUGH OF LEONIA
STATEMENT OF REVENUES - REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 96,674	\$ 96,674	
Swimming Pool Fees	211,390	251,793	\$ 40,403
Miscellaneous	<u>-</u>	<u>12,512</u>	<u>12,512</u>
 Total	 <u>\$ 308,064</u>	 <u>\$ 360,979</u>	 <u>\$ 52,915</u>

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIMMING POOL UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries & Wages	\$ 149,360	\$ 149,360	\$ 140,263	\$ 9,097
Other Expenses	97,830	97,830	96,364	1,466
CAPITAL				
Capital Outlay	25,000	25,000	-	25,000
DEFERRED CHARGES				
Deficit in Operations	22,674	22,674	22,674	
STATUTORY EXPENDITURES				
Social Security System	<u>13,200</u>	<u>13,200</u>	<u>10,805</u>	<u>2,395</u>
Total	<u>\$ 308,064</u>	<u>\$ 308,064</u>	<u>\$ 270,106</u>	<u>\$ 37,958</u>

BOROUGH OF LEONIA
STATEMENTS OF CHANGE IN FUND BALANCE - REGULATORY BASIS
SWIMMING POOL UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
Balance, January 1	\$ <u>16</u>
Balance, December 31	\$ <u><u>16</u></u>

BOROUGH OF LEONIA
BALANCE SHEET - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2021 (UNAUDITED)

	<u>2021</u>
ASSETS	
Land	\$ 26,322,615
Buildings and Building Improvements	6,455,731
Machinery and Equipment	<u>10,210,252</u>
Total Assets	<u>\$ 42,988,598</u>
RESERVES	
Investment in General Fixed Assets	<u>\$ 42,988,598</u>
Total Reserves	<u>\$ 42,988,598</u>

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**INDEPENDENT AUDITORS REPORT AND
FINANCIAL STATEMENTS OF THE BOROUGH OF LEONIA
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Leonia, as of December 31, 2020 and 2019, and the related statements of operations and changes in fund balance - regulatory basis, the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Leonia as of December 31, 2020 and 2019, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 18 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2020 and 2019. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 56 percent and 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2020 and 2019.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Leonia as of December 31, 2020 and 2019, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years 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.

By/s/

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

Fair Lawn, New Jersey
September 7, 2021

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2020</u>	<u>2019</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Regular Fund		
Appropriation Reserves	\$ 1,128,303	\$ 762,153
Encumbrances Payable	179,682	261,620
Prepaid Taxes	309,489	208,370
Tax Overpayments	15,098	25,883
Reserve for State Library Aid	-	15,644
Reserve for Revaluation	9,700	9,700
Reserve for Reassessment	16,010	16,010
Reserve for Master Plan	1,100	1,100
State Fees Payable	2,721	2,582
Due to State - Senior Citizen and Veterans Deductions	750	-
School Taxes Payable	305,614	-
Accounts Payable	13,745	3,228
Due to County for Added and Omitted Taxes	<u>4,875</u>	<u>7,935</u>
	1,987,087	1,314,225
Reserve for Receivables and Other Assets	796,426	799,838
Fund Balance	<u>1,374,505</u>	<u>1,783,162</u>
Total Regular Fund	<u>4,158,018</u>	<u>3,897,225</u>
Federal and State Grant Fund		
Reserve for Grants and Donations - Unappropriated	19,419	55,391
Reserve for Grants and Donations - Appropriated	<u>95,687</u>	<u>41,763</u>
Total Federal and State Grant Fund	<u>115,106</u>	<u>97,154</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 4,273,124</u>	<u>\$ 3,994,379</u>

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		<u>2019</u>	
	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>	<u>Budget After</u> <u>Modification</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 1,071,000	\$ 1,071,000	\$ 1,321,000	\$ 1,321,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	1,800	1,800	1,800	1,800
Other	5,400	4,077	5,750	5,428
Fees and Permits				
Other	134,000	118,111	90,801	134,131
Fines and Costs - Municipal Court	171,700	91,779	224,743	207,680
Interest and Costs on Taxes	63,000	68,158	71,000	63,725
Interest on Investments and Deposits	67,000	51,435	10,000	67,304
Energy Receipts Tax	976,676	976,676	976,676	976,676
Supplemental Energy Receipts Tax	52,713	52,713	52,713	52,713
Uniform Construction Code Fees	172,000	191,568	174,000	172,382
Interlocal Agreement- Board of Education	30,000		23,000	
Public and Private Revenues Offset				
With Appropriations				
Drunk Driving Enforcement Fund	2,817	2,817	9,766	9,766
Alcohol Education and Rehabilitation Fund	1	1		
Recycling Tonnage Grant	22,209	22,209		
NJ Sustainable Grant	15,000	15,000	30,000	30,000
Distracted Driving	5,500	5,500		
Click it or Ticket	5,500	5,500		
CDBC Grant			80,000	80,000
Body Armor Replacement Grant - Federal	707	707	885	885
Body Armor Replacement Grant	2,229	2,229		
Clean Communities Program	16,428	16,428	14,713	14,713

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		<u>2019</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Other Special Items:				
Cable Television Franchise Fee	\$ 39,086	\$ 37,155	\$ 38,957	\$ 39,086
Verizon FIOS Franchise Fee	57,206	56,158	60,185	57,206
Sewer - Surcharges	30,000	21,729	30,725	30,725
Towing Licenses and Administration	1,500	6,000	5,755	1,500
Sewer Billing - Commercial	171,000	131,562	115,473	171,306
Cellular Tower Rental	84,000	74,688	83,235	84,206
Payments in Lieu of Taxes	70,000	81,146	63,000	70,581
Capital Surplus	25,000	25,000	25,000	25,000
Uniform Fire Safety Act	8,451	9,864	7,500	8,451
Due From Extra Duty Trust -Administration Fees	66,000	113,203	125,000	66,288
Property Rental	24,000	24,000	24,070	24,000
Property Rental	100,000	55,000	60,000	100,000
	<u>2,420,923</u>	<u>2,262,213</u>	<u>2,404,747</u>	<u>2,495,552</u>
Receipts from Delinquent Taxes	<u>300,000</u>	<u>304,629</u>	<u>300,000</u>	<u>291,927</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for:				
Municipal Purposes	11,230,252	11,297,608	11,018,280	11,136,782
Minimum Library Tax	499,323	499,323	476,177	476,177
	<u>11,729,575</u>	<u>11,796,931</u>	<u>11,494,457</u>	<u>11,612,959</u>
Budget Totals	<u>\$ 15,521,498</u>	<u>\$ 15,434,773</u>	<u>\$ 15,520,204</u>	<u>\$ 15,721,438</u>

The Accompanying Notes are an Integral Part of these Financial Statements

2020 STATEMENT OF EXPENDITURES

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

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

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

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Municipal Court					
Salaries & Wages	\$ 139,210	\$ 139,210	\$ 134,297	\$ 4,913	
Other Expenses	58,700	58,700	8,473	50,227	
Public Defender					
Salaries & Wages	7,300	7,300	7,003	297	
Other Expenses	200	200		200	
Environmental					
Other Expenses	7,500	7,500	1,701	5,799	
Right to Know - PEOSHA (Ch. 516 PL 1983)					
Other Expenses	3,500	3,500	2,740	760	
Uniform Fire Safety Act (PL 1983, Ch. 183)					
Fire Prevention					
Salaries & Wages	7,000	7,000	-	7,000	
PUBLIC WORKS FUNCTIONS					
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries & Wages	1,500,100	1,500,100	1,326,947	173,153	
Other Expenses	194,550	194,550	145,796	48,754	
Shade Tree					
Other Expenses	4,000	4,000	2,013	1,987	
Garbage and Trash Removal					
Other Expenses	340,000	340,000	313,714	26,286	
Buildings and Grounds					
Other Expenses	164,000	164,000	126,661	37,339	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries & Wages	68,500	68,500	65,981	2,519	
Other Expenses	56,706	56,706	49,895	6,811	
Board of Recreation Commission (R.S. 40:12)					
Salaries & Wages	212,150	203,150	193,949	9,201	
Other Expenses	34,200	34,200	32,683	1,517	
Senior Citizens Activities					
Salaries & Wages	36,414	37,414	36,016	1,398	
Other Expenses	11,500	11,500	8,420	3,080	
Senior Citizen Bus					
Salaries & Wages	27,100	27,100	14,773	12,327	
Other Expenses	10,500	10,500	1,137	9,363	

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

	<u>2020 Appropriated</u>		<u>2020 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
Uniform Construction Code					
Appropriations Offset by Dedicated					
Revenues (N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Salaries & Wages	\$ 151,170	\$ 151,170	\$ 144,041	\$ 7,129	
Other Expenses	16,500	16,500	8,289	8,211	
Fire Sub-Code Official					
Salaries & Wages	13,500	13,500	13,382	118	
Electric Sub-Code Official					
Salaries & Wages	12,500	12,500	11,426	1,074	
UTILITY EXPENSE AND BULK PURCHASES					
Electricity and Gas	130,000	130,000	125,305	4,695	
Street Lighting	100,000	100,000	67,605	32,395	
Gasoline	50,000	50,000	30,825	19,175	
Fire Hydrant	104,000	104,000	100,827	3,173	
Telephone and Telegraph	110,000	110,000	88,169	21,831	
Water	10,000	22,000	14,801	7,199	
Diesel Fuel	60,000	60,000	38,830	21,170	-
	<u>10,311,697</u>	<u>10,293,147</u>	<u>9,299,902</u>	<u>993,245</u>	<u>-</u>
Total Operations Within "CAPS"					
Detail:					
Salaries & Wages	5,817,840	5,778,840	5,413,662	365,178	-
Other Expenses	4,493,857	4,514,307	3,886,240	628,067	-
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Deferred Charges					
Overexpenditure of Appropriation	7,126	7,126	7,126	-	
Statutory Charges					
Public Employees Retirement System	297,458	299,458	299,438	20	
Social Security System (O.A.S.I.)	300,900	300,900	271,671	29,229	
Police and Firemen's Retirement System of NJ	736,429	736,429	736,429	-	
State Unemployment Insurance	10,000	10,000	-	10,000	-
	<u>1,351,913</u>	<u>1,353,913</u>	<u>1,314,664</u>	<u>39,249</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"					
Total General Appropriations for Municipal Purposes Within "CAPS"					
	<u>11,663,610</u>	<u>11,647,060</u>	<u>10,614,566</u>	<u>1,032,494</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)	243,177	243,177	215,368	27,809	
Minimum Funding Free Public Library	499,323	499,323	499,323	-	
Length of Service Award Program (LOSAP)	38,000	38,000	-	38,000	
BCUA - Share of Costs	955,457	955,457	955,457	-	-
	<u>1,735,957</u>	<u>1,735,957</u>	<u>1,670,148</u>	<u>65,809</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"					

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

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

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

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

2019 STATEMENT OF EXPENDITURES

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

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

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

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

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

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

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

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

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

	<u>2019 Appropriated</u>		<u>2019 Expended</u>			<u>Over Expenditure</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"	\$ 3,810,144	\$ 3,816,494	\$ 3,759,774	\$ 58,591	\$ 5,255	\$ 7,126
Subtotal General Appropriations	15,195,204	15,275,204	14,514,922	762,153	5,255	7,126
Reserve for Uncollected Taxes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	-	-	-
Total General Appropriations	<u>\$ 15,520,204</u>	<u>\$ 15,600,204</u>	<u>\$ 14,839,922</u>	<u>\$ 762,153</u>	<u>\$ 5,255</u>	<u>\$ 7,126</u>
Adopted Budget		\$ 15,520,204				
Emergency Authorization		<u>80,000</u>				
		<u>\$ 15,600,204</u>				

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

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

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

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

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

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

There were bonds and notes authorized but not issued on December 31, 2020 and 2019 of \$2,297,444 and \$2,910,319 respectively.

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

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

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

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

The Accompanying Notes are in Integral Part of these Financial Statements

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

BOROUGH OF LEONIA
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS - SWIMMING POOL UTILITY FUND
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		<u>2019</u>	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 74,000	\$ 74,000	\$ 74,000	\$ 74,000
Swimming Pool Fees	237,380	148,955	240,000	290,567
Miscellaneous	-	15,944	-	16,051
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 311,380</u>	<u>\$ 238,899</u>	<u>\$ 314,000</u>	<u>\$ 380,618</u>

EXHIBIT D-3a

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries & Wages	\$ 180,850	\$ 180,850	\$ 82,480	\$ 98,370
Other Expenses	96,530	96,530	79,270	17,260
CAPITAL				
Capital Outlay	20,000	20,000	-	20,000
STATUTORY EXPENDITURES				
Social Security System	<u>14,000</u>	<u>14,000</u>	<u>10,752</u>	<u>3,248</u>
Total	<u>\$ 311,380</u>	<u>\$ 311,380</u>	<u>\$ 172,502</u>	<u>\$ 138,878</u>

EXHIBIT D-3b

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries & Wages	\$ 160,000	\$ 160,000	\$ 159,964	\$ 36
Other Expenses	95,000	95,000	85,057	9,943
CAPITAL				
Capital Outlay	45,000	45,000	8,355	36,645
STATUTORY EXPENDITURES				
Social Security System	<u>14,000</u>	<u>14,000</u>	<u>12,479</u>	<u>1,521</u>
Total	<u>\$ 314,000</u>	<u>\$ 314,000</u>	<u>\$ 265,855</u>	<u>\$ 48,145</u>

The Accompanying Notes are in Integral Part of these Financial Statements

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

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ <u>16</u>	\$ <u>16</u>
Increased By:		
Cancellation of Funded Improvement Authorizations	<u>-</u>	<u>-</u>
Decreased by:		
Historic Preservation Receivable Cancelled		
New Jersey Department of Transportation Receivable Cancelled		
Utilized as Current Fund Revenue	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ 16</u>	<u>\$ 16</u>

BOROUGH OF LEONIA
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2020 AND 2019

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

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NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2019 balances to conform to the December 31, 2020 presentation.

Financial Statements – Regulatory Basis

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- Other Trust Funds
- General Capital Fund
- Swimming Pool Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. No increases were made to the 2020 original budget. During 2019 the Borough Council increased the original budget by \$80,000. The increase was attributable to an emergency resolution for \$80,000. In addition, the governing body approved several budget transfers during 2020 and 2019.

B. Excess Expenditures Over Appropriations

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

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

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2020 and 2019, the book value of the Borough's deposits were \$9,299,088 and \$6,864,694 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,295,766 and \$6,957,856, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2020</u>	<u>2019</u>
Insured	\$ 8,877,231	\$ 6,957,856
Uninsured and Uncollateralized	418,535	-
	<u>\$ 9,295,766</u>	<u>\$ 6,957,856</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2020 and 2019, the Borough's bank balances of \$418,535 and \$0 were exposed to custodial credit risk as follows:

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

B. Investments

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

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

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2020 and 2019, \$932,321 and \$797,596 of the Borough’s investments was exposed to custodial credit risk as follows:

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

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2020 and 2019, the Borough’s investment in Lincoln National Corporation was rated Baa1 by Moody’s Investors Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial. These investments are 1.00% of the Borough’s total investments.

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

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

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

NOTE 4 TAXES RECEIVABLE

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

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

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

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

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

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance, December 31,</u>	<u>Funded by Subsequent Year Budget Appropriation/ Capital Ordinance</u>	<u>Balance to Succeeding Budgets</u>
<u>2020</u>			
Swimming Pool Utility Fund			
Operating Deficit	<u>\$22,674</u>	<u>\$22,674</u>	\$0
<u>2019</u>			
Current Fund			
Overexpenditure of Appropriations	\$7,126	\$7,126	\$0
Emergency Authorization	<u>80,000</u>	<u>80,000</u>	<u>-</u>
	<u>\$87,126</u>	<u>\$87,126</u>	<u>\$-</u>

NOTE 7 FUND BALANCES APPROPRIATED

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

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

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

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2020 and 2019.

	Balance January 1, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2020</u>
<u>2020</u>				
Land and Improvements	\$ 26,322,615			\$ 26,322,615
Buildings and Building Improvements	6,277,548	\$ 178,183		6,455,731
Machinery and Equipment	9,694,434	515,818	-	10,210,252
	<u>\$ 42,294,597</u>	<u>\$ 694,001</u>	<u>\$ -</u>	<u>\$ 42,988,598</u>
	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land and Improvements	\$ 26,300,600	\$ 22,015		\$ 26,322,615
Buildings and Building Improvements	5,842,814	434,734		6,277,548
Machinery and Equipment	8,579,856	\$ 1,114,578	-	9,694,434
	<u>\$ 40,723,270</u>	<u>\$ 1,571,327</u>	<u>\$ -</u>	<u>\$ 42,294,597</u>

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

NOTE 8 FIXED ASSETS (Continued)

B. Swimming Pool Utility Fund Fixed Assets

The following is a summary of changes in the Swimming Pool Utility Capital Fund fixed assets for the years ended December 31, 2020 and 2019.

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

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

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.21% and 1.02% at December 31, 2020 and 2019, respectively.

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

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

Statutory Borrowing Power

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

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

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2020</u>	<u>2019</u>
\$11,540,000, 2019 General Bonds, due in annual installment of \$740,000 to \$1,100,000 through February 15, 2031, interest at 2.00% to 3.00%	\$ 10,340,000	\$ 11,540,000
	<u>\$ 10,340,000</u>	<u>\$ 11,540,000</u>

General Intergovernmental Loans Payable

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

	<u>2020</u>	<u>2019</u>
\$453,107, 2007 Loan, due in annual installments of \$23,350 to \$25,562 through August 1, 2027, interest at 4.00% to 5.00%	\$ 170,706	\$ 196,459
\$317,500, 2008 Loan, due in annual installments of \$12,616 to \$17,649 through August 1, 2028, interest at 4.00% to 5.00%	<u>127,546</u>	<u>145,622</u>
Total	<u>\$ 298,252</u>	<u>\$ 342,081</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2020 is as follows:

Calendar Year	General-Bonds		General - Loans		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,100,000	\$ 235,700	\$ 43,211	\$ 8,290	\$ 1,387,201
2022	1,000,000	214,700	42,405	7,190	1,264,295
2023	1,000,000	194,700	41,599	6,090	1,242,389
2024	1,000,000	174,700	40,864	4,996	1,220,560
2025	1,000,000	154,075	40,135	3,903	1,198,113
2026-2030	4,500,000	414,125	90,038	5,136	5,009,299
2031	<u>740,000</u>	<u>11,100</u>	<u>-</u>	<u>-</u>	<u>751,100</u>
Total	<u>\$ 10,340,000</u>	<u>\$ 1,399,100</u>	<u>\$ 298,252</u>	<u>\$ 35,605</u>	<u>\$ 12,072,957</u>

Changes in Long-Term Municipal Debt

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

	Balance, January 1, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<u>2020</u>					
General Capital Fund					
Bonds Payable	\$ 11,540,000		\$ 1,200,000	\$ 10,340,000	\$ 1,100,000
Intergovernmental Loans Payable	<u>342,081</u>	<u>-</u>	<u>43,829</u>	<u>298,252</u>	<u>43,211</u>
General Capital Fund Long-Term Liabilities	<u>\$ 11,882,081</u>	<u>\$ -</u>	<u>\$ 1,243,829</u>	<u>\$ 10,638,252</u>	<u>\$ 1,143,211</u>
	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund					
Bonds Payable	\$ 890,000	\$ 11,540,000	\$ 890,000	\$ 11,540,000	\$ 1,200,000
Intergovernmental Loans Payable	<u>379,400</u>	<u>-</u>	<u>37,319</u>	<u>342,081</u>	<u>43,829</u>
General Capital Fund Long-Term Liabilities	<u>\$ 1,269,400</u>	<u>\$ 11,540,000</u>	<u>\$ 927,319</u>	<u>\$ 11,882,081</u>	<u>\$ 1,243,829</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, January 1, <u>2020</u>	<u>Issued</u>	<u>Retired</u>	Balance, December 31, <u>2020</u>
<u>2020</u>						
<u>General Capital Fund</u>						
Various Public Improvements	1.00%	8/20/2021		\$ 1,249,000		\$ 1,249,000
Improvement of Broad Avenue (Phases 7 & 8)	1.00%	8/20/2021		575,000		575,000
Installation of a Synthetic Turf Field at Leonia High School	1.00%	8/20/2021		2,850,000		2,850,000
Various Public Improvements	1.00%	8/20/2021	-	557,000	-	557,000
Total General Capital Fund			\$ -	\$ 5,231,000	\$ -	\$ 5,231,000
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, January 1, <u>2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2019</u>
<u>2019</u>						
<u>General Capital Fund</u>						
Various Public Improvements	2.75%	2/15/2019	\$ 9,612,097	-	\$ 9,612,097	-
Total General Capital Fund			\$ 9,612,097	\$ -	\$ 9,612,097	\$ -

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

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

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

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

Estimated	<u>Construction</u>	<u>Date of</u>
<u>Capital Project</u>	<u>Commitment</u>	<u>Completion</u>
<u>2020</u>		
Site Remediation	\$42,900	2021
2019 Roads Program	59,520	2021
Document Management Services	22,444	2021
Remediation and Restoration for Lead Based Paint Removal	33,400	2021
Broad Avenue Road Improvements	317,465	2021
Turf Field at High School	47,085	2021
Installation of Turf Field at High School	705,498	2021
Bleachers – Athletic Field Project	27,199	2021
2020 Roadway Improvements	397,781	2021
Golf Course Drive Retaining Wall Project	579,580	2021
<u>2019</u>		
Fiberoptic Installation	\$21,275	2020
Site Remediation	42,900	2020
Fire Protective Equipment and Clothing	51,059	2020
Freightliner 108 w/DD8 Liter Engine	93,851	2020
Freightliner 108 Chassis	56,241	2020
2019 Roads Program	94,243	2020
Document Management Services	61,539	2020
Remediation and Restoration for Lead Based Paint Removal	55,000	2020
Police Equipment	75,052	2020

NOTE 11 OPERATING LEASES

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

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

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

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$532,418 and \$550,295 at December 31, 2020 and 2019, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>	<u>One Year</u>
<u>2020</u>					
Compensated Absences	\$ 550,295		\$ 17,877	\$ 532,418	\$ 80,000
Net Pension Liability - PERS	5,499,673		604,251	4,895,422	
Net Pension Liability - PFRS	8,922,077	10,960		8,933,037	
Net OPEB Liability (1)	<u>9,205,910</u>	<u>-</u>	<u>-</u>	<u>9,205,910</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 24,177,955</u>	<u>\$ 10,960</u>	<u>\$ 622,128</u>	<u>\$ 23,566,787</u>	<u>\$ 80,000</u>
	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences	\$ 633,686	\$ -	\$ 83,391	\$ 550,295	\$ 50,000
Net Pension Liability - PERS	6,322,027		822,354.00	5,499,673	
Net Pension Liability - PFRS	9,835,092		913,015	8,922,077	
Net OPEB Liability	<u>11,496,948</u>	<u>-</u>	<u>2,291,038</u>	<u>9,205,910</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 28,287,753</u>	<u>\$ -</u>	<u>\$ 4,109,798</u>	<u>\$ 24,177,955</u>	<u>\$ 50,000</u>

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

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

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

Other Pension Funds

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

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

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

Actuarial Methods and Assumptions

In the July 1, 2019 and 2018 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2020 and 2019 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2020, 2019 and 2018 were equal to the required contributions.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2020, 2019 and 2018, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2020	\$ 736,429	\$ 298,875	\$ -
2019	710,575	319,377	-
2018	642,078	335,397	-

In addition for the years ended December 31, 2020, 2019 and 2018 the Borough contributed for long-term disability insurance premiums (LTDI) \$563, \$647 and \$2,369, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2020 and 2019. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2020 and 2019, the Borough reported a liability of \$4,895,422 and \$5,499,673, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough's proportionate share was 0.03001 percent, which was a decrease of 0.00051 percent from its proportionate share measured as of June 30, 2019 of 0.03052 percent.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough's pension expense (benefit) to be \$(226,891) and \$(165,207), respectively, for PERS based on the actuarial valuations which are less than the actual contribution reported in the Borough's financial statements of \$298,875 and \$319,377, respectively. At December 31, 2020 and 2019, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

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

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

Discount Rate

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.00% and 6.28%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% and 5.28%, respectively or 1-percentage-point higher 8.00% and 7.28%, respectively than the current rate:

<u>2020</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,162,520</u>	<u>\$ 4,895,422</u>	<u>\$ 3,820,255</u>
<u>2019</u>	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,946,981</u>	<u>\$ 5,499,673</u>	<u>\$ 4,280,111</u>

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2020 and 2019, the Borough reported a liability of \$8,933,037 and \$8,922,077, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough’s proportionate share was 0.06913 percent, which was a decrease of 0.00377 percent from its proportionate share measured as of June 30, 2019 of 0.07290 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough pension expense to be \$477,450 and \$872,186, respectively, for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$736,429 for 2020 and more than the actual contribution reported in the Borough’s financial statements for 2019 of \$710,575. At December 31, 2020 and 2019, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ (931,257)
2022	(676,384)
2023	(319,849)
2024	(169,893)
2025	(146,740)
Thereafter	<u>-</u>
	<u>\$ (2,244,123)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.85%

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.00% and 6.85%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% and 5.85%, respectively or 1-percentage-point higher 8.00% and 7.85%, respectively than the current rate:

<u>2019</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 11,879,101</u>	<u>\$ 8,933,037</u>	<u>\$ 6,486,106</u>
<u>2019</u>	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,059,397</u>	<u>\$ 8,922,077</u>	<u>\$ 6,325,493</u>

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2020 and 2019, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,386,367 and \$1,408,813, respectively. For the years ended December 31, 2020 and 2019, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$157,117 and \$163,693 respectively, which are more than the actual contributions the State made on behalf of the Borough of \$106,680 and \$94,925, respectively. At December 31, 2020 (measurement date June 30, 2020) the State's share of the PFRS net pension liability attributable to the Borough was 0.06913 percent, which was a decrease of 0.00377 percent from its proportionate share measured as of December 31, 2019 (measurement date June 30, 2019) of 0.07290 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

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

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2020 was not available and for 2019 is \$13.5 billion and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% at June 30, 2019.

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

- **Actuarial Methods and Assumptions**

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

Post-Retirement Medical Benefits Contribution

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

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2020, 2019 and 2018 were \$211,791, \$221,769 and \$369,127, respectively, which equaled the required contributions for each year.

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions.

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

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019. Employer allocation percentages have been rounded for presentation purposes.

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

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

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

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

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

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

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.
For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

Calendar

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

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

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

<u>2019</u>	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ 10,644,374	\$ 9,205,910	\$ 8,036,968

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

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

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

OPEB Plan Fiduciary Net Position

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

NOTE 15 RISK MANAGEMENT

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

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

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

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

NOTE 15 RISK MANAGEMENT (Continued)

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 8,354	\$ 19,323	\$ (5,227)
2019	7,397	14,691	5,742
2018	8,031	24,262	13,036

NOTE 16 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2020 and 2019. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2020 and 2019, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

Other – The Borough consistently makes four quarterly payments each year to the Bergen County Municipal Joint Insurance Fund based upon the due date of the assessments. As of December 31, 2020 and 2019 the fourth quarter assessments in the amounts of \$128,97 and \$126,276, respectively due in January of the subsequent year are not recorded as an expenditure or liability on the Borough’s financial statements. These assessments are funded from the respective years’ budget in the year its paid.

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

NOTE 17 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2020 and 2019, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

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

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

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

The Borough of Leonia has contributed \$1,307 and \$1,297 for 2020 and 2019, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$31,377 and \$32,425 for 2020 and 2019, respectively.

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

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

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the "COVID-19 Pandemic"). On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor's executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Borough's operations; however, such amounts, if any, could be material.

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

NOTE 20 SUBSEQUENT EVENTS

Bond Anticipation Notes

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

Debt Authorized

Through September 7, 2021 the Borough adopted one bond ordinance authorizing the issuance \$1,521,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

June ____, 2022

Borough Council
Borough of Leonia
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$12,415,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Leonia, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated June 1, 2022 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each June 1 and December 1, commencing December 1, 2022 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on June 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$400,000	%	2033	\$625,000	%
2024	425,000		2034	650,000	
2025	475,000		2035	675,000	
2026	500,000		2036	700,000	
2027	520,000		2037	725,000	
2028	535,000		2038	740,000	
2029	550,000		2039	760,000	
2030	565,000		2040	785,000	
2031	585,000		2041	800,000	
2032	600,000		2042	800,000	

The Bonds maturing on or before June 1, 2029 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after June 1, 2030 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after June 1, 2029, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to three bond ordinances adopted by the Borough Council of the Borough on September 21, 2020 (Ord. No. 2020-23), February 7, 2022 (Ord. No. 2022-01) and April 18, 2022 (Ord. No. 2022-05) and resolutions adopted by the Borough Council of the Borough on April 18, 2022.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax

Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the sale and issuance of the Bonds, or (ii) other documents of the Borough delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC