

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

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BOROUGH OF RUTHERFORD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Rutherford
Rutherford, 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 Rutherford, as of December 31, 2019, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Rutherford 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 Rutherford as of December 31, 2019, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the year ended December 31, 2019. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 48 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 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 Rutherford as of December 31, 2019, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Prior Year’s Financial Statements Audited by Other Auditors

The financial statements of the Borough of Rutherford as of and for the year ended December 31, 2018 were audited by other auditors whose report dated July 24, 2019 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. Their report also expressed an unmodified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting.

Other Information


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


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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2020 on our consideration of the Borough of Rutherford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Rutherford's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Rutherford's internal control over financial reporting and compliance.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 29, 2020

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current Fund:			
Cash	A-4	\$ 12,309,083	\$ 11,051,793
Change Fund	A-7	770	770
Due from State of NJ Senior Cit. and Vet. Ded.	A-8	479	
Advance/Security Deposit	A-9	<u>766</u>	<u>571</u>
		<u>12,311,098</u>	<u>11,053,134</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-10	496,552	510,751
Tax Title Liens Receivable	A-11	60,701	58,704
Property Acquired for Taxes - Assessed Valuation	A-12	7,025	7,025
Revenue Accounts Receivable	A-13	30,937	32,091
Due from Other Trust Fund	B-13	288,917	287,382
Due from Federal and State Grant Fund	A-23	<u>262,735</u>	<u>575,793</u>
		<u>1,146,867</u>	<u>1,471,746</u>
Total Current Fund		<u>13,457,965</u>	<u>12,524,880</u>
Federal and State Grant Fund:			
Grants Receivable	A-14	<u>1,649,989</u>	<u>1,797,922</u>
Total Assets		<u>\$ 15,107,954</u>	<u>\$ 14,322,802</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Current Fund:			
Appropriation Reserves	A-3/A-15	\$ 2,009,857	\$ 1,702,013
Encumbrances Payable	A-16	697,526	591,791
Prepaid Taxes	A-17	452,931	397,133
Due to State of NJ Senior Cit. and Vet. Ded.	A-8		259
County Taxes Payable	A-19	11,672	13,640
Miscellaneous Reserves/Payables	A-20	<u>1,184,319</u>	<u>870,712</u>
		4,356,305	3,575,548
Reserve for Receivables		1,146,867	1,471,746
Fund Balance		<u>7,954,793</u>	<u>7,477,586</u>
Total Current Fund		<u>13,457,965</u>	<u>12,524,880</u>
Federal and State Grant Fund:			
Appropriated Grant Reserves	A-21	1,385,201	1,209,963
Unappropriated Grant Reserves	A-22	2,053	1,933
Due to Current Fund	A-23	262,735	575,793
Due to Other Trust Fund	B-14	<u>-</u>	<u>10,233</u>
Total Federal and State Grant Fund		<u>1,649,989</u>	<u>1,797,922</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 15,107,954</u>	<u>\$ 14,322,802</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 2,725,000	\$ 2,425,000
Miscellaneous Revenue Anticipated	A-2	5,318,353	5,869,997
Receipts from Delinquent Taxes	A-2	510,751	439,485
Receipts from Current Taxes	A-2	73,858,242	72,807,820
Non-Budget Revenue	A-2	767,691	661,251
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	1,177,835	1,298,522
Cancelled Accounts Payable	A-20	29,199	602
Interfunds Returned	A	<u>311,522</u>	<u>575,005</u>
 Total Revenues and Other Income		 <u>84,698,593</u>	 <u>84,077,682</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	11,498,700	10,957,259
Other Expenses	A-3	13,226,566	12,930,618
Capital Improvements	A-3	1,075,000	1,820,408
Municipal Debt Service	A-3	2,477,321	2,571,889
Deferred Charges and Statutory Expenditures - Municipal	A-3	2,728,948	2,611,206
Local District School Tax	A-18	43,245,085	42,062,891
County Taxes	A-19	7,240,164	7,312,093
Refund of Prior Year Revenues	A-4	3,447	12,425
Prior Year Senior Citizen/Veterans Deduction Disallowed	A-8	1,155	
Interfunds Advanced	A	<u>-</u>	<u>863,176</u>
 Total Expenditures		 <u>81,496,386</u>	 <u>81,141,965</u>
 Statutory Excess to Fund Balance		 3,202,207	 2,935,717
 Fund Balance, January 1	A	 <u>7,477,586</u>	 <u>6,966,869</u>
		10,679,793	9,902,586
Decreased by:			
Utilization as Anticipated Revenue		<u>2,725,000</u>	<u>2,425,000</u>
 Fund Balance, December 31	A	 <u>\$ 7,954,793</u>	 <u>\$ 7,477,586</u>

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

	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized in 2019</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 2,725,000	-	\$ 2,725,000	-
Miscellaneous Revenues:				
Licenses				
Alcoholic Beverages	18,000		18,665	\$ 665
Other	6,000		5,850	(150)
Fees and Permits				
Other	84,000		107,081	23,081
Municipal Court	390,000		493,600	103,600
Interest and Cost on Taxes	120,000		131,096	11,096
Parking Meters	267,000		276,869	9,869
Interest on Investments	170,000		256,961	86,961
Parking Lot Permits	154,000		166,538	12,538
Fire Safety Fees	74,000		84,775	10,775
Energy Receipts Tax	1,384,589		1,384,589	
Uniform Construction Code Fees	580,000		470,323	(109,677)
Interlocal Municipal Service Agreements:				
Gasoline and Diesel for Vehicles	185,000		162,781	(22,219)
Public and Private Revenues:				
N.J. Transportation Trust Fund Authority	212,000		212,000	
Recycling Tonnage Grant	20,347		20,347	
Clean Communities Program		\$ 33,625	33,625	
Body Armor Fund	4,140		4,140	
Alcohol Education and Rehabilitation Program		643	643	
Donation - Police Equipment	800		800	
Municipal Alliance on Alcoholism and Drug Abuse	11,677		11,677	
Bulletproof Vest Partnership Grant		5,153	5,153	
County of Bergen - Open Space Grant - Tamblin Field Imprvts	76,500		76,500	
Bergen County Local Arts Program Grant	2,660		2,660	
CDBG - Handicapped Accessible Bathrooms, Kidspot, Memorial Park	22,450		22,450	
CDBG - Darwin Avenue Street Improvements		105,800	105,800	
County of Bergen History Grant for Special Projects	1,300	1,300	2,600	
NJS&EA - Arbor Day Tree Grant	1,000		1,000	
Other Special Items:				
Uniform Fire Safety Act	28,575		30,504	1,929
Lease of Borough Property	176,000		178,415	2,415
Cable TV Franchise Fee	244,907		244,907	
Nursing Services Non-Public School Pupils	31,719		31,719	
PILOT - Rutherford Senior Housing Committee	25,000		24,098	(902)
PILOT - Encap	118,750			(118,750)
Hotel Occupancy Fee P.L. 2003, c. 114	280,000		307,481	27,481
Nereid Boad Club - Green Trust Loan Repayment	21,988		21,988	
Fees and Permits - Recycling Revenues	6,000		6,818	818
Due from Free Public Library	230,000		230,000	
Reserve for Debt Service	80,000		80,000	
NJMC Tax Sharing	32,744	-	103,900	71,156
 Total Miscellaneous Revenues	 5,061,146	 146,521	 5,318,353	 110,686
Receipts from Delinquent Taxes	475,000	-	510,751	35,751
Amount to be Raised by Taxes for				
Municipal Purposes	22,927,787		23,585,391	657,604
Free Public Library	987,602	-	987,602	-
 Total Amount to be Raised by Taxes	 23,915,389	 -	 24,572,993	 657,604
	 \$ 32,176,535	 \$ 146,521	 33,127,097	 \$ 804,041
Non-Budget Revenue			767,691	
			<u>\$ 33,894,788</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

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

Revenue from Collections	\$ 73,858,242
Allocated to School and County Taxes	<u>50,485,249</u>
Balance for Support of Municipal Budget Appropriations	23,372,993
Add: Appropriation - Reserve for Uncollected Taxes	<u>1,200,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 24,572,993</u>
Receipts form Delinquent Taxes:	
Delinquent Taxes	
Licenses - Other	
Clerk	\$ 5,250
Building	<u>600</u>
	<u>\$ 5,850</u>
Fees and Permits - Other	
Borough Clerk	\$ 16,355
Street & Sewer	39,645
Planning Board/Board of Adjustment	9,400
Clothing Bin Fee	2,550
Farmer Market Fees	2,825
Board of Health/Registrar of Vital Statistics	<u>36,306</u>
	<u>\$ 107,081</u>
Interest on Investments	
Cash Receipts	229,701
Due from Federal and State Grant Fund	877
Due from Other Trust Fund	24,980
Due from Public Assistance Fund	<u>1,403</u>
	<u>\$ 256,961</u>
Police Department Records	\$ 8,081
Police Vehicle Use Fee	19,800
Tax Office - Tax Sale Costs	1,032
Tax Office - Duplicate Bills/NSF Check Charges/Online Convenience Fees	2,063
UCC - Violations & Admin. Fees	38,400
Insurance Dividends	622,480
Prior Year Budget Refunds	13,356
Administrative Fee - Senior Citizen & Veteran Ded.	1,997
Homestead Rebate Mailing Reimbursement	1,069
DMV Fines	1,130
Extra Garbage Carts	1,300
Borough Clerk:	
Copies of Maps, Codes, etc.	3,206
UPS Drop Bos	600
Memorial Field Rent	5,100
Train Station Rent	7,296
BCUA - Sewer Connection Fee Rebate	5,000
Sale of Municipal Assets	20,337
SBJCCO Liquidation	6,505
Other Miscellaneous	<u>8,939</u>
	<u>\$ 767,691</u>

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balances Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 238,000	\$ 238,000	\$ 227,343	\$ 10,657	
Other Expenses	107,500	107,500	70,064	37,436	
Mayor and Council					
Salaries and Wages	22,000	22,000	21,999	1	
Other Expenses	6,000	6,000	3,348	2,652	
Municipal Clerk					
Salaries and Wages	213,000	213,000	200,903	12,097	
Other Expenses	96,700	96,700	79,723	16,977	
Financial Administration					
Salaries and Wages	274,000	274,000	263,915	10,085	
Other Expenses	28,800	28,800	20,318	8,482	
Audit Services					
Other Expenses	28,500	28,500	-	28,500	
Computerized Data Processing					
Other Expenses	48,500	48,500	27,376	21,124	
Collection of Taxes					
Salaries and Wages	156,000	156,000	150,197	5,803	
Other Expenses	12,650	12,650	10,541	2,109	
Tax Assessment Administration					
Salaries and Wages	43,000	43,000	37,308	5,692	
Other Expenses	28,750	28,750	11,595	17,155	
Legal Services					
Other Expenses	225,000	225,000	214,938	10,062	
Engineering Services					
Other Expenses	90,000	90,000	58,300	31,700	
Other Expenses - Complete Streets	5,000	5,000	-	5,000	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	5,000	5,000	2,400	2,600	
Other Expenses	10,400	10,400	1,610	8,790	
Master Plan				-	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,000	2,400	1,600	
Other Expenses	15,550	15,550	11,896	3,654	
Property Management Enforcement					
Salaries and Wages	78,000	69,000	43,099	25,901	
Other Expenses	500	500	-	500	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	5,860,000	5,786,000	5,379,035	406,965	
Other Expenses	297,202	297,202	249,360	47,842	
Police Dispatch/911					
Other Expenses	19,603	19,603	19,603	-	
Emergency Management					
Salaries and Wages	5,000	5,000	4,615	385	
Other Expenses	12,000	12,000	-	12,000	

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

OPERATIONS - WITHIN "CAPS" (Continued)	<u>Budget</u>	<u>Budget After</u>	<u>Expended</u>		<u>Unexpended</u>
			<u>Modification</u>	<u>Paid or</u>	
PUBLIC SAFETY FUNCTIONS			<u>Charged</u>		<u>Cancelled</u>
Aid to Volunteer Ambulance Co.					
Other Expenses	\$ 9,000	\$ 9,000	\$ 9,000		
Fire Department					
Other Expenses	416,100	416,100	372,962	\$ 43,138	
Uniform Fire Safety Act					
Fire Official					
Salaries and Wages	175,425	178,925	173,723	5,202	
Other Expenses	14,100	14,100	8,884	5,216	
Life Hazard Use Fees - Fire Official					
Salaries and Wages	74,000	74,000	74,000		
Uniform Fire Safety Act - Fire Official					
Salaries and Wages	28,575	28,575	28,575		
Municipal Prosecutor					
Salaries and Wages	7,700	7,700	7,552	148	
Municipal Court					
Salaries and Wages	200,000	200,000	192,063	7,937	
Other Expenses	11,850	15,350	12,304	3,046	
Public Defender					
Salaries and Wages	2,500	2,500	2,500	-	
PUBLIC WORKS FUNCTIONS					
Streets and Roads Maintenance					
Salaries and Wages	1,305,500	1,275,500	1,212,268	63,232	
Other Expenses	201,350	201,350	189,974	11,376	
Sewer System Maintenance					
Salaries and Wages	7,500	7,500	5,175	2,325	
Other Expenses	55,500	115,500	85,419	30,081	
Shade Tree					
Salaries and Wages	395,000	400,000	386,382	13,618	
Other Expenses	96,150	96,150	89,413	6,737	
Garbage and Trash Removal					
Salaries and Wages	386,000	386,000	355,477	30,523	
Other Expenses	67,250	95,250	95,085	165	
Recycling					
Salaries and Wages	184,000	184,000	142,533	41,467	
Buildings and Grounds					
Salaries and Wages	503,000	490,000	437,004	52,996	
Other Expenses	245,000	260,000	244,087	15,913	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	329,000	329,000	322,669	6,331	
Other Expenses	36,300	36,300	16,766	19,534	
Animal Control Services					
Other Expenses	24,000	24,000	19,886	4,114	
Rutherford Senior Citizen - Kip Center					
Other Expenses	60,000	60,000	60,000	-	
Administration of Public Assistance					
Salaries and Wages	111,000	111,000	106,064	4,936	
Other Expenses	3,300	3,300	3,243	57	
PARK AND RECREATION FUNCTIONS					
Recreation and Services and Programs					
Salaries and Wages	654,000	654,000	611,028	42,972	
Other Expenses	84,000	84,000	72,436	11,564	
OTHER COMMON OPERATING FUNCTIONS					
Williams Center for the Arts					
Other Expenses	5,000	5,000	5,000	-	
Education Plans for Employees					
Other Expenses	5,000	5,000	750	4,250	

The Accompanying Notes are an Integral Part of these Financial Statements

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

OPERATIONS - WITHIN "CAPS" (Continued)	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Expended</u> <u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Unexpended</u> <u>Balances</u> <u>Cancelled</u>
UTILITY EXPENSES AND BULK PURCHASES					
Insurance					
General Liability	\$ 550,000	\$ 550,000	\$ 540,044	\$ 9,956	
Worker's Compensation	677,500	677,500	675,400	2,100	
Employee Group Insurance	3,625,000	3,537,000	3,267,647	269,353	
Other Insurance Premiums	25,000	25,000	13,851	11,149	
Health Benefit Waiver Costs	140,000	140,000	134,315	5,685	
State Uniform Construction Code:					
Construction Code Officials					
Salaries and Wages	205,000	205,000	197,958	7,042	
Other Expenses	15,650	15,650	5,646	10,004	
Unclassified:					
Landfill Solid Waste Disposal Costs					
Dumping Fees	670,000	765,000	685,452	79,548	
Terminal Leave	100,000	100,000	53,924	46,076	
Reserve for Compensated Absences	50,000	50,000		50,000	
Joint Meeting	10,000	10,000		10,000	
Legal Settlements	25,000	25,000		25,000	
Utility Expenses and Bulk Purchases:					
Electricity	375,000	375,000	256,375	118,625	
Street Lighting	260,000	260,000	216,507	43,493	
Telephone	95,000	95,000	88,209	6,791	
Water	80,000	80,000	65,429	14,571	
Fuel Oil	20,000	20,000	20,000	-	
Gasoline	235,000	235,000	194,412	40,588	-
Total Operations Within "CAPS"	<u>20,785,905</u>	<u>20,781,905</u>	<u>18,869,277</u>	<u>1,912,628</u>	<u>-</u>
Contingent	<u>5,000</u>	<u>5,000</u>	<u>1,197</u>	<u>3,803</u>	<u>-</u>
Total Operations Including Contingent - Within "CAPS"	<u>20,790,905</u>	<u>20,786,905</u>	<u>18,870,474</u>	<u>1,916,431</u>	<u>-</u>
Detail:					
Salaries & Wages	11,616,200	11,498,700	10,642,109	856,591	-
Other Expenses (Including Contingent)	<u>9,174,705</u>	<u>9,288,205</u>	<u>8,228,365</u>	<u>1,059,840</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Prior Year Bills					
2016 Tax Appeal Legal Bills	11,434	11,434	11,434	-	
2015-2018 Permit Fees	2,145	2,145			\$ 2,145
Statutory Charges					
Social Security System	575,000	575,000	561,045	13,955	
Public Employees Retirement System	727,747	727,747	727,747	-	
Unemployment Compensation Insurance	100	100	-	100	
Police and Firemen's Retirement System	1,374,667	1,374,667	1,374,667	-	-
Fire Widow's Pension	24,000	24,000	24,000		
DCRP	<u>12,000</u>	<u>16,000</u>	<u>14,500</u>	<u>1,500</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>2,727,093</u>	<u>2,731,093</u>	<u>2,713,393</u>	<u>15,555</u>	<u>2,145</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>23,517,998</u>	<u>23,517,998</u>	<u>21,583,867</u>	<u>1,931,986</u>	<u>2,145</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balances Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	\$ 1,105,167	\$ 1,105,167	\$ 1,051,076	\$ 54,091	
Sewer Charges Contractual					
Bergen County Utilities Authority	1,132,000	1,132,000	1,131,969	31	-
Passaic Valley Trunk Sewer	572,000	572,000	571,195	805	
Emergency Service Length of Service Award Program	115,375	115,375	115,375		
Reserve for Tax Appeals	100,000	100,000	100,000		
Stormwater Regulation	4,050	4,050	4,050	-	-
	<u>3,028,592</u>	<u>3,028,592</u>	<u>2,973,665</u>	<u>54,927</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"					
Interlocal Municipal Service Agreements					
South Bergen Joint Construction Code Office	27,500	27,500	24,910	2,590	
Bergen County Department of Health Services	74,584	74,584	74,584		
Gasoline and Diesel for Vehicles	185,000	185,000	168,773	16,227	
Construction Code Official Services	95,000	95,000	90,873	4,127	-
	<u>382,084</u>	<u>382,084</u>	<u>359,140</u>	<u>22,944</u>	<u>-</u>
Total Interlocal Municipal Service Agreements					
Public and Private Programs Offset by revenues					
Clean Communities Program		33,625	33,625		
Bergen County - Open Space Trust Fund - Tamblin Field Imprvts	76,500	76,500	76,500		
Body Armor Fund	4,140	4,140	4,140		
NJS&EA - Arbor Day Tree Grant	1,000	1,000	1,000		
Recycling Tonnage Grant	20,347	20,347	20,347		
Bergen County Local Arts Program Grant	2,660	2,660	2,660		
CDBG - Darwin Avenue Street Improvements		105,800	105,800		
Donation - Police Equipment	800	800	800		
Bulletproof Vest Partnership Grant		5,153	5,153		
CDBG - Handicapped Accessible Bathrooms, Kidspot, Memorial Park	22,450	22,450	22,450		
State Share	22,450	22,450	22,450		
Local Share					
NJ Transportation Trust Fund Authority Act	212,000	212,000	212,000		
Bergen County History Grant for Special Projects	1,300	2,600	2,600		
Municipal Alcohol Education and Rehabilitation Program		643	643		
Municipal Alliance on Alcoholism and Drug Abuse					
State Share	11,677	11,677	11,677		
Local Share	5,840	5,840	5,840	-	-
	<u>381,164</u>	<u>527,685</u>	<u>527,685</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs offset by Revenues					
Total Operations - Excluded from "CAPS"	<u>381,164</u>	<u>527,685</u>	<u>527,685</u>	<u>-</u>	<u>-</u>

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balances Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 1,075,000	\$ 1,075,000	\$ 1,075,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,075,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,050,000	2,050,000	2,050,000		
Interest on Bonds	500,000	500,000	385,624		\$ 114,376
Green Trust Loan Program					
Principal & Interest	<u>41,697</u>	<u>41,697</u>	<u>41,697</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>2,591,697</u>	<u>2,591,697</u>	<u>2,477,321</u>	-	<u>114,376</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>7,458,537</u>	<u>7,605,058</u>	<u>7,412,811</u>	<u>\$ 77,871</u>	<u>114,376</u>
Subtotal General Appropriations	30,976,535	31,123,056	28,996,678	2,009,857	116,521
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	-	-
Total General Appropriations	<u>\$ 32,176,535</u>	<u>\$ 32,323,056</u>	<u>\$ 30,196,678</u>	<u>\$ 2,009,857</u>	<u>\$ 116,521</u>
Adopted Budget		\$ 32,176,535			
Appropriated by N.J.S. 40A:4-87		<u>146,521</u>			
		<u>\$ 32,323,056</u>			
Cash Disbursed			\$ 27,556,092		
Encumbrances Payable			697,526		
Reserve for Uncollected Taxes			1,200,000		
Reserve for Tax Appeals			100,000		
Reserve for Length of Service Award Program			115,375		
Transferred to Federal and State Grant Fund			<u>527,685</u>		
			<u>\$ 30,196,678</u>		

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

ASSETS	<u>Reference</u>	<u>2019</u>	<u>2018</u>
OTHER TRUST FUND			
Cash	B-1	\$ 2,187,775	\$ 1,910,696
Due from Federal and State Grant Fund	B-14	<u> -</u>	<u> 10,233</u>
		<u>2,187,775</u>	<u>1,920,929</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u> 98,944</u>	<u> 89,227</u>
		<u> 98,944</u>	<u> 89,227</u>
ASSESSMENT TRUST FUND			
Cash	B-1	<u> -</u>	<u> 66,747</u>
		<u> -</u>	<u> 66,747</u>
COAH TRUST FUND			
Cash	B-1	<u> 796,952</u>	<u> 414,749</u>
		<u> 796,952</u>	<u> 414,749</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Cash	B	<u> 2,889,853</u>	<u> 2,332,478</u>
		<u> 2,889,853</u>	<u> 2,332,478</u>
Total Assets		<u>\$ 5,973,524</u>	<u>\$ 4,824,130</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OTHER TRUST FUND			
Due to Current Fund	B-13	\$ 288,917	\$ 287,382
Miscellaneous Reserves	B-4	1,486,995	1,187,467
Builders/Special Escrow Deposits	B-5	314,218	344,164
Payroll Deductions Payable	B-8	<u>97,645</u>	<u>101,916</u>
		<u>2,187,775</u>	<u>1,920,929</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Expenditures	B-6	89,896	89,227
Due to State of New Jersey	B-7	<u>9,048</u>	<u>-</u>
		<u>98,944</u>	<u>89,227</u>
ASSESSMENT TRUST FUND			
Reserve for Downtown Rutherford Bucks	B-10		1,885
Reserve for Downtown Improvement Projects	B-11	<u>-</u>	<u>64,862</u>
		<u>-</u>	<u>66,747</u>
COAH TRUST FUND			
Reserve for COAH Expenditures	B-12	<u>796,952</u>	<u>414,749</u>
		<u>796,952</u>	<u>414,749</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND			
(UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>2,889,853</u>	<u>2,332,478</u>
		<u>2,889,853</u>	<u>2,332,478</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,973,524</u>	<u>\$ 4,824,130</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2, C-3	\$ 2,822,754	\$ 5,256,882
Grants Receivable	C-4	194,000	194,000
Deferred Charges to Future Taxation			
Funded	C-5	11,020,419	13,100,062
Unfunded	C-6	<u>15,922,924</u>	<u>14,497,924</u>
 Total Assets		 <u>\$ 29,960,097</u>	 <u>\$ 33,048,868</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-7	\$ 10,440,000	\$ 12,490,000
Green Acres Loan Payable	C-8	580,419	610,062
Improvement Authorization			
Funded	C-9	2,184,728	3,070,030
Unfunded	C-9	14,766,452	14,080,153
Encumbrances Payable	C-10	1,014,628	1,744,753
Capital Improvement Fund	C-11	20,017	20,017
Reserve for Building Improvements	C-12	487,362	487,362
Reserve for Debt Service	C-13	84,471	164,471
Fund Balance	C-1	<u>382,020</u>	<u>382,020</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 29,960,097</u>	 <u>\$ 33,048,868</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$15,922,924 and \$14,497,924, respectively (Exhibit C-14).

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

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 382,020	\$ 149,214
Increased by:		
Premium on Sale of Notes		199,000
Funded Improvement Authorizations Cancelled	-	<u>33,806</u>
Balance, December 31	<u>\$ 382,020</u>	<u>\$ 382,020</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	D-1	\$ <u>101,318</u>	\$ <u>102,408</u>
		<u>\$ 101,318</u>	<u>\$ 102,408</u>
LIABILITIES			
Due to State of New Jersey	D-4	\$ 87,936	\$ 88,057
Reserve for Public Assistance Expenditures	D-5	<u>13,382</u>	<u>14,351</u>
		<u>\$ 101,318</u>	<u>\$ 102,408</u>

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Land	\$ 46,995,448	\$ 46,365,800
Land Improvements	3,851,444	3,837,952
Buildings	11,802,095	11,802,095
Buildings Improvements	4,076,240	2,986,620
Machinery, Equipment and Vehicles	<u>14,134,658</u>	<u>13,356,762</u>
	<u>\$ 80,859,885</u>	<u>\$ 78,349,229</u>
 INVESTMENT IN GENERAL FIXED ASSETS	 <u>\$ 80,859,885</u>	 <u>\$ 78,349,229</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Rutherford (the "Borough") was incorporated in 1881 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Rutherford 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 RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

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.

COAH Fund - This fund is used to account for the receipts and disbursements relating to council of affordable housing.

Length of Service Awards 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.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

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

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

Financial Statements – Regulatory Basis

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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).

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.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Rutherford has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

General Fixed Assets are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

No depreciation has been provided for in the financial statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the original budget by \$146,521 and \$545,563. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$18,317,596 and \$18,893,270 and bank and brokerage firm balances of the Borough's deposits amounted to \$18,721,183 and \$18,957,137, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	<u>\$ 18,721,183</u>	<u>\$ 18,957,137</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Borough’s bank balances were not exposed to custodial credit risk.

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 RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	<u>Fair Value</u> <u>(Unaudited)</u>	
	<u>2019</u>	<u>2018</u>
Investment in Lincoln Financial (LOSAP)	\$ 2,889,853	\$ 2,332,478

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$2,889,853 and \$2,332,478 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 2,889,853	\$ 2,332,478

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough’s investment in VALIC was rated A2 by Moody’s Investors Service, Inc.

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 VALIC. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investment was based on quoted market prices.

NOTE 4 TAXES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 496,552	\$ 510,751
Tax Title Liens	60,701	58,704
	<u>\$ 557,253</u>	<u>\$ 569,455</u>

In 2019 and 2018, the Borough collected \$510,751 and \$439,485 from delinquent taxes, which represented 90% and 89%, respectively of the prior year delinquent taxes receivable balance.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2019</u>		<u>2018</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 551,652		\$ 863,175	
Federal and State Grant Fund		\$ 262,735		\$ 586,026
Other Trust Fund	<u>-</u>	<u>288,917</u>	<u>10,233</u>	<u>287,382</u>
Total	<u>\$ 551,652</u>	<u>\$ 551,652</u>	<u>\$ 873,408</u>	<u>\$ 873,408</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

NOTE 6 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is 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>2019</u>		<u>2018</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 7,953,548	\$ 2,850,000	\$ 7,477,015	\$ 2,725,000
Non-Cash Surplus	<u>1,245</u>	<u>-</u>	<u>571</u>	<u>-</u>
	<u>\$ 7,954,793</u>	<u>\$ 2,850,000</u>	<u>\$ 7,477,586</u>	<u>\$ 2,725,000</u>

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

NOTE 7 FIXED ASSETS

A. General Fixed Assets

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

	Balance December 31, <u>2018</u>	<u>Additions</u>	Adjustments/ <u>Retirements</u>	Balance, December 31, <u>2019</u>
Land	\$ 46,365,800	\$ 629,648		\$ 46,995,448
Land Improvements	3,837,952	13,492		3,851,444
Buildings	11,802,095			11,802,095
Building Improvements	2,986,620	1,089,620		4,076,240
Machinery and Equipment	<u>13,356,762</u>	<u>925,870</u>	<u>\$ 147,974</u>	<u>14,134,658</u>
	<u>\$ 78,349,229</u>	<u>\$ 2,658,630</u>	<u>\$ 147,974</u>	<u>\$ 80,859,885</u>
	Balance December 31, <u>2017</u>	<u>Additions</u>	Adjustments/ <u>Retirements</u>	Balance, December 31, <u>2018</u>
Land	\$ 46,365,800			\$ 46,365,800
Land Improvements	3,374,617	\$ 463,335		3,837,952
Buildings	11,802,095			11,802,095
Building Improvements	2,890,791	95,829		2,986,620
Machinery and Equipment	<u>13,509,660</u>	<u>1,308,287</u>	<u>\$ 1,461,185</u>	<u>13,356,762</u>
	<u>\$ 77,942,963</u>	<u>\$ 1,867,451</u>	<u>\$ 1,461,185</u>	<u>\$ 78,349,229</u>

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

NOTE 8 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 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, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Loans	\$ 11,020,419	\$ 13,100,062
Less Funds Temporarily Held to Pay Bonds and Notes	<u>84,471</u>	<u>164,471</u>
Net Debt Issued	10,935,948	12,935,591
Authorized But Not Issued		
General		
Bonds and Notes	<u>15,922,924</u>	<u>14,497,924</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 26,858,872</u>	<u>\$ 27,433,515</u>

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 .895% and .935% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 26,943,343	\$ 84,471	\$ 26,858,872
School Debt	<u>54,695,000</u>	<u>54,695,000</u>	<u>-</u>
Total	<u>\$ 81,638,343</u>	<u>\$ 54,779,471</u>	<u>\$ 26,858,872</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt (Continued)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
2018			
General Debt	\$ 27,597,986	\$ 164,471	\$ 27,433,515
School Debt	<u>10,275,000</u>	<u>10,275,000</u>	<u>-</u>
Total	<u>\$ 37,872,986</u>	<u>\$ 10,439,471</u>	<u>\$ 27,433,515</u>

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 105,044,506 <u>26,858,872</u>	\$ 102,663,902 <u>27,433,515</u>
Remaining Borrowing Power	<u>\$ 78,185,634</u>	<u>\$ 75,230,387</u>

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2019</u>	<u>2018</u>
\$8,300,000 2009 Bonds, due in annual installments of \$1,140,000 on February 15, 2020, interest at 4.50%	\$ 1,140,000	\$ 1,985,000
\$2,260,000 2016 BCIA Refunding Bonds, due in installments of \$555,000 through August 15, 2019 interest at 5.00%		555,000
\$9,950,000, 2018 Bonds, due in annual installments of \$500,000 to \$950,000 through November 1, 2030, interest at 2.25% to 4.00%	<u>9,300,000</u>	<u>9,950,000</u>
	<u>\$ 10,440,000</u>	<u>\$ 12,490,000</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement(s) with the Green Acres Loan Program for the financing relating to the Rutherford Waterfront Park and Improvements to Wall Field. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
2013 Loans of \$335,074, due in semi-annual installments of \$16,395 to \$21,663 through July 9, 2034, interest at 2.00%	\$ 283,731	\$ 299,803
2017 Loans of \$316,944, due in semi-annual installments of \$13,844 to \$19,417 through August 6, 2037, interest at 2.00%	<u>296,688</u>	<u>310,259</u>
	<u>\$ 580,419</u>	<u>\$ 610,062</u>

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

Calendar Year	Serial Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,810,000	\$ 323,063	\$ 30,239	\$ 11,458	\$ 2,174,760
2021	800,000	282,338	30,847	10,851	1,124,036
2022	830,000	262,338	31,467	10,230	1,134,035
2023	850,000	237,438	32,099	9,597	1,129,134
2024	900,000	211,937	32,744	8,952	1,153,633
2025-2029	4,750,000	589,811	173,862	34,621	5,548,294
2030-2034	500,000	17,500	192,051	16,432	725,983
2035-2037	-	-	57,110	2,016	59,126
Total	<u>\$ 10,440,000</u>	<u>\$ 1,924,425</u>	<u>\$ 580,419</u>	<u>\$ 104,157</u>	<u>\$ 13,049,001</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
General Capital Fund					
Serial Bonds Payable	\$ 12,490,000		\$ 2,050,000	\$ 10,440,000	\$ 1,810,000
Intergovernmental Loans Payable	<u>610,062</u>	<u>-</u>	<u>29,643</u>	<u>580,419</u>	<u>30,239</u>
	<u>\$ 13,100,062</u>	<u>\$ -</u>	<u>\$ 2,079,643</u>	<u>\$ 11,020,419</u>	<u>\$ 1,840,239</u>

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
General Capital Fund					
Serial Bonds Payable	\$ 3,890,000	\$ 9,950,000	\$ 1,350,000	\$ 12,490,000	\$ 2,050,000
Intergovernmental Loans Payable	<u>632,502</u>	<u>-</u>	<u>22,440</u>	<u>610,062</u>	<u>29,643</u>
	<u>\$ 4,522,502</u>	<u>\$ 9,950,000</u>	<u>\$ 1,372,440</u>	<u>\$ 13,100,062</u>	<u>\$ 2,079,643</u>

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

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project/Purpose</u>	<u>Remaining Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2019</u>		
2018 Road Program	\$ 202,316	2020
Acquisition of Vehicle	49,184	2020
Acquisition of Firefighting Gear	70,980	2020
<u>2018</u>		
2018 Road Program	\$ 873,414	2019
2017 Road Program - Phase A	55,307	2019
2017 Road Program - Phase B	79,920	2019
WWI Monument Phase II Conservation Work	50,570	2019

NOTE 10 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 and sick leave 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 \$3,470,075 and \$3,205,605 at December 31, 2019 and 2018, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

B. Deferred Pension Obligation

In 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$664,409 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017) at December 31, 2019 and 2018 is \$324,057 and \$381,964, respectively.

During the years ended December 31, 2019, 2018 and 2017 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Year Ended December 31</u>	<u>PERS</u>	<u>PFRS</u>
2019	\$ 18,487	39,420
2018	16,889	36,050
2017	15,137	32,393

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

NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 3,205,605	\$ 264,470		\$ 3,470,075	
Deferred Pension Obligation	381,964		\$ 57,907	324,057	\$ 62,625
Net OPEB Liability	42,893,338	7,835,287		50,728,625	
Net Pension Liability					
PFRS	17,946,961		1,432,185	16,514,776	
PERS	<u>13,671,130</u>	<u>-</u>	<u>543,163</u>	<u>13,127,967</u>	<u>-</u>
Total	<u>\$ 78,098,998</u>	<u>\$ 8,099,757</u>	<u>\$ 2,033,255</u>	<u>\$ 84,165,500</u>	<u>\$ 62,625</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
Compensated Absences	3,231,629		26,024	\$ 3,205,605	
Deferred Pension Obligation	434,903		52,939	381,964	\$ 57,907
Net OPEB Liability	41,259,579	\$ 1,633,759		42,893,338	
Net Pension Liability					
PFRS	20,881,652		2,934,691	17,946,961	
PERS	<u>16,650,562</u>	<u>-</u>	<u>2,979,432</u>	<u>13,671,130</u>	<u>-</u>
Total	<u>\$ 82,458,325</u>	<u>\$ 1,633,759</u>	<u>\$ 5,993,086</u>	<u>\$ 78,098,998</u>	<u>\$ 57,907</u>

NOTE 11 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.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 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, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 1,296,649	\$ 690,640	\$ 14,500
2018	1,197,083	662,630	11,186
2017	1,090,494	649,381	8,410

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$2,071, \$4,669 and \$1,813 respectively for PERS.

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

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

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$13,127,967 and \$13,671,130, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .07286 percent, which was an increase of .00343 percent from its proportionate share measured as of June 30, 2018 of .06943 percent.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$630,900 and \$633,294, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$690,640 and \$662,630, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 235,630	\$ 57,994	\$ 260,710	\$ 70,493
Changes of Assumptions	1,310,876	4,556,676	2,252,776	4,371,300
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		207,230		128,236
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>662,882</u>	<u>532,781</u>	<u>117,903</u>	<u>741,289</u>
Total	<u>\$ 2,209,388</u>	<u>\$ 5,354,681</u>	<u>\$ 2,631,389</u>	<u>\$ 5,311,318</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (367,735)
2021	(1,237,296)
2022	(1,065,196)
2023	(449,809)
2024	(25,257)
Thereafter	<u>-</u>
	<u>\$ (3,145,293)</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>16,582,756</u>	\$ <u>13,127,967</u>	\$ <u>10,216,818</u>
	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>17,189,871</u>	\$ <u>13,671,130</u>	\$ <u>10,719,132</u>

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$16,514,776 and \$17,946,961, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .13495 percent, which was an increase of .00232 percent from its proportionate share measured as of June 30, 2018 of .13263 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$1,429,963 and \$1,292,216, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$1,296,649 and \$1,197,083, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2019</u>		<u>2018</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	\$ 139,406	\$ 104,558	\$ 182,587	\$ 74,269
Changes of Assumptions	565,886	5,337,424	1,540,505	4,599,496
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		223,770		98,186
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>855,373</u>	<u>334,190</u>	<u>893,203</u>	<u>784,604</u>
Total	<u>\$ 1,560,665</u>	<u>\$ 5,999,942</u>	<u>\$ 2,616,295</u>	<u>\$ 5,556,555</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (605,501)
2021	(1,600,243)
2022	(1,281,403)
2023	(640,396)
2024	(311,734)
Thereafter	<u>-</u>
	<u>\$ (4,439,277)</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

<u>2019</u>	1% Decrease <u>(5.85%)</u>	Current Discount Rate <u>(6.85%)</u>	1% Increase <u>(7.85%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>22,321,959</u>	\$ <u>16,514,776</u>	\$ <u>11,708,495</u>
	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>24,019,780</u>	\$ <u>17,946,961</u>	\$ <u>12,937,991</u>

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

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

NOTE 11 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

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

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,607,714 and \$2,437,798, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$302,995 and \$288,753, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$175,706 and \$144,377, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .13495 percent, which was an increase of .00232 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .13263 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 RUTHERFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

Borough Administered Post-Retirement Health Benefits Program

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined benefit healthcare plan administered by the Bergen Municipal Employees Benefit Fund (BMED) for the Borough. In accordance with Borough employment contracts and personnel policies, the Borough can amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The Borough provides postretirement healthcare insurance benefits for retirees and their dependents who meet certain eligibility requirements at the time of retirement at the same cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree’s surviving spouse and/or dependents are eligible for subsidized coverage upon the death of the retiree. Police who have at least twenty-five (25) years of service with the Borough at the time of retirement are eligible for employer provided post-retirement health coverage. Non uniformed employees who have retired and reached the age of 50 years or older with at least fifteen (25) years of service with the Borough at the time of retirement are eligible for employer provided post-retirement health coverage.

Employees Covered by Postemployment Benefits

At December 31, 2019 and 2018, the following employees were covered by postemployment health care benefits:

	<u>2019</u>	<u>2018</u>
Active Employees	92	92
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>93</u>	<u>93</u>
	<u>185</u>	<u>185</u>

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

The regulatory basis of accounting requires employers with a single-employer defined benefit healthcare plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their 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.

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

NOTE 12 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 and 2018, the Borough's total OPEB liabilities were \$50,728,625 and \$42,893,338, respectively. Net OPEB liability was measured as of December 31, 2019 and 2018, respectively, and the OPEB liability was determined by an actuarial valuation as of these dates, respectively.

For the year ended December 31, 2019 and 2018, the Borough has determined its OPEB expense to be \$2,963,776 and \$2,465,599, respectively, based on the actuarial valuations which were more than the actual contributions reported in the Borough's financial statements of \$1,344,711 and \$1,450,724, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources or deferred inflows and resources related to the OPEB plan which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience				
Changes of Assumptions	\$ 5,818,215			
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Total	<u>\$ 5,818,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ 433,548
2021	433,548
2022	433,548
2023	433,548
2024	433,548
Thereafter	<u>3,650,475</u>
	<u>\$ 5,818,215</u>

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

NOTE 12 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 December 31, 2019 measurement date as determined by an actuarial valuation as of December 31, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the December 31, 2018 measurement date as determined by an actuarial valuation as of December 31, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

December 31, 2019

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward One Year and Adjusted for Generational Improvement</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after the completion of both 15 years of service and age 62, or 25 years of service if earlier.</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>2.74% Based on the Bond Buyer 20 Index December 31, 2019</i>
<i>CPI Increase</i>	<i>2.5%</i>
<i>Rate of Salary Increase</i>	<i>2.5%</i>
<i>Medical Trend</i>	<i>Medical: 5.7% in 2019, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drug: 9.5% in 2019, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

- Attribution Period – The attribution period begins with the date of hire and ends with the full benefits eligibility date.
- Per Capita Cost Methods – The valuation reflects per capita net premium costs based on actual 2019 medical premiums and the plan option selected. The age specific cost was derived based on per person costs at the average age of the active population (46) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. When actual data is not available, post 65 costs are decreased using the assumption that Medicare picks up 66.7% of medical costs.
- Retiree Contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of this valuation and for conservatism, we have assumed that future retiree contributions percentage rates will not increase. Thus, we assumed that a future retiree will contribute his/her current employee contribution as reported by the Borough increased annually by the rate of medical trend.
- Actuarial Valuation Method – Entry Age Normal Funding Method based on a level percentage of salary. 2019 salaries were reported as \$7.788 million.

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

NOTE 12 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 (Continued)

December 31, 2018

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after the completion of both 15 years of service and age 62, or 25 years of service if earlier.</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.10% Based on the Bond Buyer 20 Index December 31, 2018</i>
<i>Rate of Salary Increase</i>	<i>2.5%</i>
<i>Consumer Price Index</i>	<i>2.5%</i>
<i>Trend</i>	<i>Medical: 5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drug: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026 Dental: 3.5% per annum</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

- Attribution Period – The attribution period begins with the date of hire and ends with the full benefits eligibility date.
- Per Capita Cost Methods – The valuation reflects per capita net premium costs based on actual 2018 medical premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (45) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. When actual data is not available, post 65 costs are decreased using the assumption that Medicare picks up 66.7% of medical costs.
- Retiree Contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of this valuation and for conservatism, we have assumed that future retiree contributions percentage rates will not increase. Thus, we assumed that a future retiree will contribute his/her current employee contribution as reported by the Borough increase annually by the rate of medical trend.
- Actuarial Valuation Method – Entry Age Normal Funding Method based on a level percentage of salary. 2018 salaries were reported as \$7.530 million.

The actuarial assumptions used in the December 31, 2019 and 2018 valuation were based on the results of an actuarial experience study as of December 31, 2019 and 2018, respectively.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Changes in the Total OPEB Liability

The change in the Borough's OPEB liability for the years ended December 31, 2019 and 2018 based on measurement date of December 31, 2019 and 2018, respectively, are as follows:

	Total OPEB Liability 2019	Total OPEB Liability 2018
	<u>2019</u>	<u>2018</u>
Balance - Beginning of Year	\$ 42,893,338	\$ 41,259,579
Changes for the Year:		
Service Cost	\$ 759,855	\$ 759,855
Interest on the Total OPEB Liability	1,770,373	1,705,744
Changes of Benefit Terms		
Differences Between Expected and Actual Experience		
Changes in Assumptions	6,251,763	
Benefit Payments	<u>(946,704)</u>	<u>(831,840)</u>
Net Changes	<u>7,835,287</u>	<u>1,633,759</u>
Balance - End of Year	<u>\$ 50,728,625</u>	<u>\$ 42,893,338</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Borough's net OPEB liability as of December 31, 2019 and 2018 calculated using the discount rate of 2.74% and 4.10%, respectively, as well as what the Borough's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.74% and 3.10%, respectively or 1-percentage-point higher 3.10% and 5.10%, respectively than the current rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
2019			
Net OPEB Liability	<u>\$ 55,235,029</u>	<u>\$ 50,728,625</u>	<u>\$ 47,062,196</u>
2018			
Net OPEB Liability	<u>\$ 47,573,855</u>	<u>\$ 42,893,338</u>	<u>\$ 39,022,926</u>

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

NOTE 12 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 net OPEB liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s 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>
Net OPEB Liability	<u>\$ 46,243,955</u>	<u>\$ 50,728,625</u>	<u>\$ 56,169,381</u>
<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 39,664,817</u>	<u>\$ 42,893,338</u>	<u>\$ 46,830,455</u>

State Administered Post-Retirement Health Benefits Program

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities. The State also sponsors and administers a post-retirement health benefit program for certain eligible former Borough employees and/or their dependents under a special funding situation.

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>.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefit Program Fund – Local Government Retired (the Plan) (Continued)

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.

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.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Collective Net OPEB Liability

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

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

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

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough is not required to make contributions to the State Plan under the special funding situation. The State as a non-employer contributing entity makes contributions to the Plan on-behalf of the Borough under a special funding situation.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB 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 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. 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. 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. 75 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. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$8,526,184 and \$10,059,034, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$113,017 and \$304,499, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .15430 percent, which was a decrease of .00758 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .16188 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation (Continued)

Actuarial Assumptions

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

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

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

For the June 30, 2019 measurement date healthcare cost trend rates 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.

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

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

OPEB Plan Fiduciary Net Position – State Health Benefits Program Fund – Local Government Retired

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

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

NOTE 13 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 Rutherford is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) 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 SBJIF and MEL coverage amounts are on file with the Borough.

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

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

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

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

<u>Year Ended December 31</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 15,423	\$ 16,008	\$ 89,896
2018	14,948		89,227
2017	14,371	8,021	73,498

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

NOTE 14 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, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$507,866 and \$523,870, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. 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, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

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

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Rutherford Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 10, 1999 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 Rutherford approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. 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.

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

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

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 Rutherford has contributed up to a maximum of \$1,674 and \$1,648 for 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$101,752 and \$105,128 for 2019 and 2018, respectively.

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

The Variable Annuity Life Insurance Company (VALIC) is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

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

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

Reporting Requirements

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

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

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the “LTTE Law”), and the Federal Senior Citizens Housing Loan Program.

The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being “in need of redevelopment”. These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area “in need of redevelopment”. Upon adopting the planning board’s recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$44,010 and \$645,386, respectively under the LTTE program. The Borough received \$100,446 and \$125,000 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et.seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly, developed, erected and owed by a non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly construction senior housing. The process beings when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$153,732 and \$151,599, respectively, under this law. The Borough received \$24,098 and \$25,180 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

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

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

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

CURRENT FUND

**BOROUGH OF RUTHERFORD
STATEMENT OF CURRENT CASH
CURRENT FUND**

Balance, December 31, 2018		\$ 11,051,792
Increased by Receipts:		
Taxes Receivable	\$ 73,871,610	
Non Budget Revenue	767,691	
Petty Cash Returned	900	
Revenue Accounts Receivable	4,760,063	
2020 Prepaid Taxes	452,931	
Due from State - Senior Citizen and Veteran Deductions	98,357	
Various Reserves	447,947	
Due to Federal and State Grant Fund	485,187	
Receipts from Federal and State Grant Fund	152,944	
Receipts from Other Trust Fund	1,139,550	
Receipts from Payroll Agency Trust Fund	2,508	
Receipts from Public Assistance Fund	1,403	
	82,181,091	82,181,091
		93,232,883
Decreased by Disbursements:		
2019 Budget Appropriations	27,556,092	
2018 Appropriation Reserves	242,930	
Advance/Security Deposit	195	
Petty Cash Disbursed	900	
Encumbrances Payable	495,004	
Local District School Tax Payable	43,245,085	
County Taxes Payable	7,242,132	
Various Reserves	666,916	
Due from Federal and State Grant Fund	352,486	
Due from Payments for Other Trust Fund	1,118,613	
Refund of Prior Year Revenue	3,447	
	80,923,800	80,923,800
Balance, December 31, 2019		\$ 12,309,083

**BOROUGH OF RUTHERFORD
STATEMENT OF CASH
FEDERAL AND STATE GRANT FUND**

Balance, December 31, 2018		\$ -
Increased by Receipts:		
Grants Receivable	\$ 162,141	
Prior Year Refund	465	
Unappropriated Grant Reserves	120	
Interest Earned	877	
		163,603
		163,603
Decreased by Disbursements:		
Appropriated Grant Reserves	426	
Payments to Other Trust Fund	10,233	
Payments to Current Fund	152,944	
		163,603
Balance, December 31, 2019		\$ -

EXHIBIT A-6

STATEMENT OF PETTY CASH FUNDS

Increased by:		
Cash Receipts		\$ 900
Decreased by:		
Cash Disbursements		\$ 900

EXHIBIT A-7

SCHEDULE OF CASH - CHANGE FUND

Balance, December 31, 2018		\$ <u>770</u>
Balance, December 31, 2019		\$ <u>770</u>
<u>Analysis of Balance:</u>		
Borough Clerk		\$ 50
Court Clerk		300
Tax Collector		300
Construction Code Official		75
Health Officer		20
Police Department		25
		\$ 770

**BOROUGH OF RUTHERFORD
STATEMENT OF DUE TO/FROM STATE OF NEW JERSEY
SENIOR CITIZENS AND VETERANS DEDUCTIONS**

Balance, December 31, 2018 (Due To)		\$	259
Increased by:			
State Share of Senior Citizens and Veteran Deductions Received in Cash		\$	98,357
Senior Citizen/Veterans Deductions Disallowed - Current Year			1,500
Senior Citizen/Veterans Deductions Disallowed - Prior Year			<u>1,155</u>
			<u>101,012</u>
			101,271
Decreased by:			
Senior Citizens Deductions Per Tax Billing		10,500	
Veterans Deductions Per Tax Billing		90,500	
Senior Citizens and Veterans Deductions Allowed		<u>750</u>	
			<u>101,750</u>
Balance, December 31, 2019 (Due From)		<u>\$</u>	<u>479</u>

EXHIBIT A-9

STATEMENT OF ADVANCE/SECURITY DEPOSIT

Balance, December 31, 2018		\$	571
Increased by:			
Cash Disbursements			<u>195</u>
Balance, December 31, 2019		<u>\$</u>	<u>766</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance,	Levy	Senior	Collected In		Senior	Cancelled	Transferred	Balance,
	December 31, 2018		Citizens' and Veterans' Deductions Disallowed	2018	2019	Citizens' and Veterans' Deductions Allowed		to Tax Title Liens	December 31, 2019
2018	\$ 510,751				\$ 510,751				
2019	-	\$ 74,516,166	\$ 1,500	\$ 397,133	73,360,859	\$ 101,750	\$ 159,375	\$ 1,997	\$ 496,552
	<u>\$ 510,751</u>	<u>\$ 74,516,166</u>	<u>\$ 1,500</u>	<u>\$ 397,133</u>	<u>\$ 73,871,610</u>	<u>\$ 101,750</u>	<u>\$ 159,375</u>	<u>\$ 1,997</u>	<u>\$ 496,552</u>

Analysis of 2019 Property Tax Levy

Tax Yield

General Purpose Tax	\$ 74,396,500
Added and Omitted Taxes (R.S. 54:4-63.1 et seq.)	<u>119,666</u>
	<u>\$ 74,516,166</u>

Tax Levy

Local District School Tax (Abstract)	\$ 43,245,085
County Taxes (Abstract)	\$ 6,931,227
County Open Space Taxes	297,265
County Taxes - Added & Omitted	<u>11,672</u>
	7,240,164
Local Tax for Municipal Purposes	22,927,787
Local Tax for Free Public Library	987,602
Additional Taxes	<u>115,528</u>
	<u>24,030,917</u>
	<u>\$ 74,516,166</u>

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

Balance, December 31, 2018	\$ 58,704
Increased by:	
Transfer from 2019 Taxes Receivable	<u>1,997</u>
Balance, December 31, 2019	<u>\$ 60,701</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2018	<u>\$ 7,025</u>
Balance, December 31, 2019	<u>\$ 7,025</u>

Schedule of Property Acquired for Taxes

<u>Block</u>	<u>Lot</u>	<u>Amount</u>
2	41A	\$ 100
4	13A	200
99	36	400
104A	21B	600
150A	14B	100
158	9	100
166	1B	100
166	2E	100
166	8B	100
166	11B	100
168	24	400
168	25A	250
220	6	475
220	8	1,200
220	14	400
220	15B	<u>2,400</u>
		<u>\$ 7,025</u>

BOROUGH OF RUTHERFORD
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	<u>Accrued</u>	Collected in <u>2019</u>	Balance, December 31, <u>2019</u>
Licenses				
Alcoholic Beverages		\$ 18,665	\$ 18,665	
Other		5,850	5,850	
Fees and Permits				
Other		107,081	107,081	
Municipal Court	\$ 32,091	492,446	493,600	\$ 30,937
Interest and Cost on Taxes		131,096	131,096	
Parking Meters		276,869	276,869	
Interest on Investments		229,701	229,701	
Parking Lot Permits		166,538	166,538	
Fire Safety Fees		84,775	84,775	
Energy Receipts Tax		1,384,589	1,384,589	
Uniform Construction Code Fees		470,323	470,323	
Interlocal Municipal Service Agreements:				
Gasoline and Diesel for Vehicles		162,781	162,781	
Uniform Fire Safety Act		30,504	30,504	
Lease of Borough Property		178,415	178,415	
Cable TV Franchise Fee		244,907	244,907	
Nursing Services Non-Public School Pupils		31,719	31,719	
PILOT - Rutherford Senior Housing Committee		24,098	24,098	
Hotel Occupancy Fee P.L. 2003, c. 114		307,481	307,481	
Nereid Boad Club - Green Trust Loan Repayment		21,988	21,988	
Fees and Permits - Recycling Revenues		6,818	6,818	
Due from Free Public Library		230,000	230,000	
Reserve for Debt Service		80,000	80,000	
NJMC Tax Sharing	-	103,900	103,900	-
	<u>\$ 32,091</u>	<u>\$ 4,790,544</u>	<u>\$ 4,791,698</u>	<u>\$ 30,937</u>
			Cash Receipts	\$ 4,760,063
			Prepaid Revenue	<u>31,635</u>
				<u>\$ 4,791,698</u>

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

<u>Grant</u>	Balance, December 31, 2018	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, 2019
Local Grants:				
Sustainable New Jersey	\$ 7,385			\$ 7,385
Bergen County Open Space Grant - WWI Monument	11			11
Bergen County Open Space Grant - Sunset Memorial Park improvement	18,061			18,061
Bergen County Open Space - Tamblyn Field		\$ 76,500		76,500
Bergen County Open Space - Memorial, Tamblyn & Wall Field Imp.	74,358			74,358
Bergen County Open Space - Memorial Park Improvements	46,928		\$ 46,928	
Bergen County Local Arts Program Grant - 2019		2,660	1,995	665
Bergen County Local Arts Program Grant - 2018	560		560	
Bergen County Historic Preservation Grant - 2015	43,500			43,500
Donation - Police Equipment		800	800	
NJSEA - Arbor Day Tree Grant		1,000		1,000
Bergen County History Grant for Special Projects - 2019		2,600	2,275	325
Bergen County ADA Cooperative Grant	21,373			21,373
Bergen County Union Ave. Drainage Imp. Project	274,390	-	181,976	92,414
Subtotal Local Grants	<u>486,566</u>	<u>83,560</u>	<u>234,534</u>	<u>335,592</u>
Federal Grants:				
Drive Sober or Get Pulled Over	100			100
Bulletproof Vest Partnership Grant	4,069		1,201	2,868
Bulletproof Vest Partnership Grant - 2015	320			320
Bulletproof Vest Partnership Grant - 2017	2,474			2,474
Bulletproof Vest Partnership Grant - 2018	6,361		6,361	
Bulletproof Vest Partnership Grant - 2019		5,153		5,153
2017 NJDOT Safe Routs to Schools	368,000			368,000
Green Communities Grant - Community Forestry Program	3,000		3,000	
Bergen County CDGB - 2019 Darwin Avenue Street Improvement		105,800		105,800
Bergen County CDGB - 2019 Handicapped Accessible Bathroom - Kidspot		22,450		22,450
Bergen County CDBG - 2018 Sidewalk Rehabilitation	154,700		154,700	
Assistance to Firefighters Grant	12,381	-	-	12,381
Subtotal Federal Grants	<u>551,405</u>	<u>133,403</u>	<u>165,262</u>	<u>519,546</u>
State Grants:				
Municipal Alliance on Alcoholism and Drug Abuse - 2014/15	3,888			3,888
Municipal Alliance on Alcoholism and Drug Abuse - 2015/16	9,949			9,949
Municipal Alliance on Alcoholism and Drug Abuse - 2016/17	2,091			2,091
Municipal Alliance on Alcoholism and Drug Abuse - 2017/18	9,877			9,877
Municipal Alliance on Alcoholism and Drug Abuse - 2018/19	9,777		9,777	
Municipal Alliance on Alcoholism and Drug Abuse - 2019/20		11,677		11,677
NJDEP Forestry Management Plan Grant	150,000			150,000
Alcohol Education and Rehabilitation - 2019		643	643	
N.J. Div. of Criminal Justice - Body Armor Grant 2008	325			325
N.J. Div. of Criminal Justice - Body Armor Grant 2009	4,052			4,052
N.J. Div. of Criminal Justice - Body Armor Grant 2019		4,140	4,140	
Recycling Tonnage Grant		20,347	20,347	
Clean Communities Program		33,625	33,625	
Recreational Opportunities for Individuals with Disabilities - 2017/18	20,000		13,694	6,306
New Jersey Historic Trust World War I Monument Grant	61,800			61,800
Recreational Opportunities for Individuals with Disabilities	1,096			1,096
N.J. Transportation Trust Fund Authority Act - 2015 Municipal Aid	60,052			60,052
N.J. Transportation Trust Fund Authority Act - Mortimer Ave.	4,384			4,384
N.J. Transportation Trust Fund Authority Act - Ridge Road II	36,625			36,625
N.J. Transportation Trust Fund Authority Act - 2016 Municipal Aid	165,627			165,627
N.J. Transportation Trust Fund Authority Act - 2018 Municipal Aid	220,408		165,306	55,102
N.J. Transportation Trust Fund Authority Act - 2019	-	212,000	-	212,000
Subtotal State Grants	<u>759,951</u>	<u>282,432</u>	<u>247,532</u>	<u>794,851</u>
Grand Totals	<u>\$ 1,797,922</u>	<u>\$ 499,395</u>	<u>\$ 647,328</u>	<u>\$ 1,649,989</u>

Received in Current Fund	\$ 485,187
Cash Receipts	<u>162,141</u>
	<u>\$ 647,328</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, 2018	Transfers	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Balance Lapsed
Salaries and Wages Within "CAPS":						
General Administration	\$ 14,068			\$ 14,068	\$ 9,000	\$ 5,068
Mayor and Council	1			1		1
Municipal Clerk	3,800	\$ 3,000		6,800	6,000	800
Financial Administration	28,696			28,696	15,000	13,696
Collection of Taxes	6,143			6,143	6,000	143
Assessment of Taxes	1,941			1,941	1,576	365
Planning Board	100			100		100
Property Management Enforcement	447			447		447
Police	376,296	(50,000)		326,296	292,271	34,025
Emergency Management	2,500			2,500		2,500
Fire Official	2,092	5,000		7,092	7,000	92
Municipal Court	7,254			7,254	7,015	239
Road repairs and Maintenance	62,438			62,438	18,092	44,346
Shade Tree	13,587			13,587		13,587
Sewer System	2,985			2,985	225	2,760
Garbage and Trash	23,797			23,797	1,335	22,462
Recycling Program	50,160			50,160	607	49,553
Public Buildings and Grounds	32,692			32,692		32,692
Board of Health	3,170	4,000		7,170	7,000	170
Administration of Public Assistance	2,936	3,000		5,936	5,000	936
Recreation Commission	16,233			16,233	8,389	7,844
Terminal Leave	11,011			11,011		11,011
Reserve for Compensated Absences	50,000			50,000		50,000
South Bergen Joint Construction Code Office	26,800		\$ 8,940	35,740		35,740
Construction Code Officials	17,020	-	-	17,020	8,605	8,415
Total Salaries and Wages Within "CAPS"	756,167	(35,000)	8,940	730,107	393,115	336,992
Other Expenses Within "CAPS"						
General Administration	24,649		8,611	33,260		33,260
Mayor and Council	2,369			2,369		2,369
Municipal Clerk	11,721			11,721	8	11,713
Financial Administration - Other	8,336			8,336	6,291	2,045
Financial Administration - Audit	28,000			28,000	27,500	500
Computerized Data Processing	4,178	6,000		10,178	2,170	8,008
Collection of Taxes	1,350			1,350		1,350
Assessment of Taxes	12,485			12,485		12,485
Legal Services and Costs	44,635			44,635	764	43,871
Engineering Services and Costs	48,424		16,442	64,866		64,866
Engineering Services & Costs Complete Streets	5,000			5,000		5,000
Planning Board	2,871	3,000		5,871	816	5,055
Board of Adjustment	6,583	2,000		8,583	1,942	6,641
Property Management Enforcement	465			465		465
Police	19,899		1,548	21,447		21,447
Emergency Management Services	12,000			12,000		12,000
Fire	33,698			33,698	4,351	29,347
Fire Official	6,096			6,096	1,000	5,096
Municipal Court	3,502			3,502		3,502
Road Repairs and maintenance	39,242		208	39,450		39,450
Shade Tree Division	27,687			27,687	409	27,278
Sewer System	36,575			36,575	26,324	10,251
Garbage & Trash Removal	5,901			5,901	116	5,785
Public Buildings and Grounds	18,294	5,000		23,294	9,832	13,462
Landfill Disposal Costs	39,812	27,500		67,312	41,279	26,033
Animal Control	4,181			4,181		4,181
Board of Health	7,506		643	8,149		8,149
Administration of Public Assistance	334			334		334
Recreation Department	19,837		1,095	20,932		20,932

**BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATION RESERVES
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance December 31, <u>2018</u>	<u>Transfers</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Educational Plan for Employees	\$ 4,005			\$ 4,005		\$ 4,005
General Liability Insurance	23,334			23,334	\$ 10,118	13,216
Workers Compensation Insurance	435			435		435
Employee Group Insurance	188,049	\$ (23,500)		164,549	4,752	159,797
Other Insurance Premiums	9,826			9,826	516	9,310
Health Benefit Waiver	3,620			3,620		3,620
Joint Meeting	4,500			4,500		4,500
Legal Settlements	25,000			25,000		25,000
Construction Code Official	2,203		\$ 1,007	3,210		3,210
Electricity	14,476	15,000		29,476	29,210	266
Street Lighting	52,794			52,794	30,922	21,872
Telephone	11,927			11,927	1,400	10,527
Water	6,519			6,519	3,304	3,215
Fuel Oil	2,500		11,687	14,187		14,187
Gasoline	55,991		46,606	102,597		102,597
Contingent	3,983			3,983	1,117	2,866
Social Security System	34,740			34,740	93	34,647
Unemployment Insurance	100			100		100
Public Service Officers' Benefit	814			814		814
Maintenance of Free Public Library	14,676			14,676	14,676	-
Passaic Valley Trunk Sewer	819			819		819
Gasoline and Diesel for Vehicles	8,940			8,940	8,940	-
BCUA Sewer Charges	<u>965</u>	<u>-</u>	<u>-</u>	<u>965</u>	<u>-</u>	<u>965</u>
 Total Other Expenses	 <u>945,846</u>	 <u>35,000</u>	 <u>87,847</u>	 <u>1,068,693</u>	 <u>227,850</u>	 <u>840,843</u>
 Total	 <u>\$ 1,702,013</u>	 <u>\$ -</u>	 <u>\$ 96,787</u>	 <u>\$ 1,798,800</u>	 <u>\$ 620,965</u>	 <u>\$ 1,177,835</u>
					Cash Disbursements	\$ 242,930
					Transferred to Miscellaneous Reserves/Payable	<u>378,035</u>
						<u>\$ 620,965</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018		\$ 591,791
Increased by:		
Transfer from Current Appropriations		<u>697,526</u>
		1,289,317
Decreased by:		
Transferred to 2018 Appropriation Reserves	\$ 96,787	
Cash Disbursements	<u>495,004</u>	
		<u>591,791</u>
Balance, December 31, 2019		<u><u>\$ 697,526</u></u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2018		\$ 397,133
Increased by:		
Collection of 2020 Taxes		<u>452,931</u>
		850,064
Decreased by:		
Applied to 2019 Taxes Receivable		<u>397,133</u>
Balance, December 31, 2019		<u><u>\$ 452,931</u></u>

**BOROUGH OF RUTHERFORD
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

Increased by:		
2019 Levy		\$ 43,245,085
Decreased by:		
Payments		<u>43,245,085</u>

SCHEDULE OF COUNTY TAXES PAYABLE

Balance, December 31, 2018		\$ 13,640
Increased by:		
General County Tax	\$ 6,931,227	
Open Space Tax	297,265	
Added and Omitted Taxes	<u>11,672</u>	
		<u>7,240,164</u>
		7,253,804
Decreased by:		
Payments		<u>7,242,132</u>
Balance, December 31, 2019		<u>\$ 11,672</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF MISCELLANEOUS RESERVES/PAYABLES**

<u>Description</u>	Balance, December 31, <u>2018</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
Tax Overpayments		\$ 88,867	\$ 77,542	\$ 11,325
Accounts Payable	\$ 103,890	36,035	33,494	106,431
Accrued Salaries and Wages	10,755	342,000		352,755
Prepaid Licenses, Fees & Permits, Other	112,145	30,131	31,635	110,641
Redemption of Outside Liens	22,222	274,175	296,397	
Due to Bergen County Pilot	23,812	3,715	1,259	26,268
Due to State of New Jersey:				
Marriage/Civil Union Fees	375	2,580	2,405	550
Construction Code-Training Fees	24,296	36,934	55,205	6,025
Reserve for:				
Tax Appeals	523,870	100,000	116,004	507,866
Blood Screenings	2,859	3,632	3,474	3,017
Length of Service Award Program	46,488	115,375	102,422	59,441
Maintenance of Free Public Library	-	7,913	7,913	-
	<u>\$ 870,712</u>	<u>\$ 1,041,357</u>	<u>\$ 727,750</u>	<u>\$ 1,184,319</u>
Cancelled			\$ 29,199	
Transferred from 2018 Appropriation Reserves		\$ 378,035		
Cash Disbursements			666,916	
Cash Receipts		447,947		
Applied to Current Year Revenues			31,635	
Transferred from 2019 Budget Appropriations		<u>215,375</u>	<u>-</u>	
		<u>\$ 1,041,357</u>	<u>\$ 727,750</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATED GRANT RESERVES
FEDERAL AND STATE GRANT FUND**

<u>Grant</u>	Balance, December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Local Grants:				
BCB Bank - Police Equipment	\$ 237			\$ 237
Municipal Alliance on Alcoholism and Drug Abuse - 2015/16 Local	2,488			2,488
Municipal Alliance on Alcoholism and Drug Abuse - 2016/17 Local	508			508
Municipal Alliance on Alcoholism and Drug Abuse - 2017/18 Local	2,920		\$ 2,920	
Municipal Alliance on Alcoholism and Drug Abuse - 2018/19 Local		\$ 2,920	2,920	
Recreation Opportunities for Individuals w/Disabilities - 2017/18 Local	713		713	
Green Communities Grant Forestry Program - 2018 Local	1,250			1,250
Assistance to Firefighters Grant - Local Match	619			619
Donations - Police Equipment	3,020			3,020
Donations - Police Equipment	900			900
Donations - Police Equipment - 2019		800		800
Bergen County Local Arts Grant - 2019		2,660	2,660	
Bergen County History Grant for Special Projects - 2016	4			4
Bergen County History Grant for Special Projects - 2017	14			14
Bergen County History Grant for Special Projects - 2019		2,600	1,294	1,306
Bergen Count Historic Preservation Grant - Local Match	11,129		11,129	
Bergen County Open Space Grant - Walkway - 2009	1,169			1,169
Bergen County Open Space Grant - 2013	25,254			25,254
Bergen County Open Space Grant - Sunset Memorial Parks	18,061			18,061
Bergen County Open Space Grant - 2018 Memorial, Park Improvements	46,928		46,928	
Bergen County Open Space Grant - 2018 Memorial, Tamblyn & Wall Field	74,358			74,358
Bergen County Open Space Grant - 2019 Tamblyn Field Improvements		76,500		76,500
US Foundation for the Commemoration of World Wars	1,200			1,200
US Foundation for the Commemoration of World Wars - Match	1,200			1,200
NJSEA - Arbor Day Tree Grant		1,000		1,000
Sustainable New Jersey - 2010	7			7
Sustainable New Jersey - 2015	7,385			7,385
Labor Day Fair 2013	16,751			16,751
Labor Day Street Fair	2,550			2,550
County Forfeiture of Funds 2010	9,021			9,021
Bergen County Union Ave. Drainage Imp. Project	107,196			107,196
Bergen County ADA Cooperative	21,374	-	-	21,374
Subtotal Local Grants	<u>356,256</u>	<u>86,480</u>	<u>68,564</u>	<u>374,172</u>
Federal Grants:				
Drive Sober or Get Pulled Over	100			100
Assistance to Firefighters Grant - 2014	12,381			12,381
Bullet Proof Vest Fund	2,776			2,776
Bullet Proof Vest Fund-2015	2,016			2,016
Bullet Proof Vest Fund-2017	2,474		2,474	
Bullet Proof Vest Fund-2018	6,361		6,361	
Bullet Proof Vest Fund-2019		5,153		5,153
Green Communities Grant Forestry Program	1,250			1,250
Safe Routes to School	368,000			368,000
Bergen County Community Development - Darwin Avenue Street Improvements		105,800		105,800
Bergen County Community Development - Barrier Free Curbs Cuts	40,962			40,962
Bergen County Community Development - Vanderburgh Ave. Imp.	46,044			46,044
Bergen County Community Development - Handicapped Accessible Bathroom - K:	-	44,900	-	44,900
Subtotal Federal Grants	<u>482,364</u>	<u>155,853</u>	<u>8,835</u>	<u>629,382</u>

BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATED GRANT RESERVES
FEDERAL AND STATE GRANT FUND

<u>Grant</u>	Balance, December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
State Grants:				
Clean Communities Program - 2017	\$ 3,553		\$ 3,553	
Clean Communities Program - 2018	20,912		17,202	\$ 3,710
Clean Communities Program - 2019		\$ 33,625	24,805	8,820
Municipal Alliance on Alcoholism and Drug Abuse - 2014/15	3,889			3,889
Municipal Alliance on Alcoholism and Drug Abuse - 2015/16	9,949			9,949
Municipal Alliance on Alcoholism and Drug Abuse - 2016/17	2,028			2,028
Municipal Alliance on Alcoholism and Drug Abuse - 2017/18	18,578	2,920	9,152	12,346
Municipal Alliance on Alcoholism and Drug Abuse - 2018/19		11,677	2,272	9,405
New Jersey Historic Trust World War I Monument Grant	43,470		43,470	
NJDEP - Community Forestry Management Plan	53,195		22,877	30,318
2013-Recreation Opportunities for Individual w/Disabilities	6,831		724	6,107
2014-Recreation Opportunities for Individual w/Disabilities	1,315	465		1,780
2015-Recreation Opportunities for Individual w/Disabilities	4,685			4,685
2017/18-Recreation Opportunities for Individual w/Disabilities	6,853		6,504	349
Recycling Tonnage Grant - 2018	20,559		20,559	
Recycling Tonnage Grant - 2019		20,347		20,347
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2009	172			172
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2011	541			541
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2014	2,160			2,160
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2015	1,213			1,213
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2016	3,628			3,628
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2017	3,714		3,039	675
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2018	171			171
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2019		4,140		4,140
Alcohol Education and Rehab. Fund - 2010	754			754
Alcohol Education and Rehab. Fund - 2011	863			863
Alcohol Education and Rehab. Fund - 2012	594			594
Alcohol Education and Rehab. Fund - 2013	581			581
Alcohol Education and Rehab. Fund - 2014	827			827
Alcohol Education and Rehab. Fund - 2015	707			707
Alcohol Education and Rehab. Fund - 2016	1,632			1,632
Alcohol Education and Rehab. Fund - 2017	2,187			2,187
Alcohol Education and Rehab. Fund - 2019		643		643
NJ Department of Transportation:				
Mortimer	4,384			4,384
2015 Municipal Aid	30,042			30,042
2018 Municipal Aid	121,356		121,356	
2019 Municipal Aid	-	212,000	-	212,000
	<u>371,343</u>	<u>285,817</u>	<u>275,513</u>	<u>381,647</u>
Subtotal State Grants				
Grant Totals	<u>\$ 1,209,963</u>	<u>\$ 528,150</u>	<u>\$ 352,912</u>	<u>\$ 1,385,201</u>
Transferred from 2019 Budget Appropriations				
		\$ 527,685		
		Prior Year Refund	465	
		<u>\$ 528,150</u>		
Paid by Current Fund				
			\$ 352,486	
			Cash Disbursements	426
			<u>\$ 352,912</u>	

BOROUGH OF RUTHERFORD
STATEMENT OF UNAPPROPRIATED GRANT RESERVES
FEDERAL AND STATE GRANT FUND

<u>Grant</u>	Balance December 31, <u>2018</u>	<u>Receipts</u>	Balance December 31, <u>2019</u>
Local Grants:			
Police Donations - Helmets/Equipment		\$ 120	\$ 120
Bergen County Forfeited Funds	\$ 1		1
Winter Festival	<u>100</u>	<u>-</u>	<u>100</u>
Subtotal Local Grants	<u>101</u>	<u>120</u>	<u>221</u>
Federal Grants:			
CDBG - Williams Center Improvements	<u>1,828</u>	<u>-</u>	<u>1,828</u>
Subtotal Federal Grants	<u>1,828</u>	<u>-</u>	<u>1,828</u>
State Grants:			
Drunk Diving Enforcement Fund	1		1
Alcohol Education and Rehab. Fund	2		2
Recycling Tonnage Grant	<u>1</u>	<u>-</u>	<u>1</u>
Subtotal State Grants	<u>4</u>	<u>-</u>	<u>4</u>
Grand Totals	<u>\$ 1,933</u>	<u>\$ 120</u>	<u>\$ 2,053</u>

EXHIBIT A-23

STATEMENT OF DUE TO CURRENT FUND
FEDERAL AND STATE GRANT FUND

Balance, December 31, 2018		\$ 575,793
Increased by:		
Expenditures Paid by Current Fund	\$ 352,486	
Interest Earned	<u>877</u>	
		<u>353,363</u>
		929,156
Decreased by:		
Receipts Deposited in Current Fund	485,187	
Payments to Current Fund	152,944	
2019 Budget Appropriations - Local Match	<u>28,290</u>	
		<u>666,421</u>
Balance, December 31, 2019		<u>\$ 262,735</u>

TRUST FUNDS

**BOROUGH OF RUTHERFORD
STATEMENT OF CASH**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>	<u>Assessment Trust Fund</u>	<u>COAH Trust Fund</u>
Balance - December 31, 2018	\$0	\$ 1,910,696	\$ 89,227	\$ 66,747	\$ 414,749
Increased by Receipts:					
Dog License Fees - Borough Share	\$ 3,654				
Dog License Fees - State Share	990				
Receipts from Federal and State Grant Fund		\$ 10,233			
Miscellaneous Reserves		1,224,344			
Transfer from Assessment Trust Fund		67,207			
Builders/Special Escrow Deposits		122,645			
Unemployment Insurance - Employee Contributions			\$ 15,423		
Payroll Deductions Payable		7,787,510			
Accrued Salaries & Wages		7,521,887			
Reserve for Downtown Improvement Project					\$ 373,860
Reserve for COAH					8,343
Interest Earned	-	24,980	1,254	\$ 847	8,343
	<u>4,644</u>	<u>16,758,806</u>	<u>16,677</u>	<u>847</u>	<u>382,203</u>
	4,644		105,904	67,594	796,952
Decreased by Disbursements:					
Payments to Current Fund		1,142,058			
Reserve for Animal Control Expenditures	3,654				
Due to State of New Jersey - Animal Control Fund	990				
Miscellaneous Reserves		26,001			
Transfer to Other Trust Fund				67,207	
Due to State of New Jersey - Unemployment Ins Fund			6,960		
Payroll Deductions Payable		7,791,781			
Accrued Salaries & Wages		7,521,887			
Reserve for Downtown Improvement Project	-	-	-	387	-
	<u>4,644</u>	<u>16,481,727</u>	<u>6,960</u>	<u>387</u>	<u>-</u>
	-		-	-	-
Balance - December 31, 2019	\$ -	\$ 2,187,775	\$ 98,944	\$ -	\$ 796,952

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

Increased by:		
Animal Control Fees Collected	\$	3,654
Decreased by:		
Expenditures		3,654
Balance, December 31, 2019	\$	-

EXHIBIT B-3

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

Increased by:		
State of New Jersey Fees Collected	\$	990
Decreased by:		
Payments to State of New Jersey		990
Balance, December 31, 2019	\$	-

EXHIBIT B-4

**STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2018</u>	<u>Increased</u>	<u>Decreased</u>	Transfer from <u>Assessment Trust Fund</u>	Balance, December 31, <u>2019</u>
Recreation Commission	\$ 333,131	\$ 461,861	\$ 457,740		\$ 337,252
Recycling Trust Program	2,215				2,215
Parking Offense Adjudication Fund	26,658	6,522			33,180
Fire Safety Penalties	60,234	3,750	900		63,084
Tax Sale Premiums	659,800	423,700	388,400		695,100
Field House Security Deposit	425				425
Municipal Alliance Against Drugs	2,168				2,168
Police Forfeited Funds	2,430	161,993	2,763		161,660
Flexible Spending Account	2,187	13,879	13,229		2,837
Outside Police Duty	76,225	132,600	110,000		98,825
Multicultural Account	4,658	15,259	13,770		6,147
Downtown Rutherford Bucks				\$ 1,885	1,885
Business Initiative Advisory Committee				65,322	65,322
Donations	17,336	4,780	5,221	-	16,895
	\$ 1,187,467	\$ 1,224,344	\$ 992,023	\$ 67,207	\$ 1,486,995
			\$ 966,022		
			26,001		
			\$ 992,023		

**BOROUGH OF RUTHERFORD
STATEMENT OF BUILDERS/SPECIAL ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2018		\$ 344,164
Increased by:		
Escrow Deposits		122,645
		466,809
Decreased by:		
Payments made by Current Fund		152,591
Balance, December 31, 2019		\$ 314,218
	Developers Escrow	\$ 207,642
	Performance Bond Escrow	59,334
	Shade Tree Escrow	47,242
		\$ 314,218

EXHIBIT B-6

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE TRUST FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2018		\$ 89,227
Increased by:		
Employee Contributions	\$ 15,423	
Interest Earned	1,254	
		16,677
		105,904
Decreased by:		
Cash Disbursements	6,960	
Due to State of New Jersey	9,048	
		16,008
Balance, December 31, 2019		\$ 89,896

**BOROUGH OF RUTHERFORD
STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT INSURANCE TRUST FUND**

Increased by:		
Unemployment Claims	\$	16,008
Decreased by:		
Cash Disbursements		<u>6,960</u>
Balance, December 31, 2019	\$	<u>9,048</u>

EXHIBIT B-8

**STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
PAYROLL AGENCY TRUST FUND**

Balance, December 31, 2018	\$	101,916
Increased by:		
Cash Receipts		<u>7,787,510</u>
		7,889,426
Decreased by:		
Cash Disbursements		<u>7,791,781</u>
Balance, December 31, 2019	\$	<u>97,645</u>

Analysis of Balance - December 31, 2019

Public Employees Retirement System	\$	40,078
Contributory Insurance		2,223
Police and Fire Retirement System		52,454
Boston Mutual		469
AFLAC		<u>2,421</u>
	\$	<u>97,645</u>

EXHIBIT B-9

**STATEMENT OF ACCRUED SALARIES AND WAGES
PAYROLL AGENCY TRUST FUND**

Increased by:		
Cash Receipts	\$	7,521,887
Decreased by:		
Cash Disbursements		<u>7,521,887</u>
Balance, December 31, 2019	\$	<u>-</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF RESERVE FOR DOWNTOWN RUTHERFORD BUCKS
ASSESSMENT TRUST FUND**

Balance, December 31, 2018	\$	1,885
Decreased by:		
Transfer to Other Trust Fund - Miscellaneous Reserves		1,885
Balance, December 31, 2019	\$	-

**STATEMENT OF RESERVE FOR DOWNTOWN IMPROVEMENT PROJECTS
ASSESSMENT TRUST FUND**

Balance, December 31, 2018	\$	64,862
Increased by:		
Interest Earned		847
		65,709
Decreased by:		
Cash Disbursements	\$	387
Transfer to Other Trust Fund - Miscellaneous Reserves		65,322
		65,709
Balance, December 31, 2019	\$	-

**STATEMENT OF RESERVE FOR COAH EXPENDITURES
COAH TRUST FUND**

Balance, December 31, 2018	\$	414,749
Increased by:		
Developer Fees	\$	373,860
Interest Earned		8,343
		382,203
Balance, December 31, 2019	\$	796,952

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

Balance, December 31, 2018	\$ 287,382
Increased by:	
Other Trust Expenditures Paid by Current Fund	\$ 1,118,613
Interest Earned	<u>22,472</u>
	<u>1,141,085</u>
	1,428,467
Decreased by:	
Payments to Current Fund	<u>1,139,550</u>
Balance, December 31, 2019	<u>\$ 288,917</u>

**STATEMENT OF DUE FROM FEDERAL AND STATE GRANT FUND
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 10,233
Decreased by:	
Cash Receipts	<u>10,233</u>
Balance, December 31, 2019	<u>\$ -</u>

**STATEMENT OF DUE TO CURRENT FUND
PAYROLL AGENCY TRUST FUND**

Increased by:	
Interest Earned	\$ 2,508
Decreased by:	
Payments to Current Fund	<u>2,508</u>
Balance, December 31, 2019	<u>\$ -</u>

GENERAL CAPITAL FUND

**BOROUGH OF RUTHERFORD
STATEMENT OF CASH**

Balance, December 31, 2018		\$ 5,256,882
Increased by:		
Capital Improvement Fund		<u>1,075,000</u>
		6,331,882
Decreased by:		
Improvement Authorizations	\$ 1,915,324	
Encumbrances Payable	1,513,804	
Reserve for Debt Service - Current Fund	<u>80,000</u>	
		<u>3,509,128</u>
Balance, December 31, 2019		<u><u>\$ 2,822,754</u></u>

**BOROUGH OF RUTHERFORD
STATEMENT OF CAPITAL CASH
DECEMBER 31, 2019**

Fund Balance	\$ 382,020
Grants Receivable	(194,000)
Encumbrances Payable	1,014,628
Capital Improvement Fund	20,017
Reserve for Building Improvements	487,362
Reserve for Debt Service	84,471

Improvement Authorizations:

Ordinance Number	<u>Improvement Description</u>	
3206-10	Kids Spot	33,982
3245-11	WWI Monument Improvements	1,677
3260-12	General Capital Improvements	60,000
3292-13	General Capital Improvements	4,328
3312-13	Mem. Field & Lincoln Woods Improvements	(256,000)
3337-14	General Capital Improvements	106,697
3368-15	General Capital Improvements	52,201
3369-15	General Capital Improvements	270,482
3394-16	General Capital Improvements	279,641
3395-16	General Capital Improvements	245,763
3425-17	General Capital Improvements	207,749
3426-17	General Capital Improvements	61,729
3460-18	General Capital Improvements	(310,394)
3461-18	General Capital Improvements	382,028
3476-18	Construction of Police Department Headquarters	(590,078)
3497-19	General Capital Improvements	10,250
3498-19	General Capital Improvements	468,201
		<u>\$ 2,822,754</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Green Acres:		
Ord. 3312-13 Memorial & Lincoln Field Improvements	\$ <u>194,000</u>	\$ <u>194,000</u>
	<u>\$ 194,000</u>	<u>\$ 194,000</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2018		\$ 13,100,062
Decreased by:		
Serial Bond Payments	\$ 2,050,000	
Green Acres Loan Payments	<u>29,643</u>	
		<u>2,079,643</u>
Balance, December 31, 2019		<u>\$ 11,020,419</u>

BOROUGH OF RUTHERFORD
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance, December 31, 2018	2019 Authorizations	Balance, December 31, 2019	Analysis of Balance	
					Expenditures	Unexpended Improvement Authorizations
3312-13	Memorial Field & Lincoln Woods Improvements	\$ 256,000		\$ 256,000	\$ 256,000	
3369-15	General Capital Improvements	900		900		\$ 900
3395-16	General Capital Improvements	7,274		7,274		7,274
3460-18	General Capital Improvements	553,750		553,750	310,394	243,356
3476-18	Construction of New Police Department Headquarters	13,680,000		13,680,000	590,078	13,089,922
3497-19	General Capital Improvements	-	\$ 1,425,000	1,425,000	-	1,425,000
		<u>\$ 14,497,924</u>	<u>\$ 1,425,000</u>	<u>\$ 15,922,924</u>	<u>\$ 1,156,472</u>	<u>\$ 14,766,452</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	Amount of Original <u>Issue</u>	<u>Bonds Outstanding at December 31, 2019</u>		<u>Interest Rate</u>	Balance, December 31, <u>2018</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
General Improvement Bonds - 2009	7/31/2009	\$ 8,300,000	2/15/2020	\$ 1,140,000	4.500%	\$ 1,985,000	\$ 845,000	\$ 1,140,000
Refunding Bonds - BCIA 2016	2/24/2016	2,260,000				555,000	555,000	
General Obligation Bonds - 2018	11/29/2018	9,950,000	11/1/2020	670,000	2.250%			
			11/1/2021	800,000	2.500%			
			11/1/2022	830,000	3.000%			
			11/1/2023	850,000	3.000%			
			11/1/2024	900,000	3.000%			
			11/1/2025	950,000	3.000%			
			11/1/2026	950,000	4.000%			
			11/1/2027	950,000	4.000%			
			11/1/2028	950,000	3.250%			
			11/1/2029	950,000	3.375%			
			11/1/2030	500,000	3.500%	<u>9,950,000</u>	<u>650,000</u>	<u>9,300,000</u>
						<u>\$ 12,490,000</u>	<u>\$ 2,050,000</u>	<u>\$ 10,440,000</u>

STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	Amount of Original <u>Issue</u>	<u>Semi-Annual Maturities</u>	<u>Interest Rate</u>	Balance, December 31, <u>2018</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
2009 Development of Waterfront Park Improvements to Wall Field	2013	\$ 335,074	\$16,395 to \$21,663	2.000%	\$ 299,803	\$ 16,072	\$ 283,731
	2017	316,944	\$13,844 to \$19,417	2.000%	<u>310,259</u>	<u>13,571</u>	<u>296,688</u>
					<u>\$ 610,062</u>	<u>\$ 29,643</u>	<u>\$ 580,419</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, December 31, 2018		2019 Authorizations		Paid or Charged	Balance, December 31, 2019	
				Funded	Unfunded	Deferred Charges Unfunded	Capital Improvement Fund		Funded	Unfunded
3206-10	Kids Spot	7/27/2010	\$ 60,000	\$ 33,982					\$ 33,982	
3245-11	WWI Monument Improvements	12/27/2011	40,000	1,678			\$ 1		1,677	
3260-12	General Capital Improvements	6/26/2012	1,850,000	60,000					60,000	
3292-13	General Capital Improvements	5/23/2013	1,100,000	8,668			4,340		4,328	
3337-14	General Capital Improvements	8/26/2014	1,080,000	112,068			5,371		106,697	
3368-15	General Capital Improvements	5/26/2015	661,500	55,013			2,812		52,201	
3369-15	General Capital Improvements	5/26/2015	1,664,100	358,891	\$ 900		88,409		270,482	\$ 900
3394-16	General Capital Improvements	5/9/2016	1,001,407	280,105			464		279,641	
3395-16	General Capital Improvements	5/9/2016	1,471,867	254,463	7,274		8,700		245,763	7,274
3425-17	General Capital Improvements	5/22/2017	1,380,000	277,024			69,275		207,749	
3426-17	General Capital Improvements	5/22/2017	1,400,000	310,000			248,271		61,729	
3460-18	General Capital Improvements	4/24/2018	1,425,000		391,979		148,623			243,356
3461-18	General Capital Improvements	4/24/2018	1,000,000	598,613			216,585		382,028	
3476-18	Construction of Police Department Headquarters	9/25/2018	14,400,000	719,525	13,680,000		1,309,603			13,089,922
3497-19	General Capital Improvements	4/22/2019	1,500,000			\$ 1,425,000	\$ 75,000	64,750	10,250	1,425,000
3498-19	General Capital Improvements	4/22/2019	1,000,000	-	-	-	1,000,000	531,799	468,201	-
				<u>\$ 3,070,030</u>	<u>\$ 14,080,153</u>	<u>\$ 1,425,000</u>	<u>\$ 1,075,000</u>	<u>\$ 2,699,003</u>	<u>\$ 2,184,728</u>	<u>\$ 14,766,452</u>

Cash Disbursements	\$ 1,915,324
Encumbrances Payable	<u>783,679</u>
	<u>\$ 2,699,003</u>

BOROUGH OF RUTHERFORD
STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2018	\$ 1,744,753
Increased by:	
Contracts Awarded	<u>783,679</u>
	2,528,432
Decreased by:	
Cash Disbursements	<u>1,513,804</u>
Balance, December 31, 2019	<u>\$ 1,014,628</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018	\$ 20,017
Increased by:	
Budget Appropriation	<u>1,075,000</u>
	1,095,017
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>1,075,000</u>
Balance, December 31, 2019	<u>\$ 20,017</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF RESERVE FOR BUILDING IMPROVEMENTS**

Balance, December 31, 2018	\$ <u>487,362</u>
Balance, December 31, 2019	\$ <u>487,362</u>

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, December 31, 2018	\$ 164,471
Decreased by:	
Anticipated as a Current Fund Revenue	<u>80,000</u>
Balance, December 31, 2019	\$ <u>84,471</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance, December 31, <u>2018</u>	2019 <u>Authorizations</u>	Balance, December 31, <u>2019</u>
3312-13	Memorial Field & Lincoln Woods Improvements	\$ 256,000		\$ 256,000
3369-15	General Capital Improvements	900		900
3395-16	General Capital Improvements	7,274		7,274
3460-18	General Capital Improvements	553,750		553,750
3476-18	Construction of New Police Dept. Headquarters	13,680,000		13,680,000
3498-19	General Capital Improvements	<u>-</u>	<u>\$ 1,425,000</u>	<u>1,425,000</u>
		<u>\$ 14,497,924</u>	<u>\$ 1,425,000</u>	<u>\$ 15,922,924</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF RUTHERFORD
STATEMENT OF PUBLIC ASSISTANCE CASH**

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Balance - December 31, 2018	\$ 102,408	\$ 14,351	\$ 88,057
Increased by:			
Miscellaneous Donations	2,200	2,200	
Interest Earned	1,403	191	1,212
SSI Reimbursement	33,734	-	33,734
	<u>37,337</u>	<u>2,391</u>	<u>34,946</u>
	<u>139,745</u>	<u>16,742</u>	<u>123,003</u>
Decreased by:			
Public Assistance Claims	33,855		33,855
Other	3,169	3,169	
Payments to Current Fund	1,403	191	1,212
	<u>38,427</u>	<u>3,360</u>	<u>35,067</u>
Balance - December 31, 2019	<u>\$ 101,318</u>	<u>\$ 13,382</u>	<u>\$ 87,936</u>

BOROUGH OF RUTHERFORD
STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Donations/Miscellaneous	\$ 2,200	\$ 2,200	
Supplemental Security Income	33,734		\$ 33,734
Interest Earned	<u>1,403</u>	<u>191</u>	<u>1,212</u>
 Total Revenues	 <u>\$ 37,337</u>	 <u>\$ 2,391</u>	 <u>\$ 34,946</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Expenditures Reported on GA-6			
Maintenance Payments	\$ 17,101		\$ 17,101
Other:			
Temporary Rental Assistance	16,604		16,604
Utilities	3,319	\$ 3,169	150
Payments to Current Fund	<u>1,403</u>	<u>191</u>	<u>1,212</u>
 Total Disbursements	 <u>\$ 38,427</u>	 <u>\$ 3,360</u>	 <u>\$ 35,067</u>

**BOROUGH OF RUTHERFORD
SCHEDULE OF DUE TO STATE OF NEW JERSEY**

Balance, December 31, 2018	\$	88,057
Increased by:		
Receipts - Public Assistance #2		33,734
		121,791
Decreased by:		
Cash Disbursements - Public Assistance #2		33,855
Balance, December 31, 2019	\$	87,936

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2018	\$	14,351
Increased by:		
Miscellaneous Donations		2,200
		16,551
Decreased by:		
Cash Disbursements		3,169
Balance, December 31, 2019	\$	13,382

BOROUGH OF RUTHERFORD
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Rutherford as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Borough of Rutherford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Rutherford in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

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


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 29, 2020

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

Name of Federal Agency or Department	Grant Program	Federal CFDA Number	Grant Award	Grant Receipts	Balance January 1, 2019	Revenues	Expended	Adjustments	Balance, December 31, 2019	Cumulative Total Expenditures
Department of Housing and Urban Development	Community Development Block Grant -									
<u>Pass Through Funds:</u>	Barrier Free Curb Cuts	14.218	\$ 50,000		\$ 40,962				\$ 40,962	\$ 9,038
County of Bergen	Vanderburgh Ave. Improvements	14.218	66,680		46,044				46,044	20,636
	Sidewalk Rehabilitation	14.218	154,700	\$ 154,700	(154,700)			\$ 154,700		154,700
	Darwin Avenue Street Improvements	14.218	105,800			\$ 105,800			105,800	-
	Handicapped Accessible Bathroom - Kidspot	14.218	44,900			44,900			44,900	-
U.S. Department of Justice	Bullet Proof Vest Program	16.607	8,460	1,201	(1,294)			4,070	2,776	5,684
	Bullet Proof Vest Program - 2015	16.607	2,016		424			1,592	2,016	-
	Bullet Proof Vest Program - 2017	16.607	2,474				\$ 2,474			2,474
	Bullet Proof Vest Program - 2018	16.607	6,361	6,361	6,361		6,361			6,361
	Bullet Proof Vest Program - 2018	16.607	5,153			5,153			5,153	-
National Highway Safety	Drive Sober or Get Pulled Over	20.616	5,000					100	100	4,900
Pass Thru State of NJ										
U.S. Dept. Environmental Protection	Green Communities grant Forestry Program	10.664	3,000	3,000	(1,750)			3,000	1,250	1,750
Pass Thru State of NJ										
∞ U.S. Department of Homeland Security	Assistance to Firefighters Grant	97.044	76,762					12,381	12,381	64,381
U.S. Department of Transportation										
<u>Pass Through Funds:</u>										
NJ Dept. of Trans.	Safe Routes to School	20.205	368,000		-	-	-	368,000	368,000	-
					\$ (61,479)	\$ 155,853	\$ 8,835	\$ 543,843	\$ 629,382	\$ 269,924

The above schedule is not subject to an audit in accordance with U.S. Uniform Guidance

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

State Grantor/Department	Program Title	Grant Number	Grant Award	Grant Receipts	Balance, January 1, 2019	Revenues	Expended	Adjustments	Balance December 31, 2019	Cumulative Expenditures
Division of Motor Vehicles	Drunk Driving Enforcement Fund	6400-100-078-6400	\$ 7,432		\$ 1		\$ 1			\$ 7,432
	Municipal Court Alcohol Education and Rehabilitation	9735-760-098-XXXX-001	756		756			\$ (2)	754	2
			863		863				863	-
			594		594				594	-
			581		581				581	-
			827		827				827	-
			707		707				707	-
			1,632		1,632				1,632	-
			2,188		2,188			(1)	2,187	1
			643	\$ 643		\$ 643			643	-
Division of Criminal Justice	Body Armor Fund - 2008	1020-718-066-1020-001	4,371		(325)			496	171	4,200
	Body Armor Fund - 2009		4,052		(3,880)			4,052	172	3,880
	Body Armor Fund - 2010		5,076		541				541	4,535
	Body Armor Fund - 2014		3,874		2,160				2,160	1,714
	Body Armor Fund - 2015		3,868		1,213				1,213	2,655
	Body Armor Fund - 2016		3,628		3,628				3,628	-
	Body Armor Fund - 2017		3,714		3,714		3,039		675	3,039
	Body Armor Fund - 2019		4,140	4,140		4,140			4,140	-
Department of Human Services	General Assistance	7500-150-15801060 A/C#2	33,855		88,055	33,734	33,855	2	87,936	33,855
Department of Community Affairs	Recreational Opportunities for Individuals with Disabilities	N/A	18,000		6,831		724		6,107	11,893
			20,000		219			1,561	1,780	18,220
			20,000		4,685				4,685	15,315
			20,000	13,694	(13,146)		6,504	19,999	349	19,651
	NJ Historic Preservation Fund	2017.1021	61,800		(18,330)		43,470	61,800		61,800
Department of Environmental Protection	Clean Communities Program	4900-765-178900-60	31,483		3,553		3,553			31,483
			30,131		20,912		17,202		3,710	26,421
			33,625	33,625		33,625	24,805		8,820	24,805
	Recycling Tonnage Grant	4900-752-042-4900	20,458		1		1			20,458
			20,559		20,559		20,559			20,559
			20,347	20,347		20,347			20,347	-
	Green Acres - Kids Spot	N/A	60,000		36,872			(2,890)	33,982	26,018
	Community Forestry Management Plan	N/A	150,000		(96,805)		22,877	150,000	30,318	119,682
Bergen County Municipal Alliance Grant	Governor's Alcohol and Drug Abuse Prevention	110-448-031020-22	11,677					3,889	3,889	7,788
			11,677		(63)			10,012	9,949	1,728
			11,677					2,028	2,028	9,649
			11,677	9,777	(1,075)	2,920	9,152	19,653	12,346	(669)
			11,677			11,677	2,272		9,405	2,272
Department of Transportation	Transportation Trust Fund									
	Ridge Road - Ph. II	6320-480-078-6320	146,500		(36,625)			41,009	4,384	142,116
	2015 Municipal Road Aid Projects	6320-480-078-6320	149,000		(30,010)			60,052	30,042	118,958
	2016 Municipal Road Aid Projects	6320-480-078-6320	165,627		(165,627)			165,627		165,627
	2018 Municipal Road Aid Projects	6320-480-078-6320	220,408	165,306	(99,052)		121,356	220,408		220,408
	2019 Municipal Road Aid Projects	6320-480-078-6320	212,000		-	212,000	-	-	212,000	-
						\$ (263,846)	\$ 319,086	\$ 309,370	\$ 757,695	\$ 503,565

The above schedule is not subject to an audit in accordance with NJ OMB Circular 15-08.

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

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 155,853	\$ 285,352	\$ 441,205
Public Assistance Fund	<u>-</u>	<u>33,734</u>	<u>33,734</u>
	<u>\$ 155,853</u>	<u>\$ 319,086</u>	<u>\$ 474,939</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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

NOTE 5 STATE LOANS OUTSTANDING

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

<u>Loan Program</u>	<u>Federal CFDA Number/ State Account Number</u>	<u>State</u>
Development of Waterfront Park	#0256-07-018	\$ 283,731
Improvements to Wall Field	#0256-10-025	<u>296,688</u>
		<u>\$ 580,419</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

The Borough has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

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

Part I – Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

Not Applicable

State Awards Section

Not Applicable

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

Part 2 – Schedule of Financial Statement Findings

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

There are none.

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

This section identified the status of prior-year findings related to the financial statements – regulatory basis and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB’s Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF RUTHERFORD

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF RUTHERFORD
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.739</u>	<u>\$2.701</u>	<u>\$2.663</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.844	.845	.847
Library	.036	.037	.035
County	.256	.258	.255
County Open Space	.011	.010	.010
Local School	1.592	1.551	1.516
<u>Assessed Valuation</u>			
2019	<u>\$2,716,191,971</u>		
2018		<u>\$2,713,039,226</u>	
2017			<u>\$2,712,423,790</u>

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 74,516,166	\$ 73,858,242	99.12%
2018	73,416,608	72,807,820	99.17%
2017	72,315,610	71,782,677	99.26%

**BOROUGH OF RUTHERFORD
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Lien</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2019	\$ 496,552	\$ 60,701	\$ 557,253	0.75%
2018	510,751	58,704	569,455	0.78%
2017	439,485	57,018	496,503	0.69%

The Borough held a tax sale on October 24, 2019.

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2019 by foreclosure or deed, as a result of liquidation of tax title liens. The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$7,025
2018	7,025
2017	7,025

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$7,954,793	\$2,850,000
	2018	7,477,586	2,725,000
	2017	6,966,869	2,425,000
	2016	5,762,454	1,625,000
	2015	4,763,583	1,140,000

**BOROUGH OF RUTHERFORD
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	
Joseph DeSalvo, Jr.	Mayor		
Stephanie McGowan	Council President		
Mark Goldsack	Councilman		
Thomas Mullahey	Councilman		
Edward C. Narucki	Councilman		
Frank Nunziato	Councilman		
Maria Begg-Roberson	Councilwoman		
Robert J. Kakoleski	Borough Administrator		
Caryn Miller	Tax Collector	Blanket	(A)
Gordon L. Stelter	Chief Financial Officer	Blanket	(A)
Margaret Scanlon	Borough Clerk		
Jillian Andrews	Court Administrator	Blanket	(A)
Warren Stroedecke	Judge	Blanket	(A)
Philip LaPorta	Borough Attorney		
Frank Recanati	Construction Official		
Paul Dansbach	Fire Protection Inspector		
Rose Inguanti	Zoning Board Secretary		
David Porter	Planning Board Secretary		
Mary Bernadette Finelli	Cashier		
Linda Hricik	Secretary to Board of Health		
Denis McGuire	Assessor		
Genevieve Kacmarcik	Welfare Director		

(A) Employees are covered by a Blanket Public Employees' Faithful Performance Bond with the South Bergen Municipal Joint Insurance Fund in the amount of \$1,000,000 per loss.

BOROUGH OF RUTHERFORD

GENERAL COMMENTS

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation fraud during the examination are herewith set forth.

Current Year

Our audit of the Other Trust Fund revealed that dedication by riders were not obtained for certain trust fund reserves. It is recommended that all Trust Fund reserves be reviewed and approval be obtained from the Division of Local Government Services to expend dedicated trust funds.

Our audit of expenditures noted instances where purchase orders were not created until the goods or services were rendered or an invoice was received from the vendors. It is recommended that purchase orders be encumbered prior to the ordering of goods or services.

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$17,500 except by contract or agreement." If the municipality has a qualifying purchasing agent ("QPA"), the bid threshold can be increased to \$40,000. The Borough has approved the Chief Financial Officer as its QPA.

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

The minutes indicate that bids were requested by public advertising for Memorial Fieldhouse Renovations.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

BOROUGH OF RUTHERFORD

GENERAL COMMENTS

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2019, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, Senate and General Assembly of the State of New Jersey have amended R.S. 54:4-67 to permit municipalities to increase the interest charged on delinquent taxes; and

WHEREAS, pursuant to R.S. 54:4-66 taxes are due and payable on the first days of February, May, August and November of each year and become delinquent if not paid on or before said dates;

NOW, THEREFORE, BE IT RESOLVED that a grace period of (10) days is hereby established within which any installment of taxes or assessments may be received after the due date thereof without an additional charge for interest; and

BE IT FURTHER RESOLVED, that interest on delinquent installations of taxes or assessments shall be charged at the rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500.

Year End Penalties

WHEREAS, NJSA 54:4-67 has been amended to permit an additional penalty of 6% to be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Rutherford as follows:

1. The Tax Collector is hereby authorized and directed to charge an additional penalty of 6% on a tax delinquency in excess of \$10,000 if it remains in arrears beyond December 31st.

Suggestions to Management

- Consider integrating the fixed asset record keeping with the purchasing system.

BOROUGH OF RUTHERFORD

RECOMMENDATIONS

It is recommended that:

1. All Trust Fund reserves be reviewed and approval be obtained from the Division of Local Government Services to expend dedicated trust funds.
2. Purchase orders be encumbered prior to the ordering of goods or services.

* * * * *

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year recommendations.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the Borough and we greatly appreciate the courtesies extended to us.