

BOROUGH OF RUTHERFORD
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2022

BOROUGH OF RUTHERFORD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
176 Park Avenue
Rutherford, New Jersey 07070

Report on the Audit of the Financial Statements

Opinions

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, 2022 and 2021, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2022, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, 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, 2022 and 2021, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2022 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.

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 section of our report, 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, 2022 and 2021, or changes in financial position for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Rutherford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 years ended December 31, 2022 and 2021. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 35 percent and 50 percent of the assets and liabilities of the Borough’s Trust Funds as of December 31, 2022 and 2021, respectively.

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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Rutherford’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough of Rutherford’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Rutherford's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Rutherford. 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.

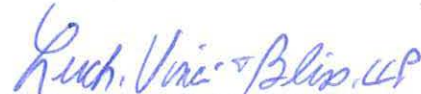
Other Information

Management is responsible for the other information included in the report of audit. The other information comprises the supplementary data and letter of comments and recommendation section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2023 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 & BLISS, LLP
 Certified Public Accountants
 Registered Municipal Accountants


 Gary J. Vinci
 Registered Municipal Accountant
 RMA Number CR00411

Fair Lawn, New Jersey
 September 12, 2023

BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2022 AND 2021

	<u>Reference</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Regular Fund			
Cash	A-4	\$ 16,260,326	\$ 13,803,518
Change Fund	A	770	770
Due from State of NJ Senior Cit. and Vet. Ded.	A-6	935	215
Advance/Security Deposit	A-7	<u>901</u>	<u>683</u>
		<u>16,262,932</u>	<u>13,805,186</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	469,405	553,966
Tax Title Liens Receivable	A-9	76,369	64,880
Property Acquired for Taxes - Assessed Valuation	A-10	7,025	7,025
Demolition Lien Receivable	A-11	71,205	
Revenue Accounts Receivable	A-12	27,066	20,914
Due from Other Trust Fund	B-11	<u>260,410</u>	<u>282,888</u>
		<u>911,480</u>	<u>929,673</u>
Total Current Fund		<u>17,174,412</u>	<u>14,734,859</u>
Grant Fund			
Cash	A-4	473,552	485,123
Due from Current Fund	A-21	886,047	
Grants Receivable	A-13	<u>2,101,013</u>	<u>2,270,986</u>
		<u>3,460,612</u>	<u>2,756,109</u>
Total Assets		<u>\$ 20,635,024</u>	<u>\$ 17,490,968</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund			
Appropriation Reserves	A-3/A-14	\$ 1,754,639	\$ 2,001,192
Encumbrances Payable	A-15	620,980	610,612
Prepaid Taxes	A-16	422,514	469,225
County Taxes Payable	A-18	27,340	16,897
Due to Grant Fund	A-22	886,047	
Miscellaneous Reserves/Payables	A-19	<u>2,438,062</u>	<u>1,299,047</u>
		6,149,582	4,396,973
Reserve for Receivables	A	911,480	929,673
Fund Balance	A-1	<u>10,113,350</u>	<u>9,408,213</u>
Total Current Fund		<u>17,174,412</u>	<u>14,734,859</u>
Grant Fund			
Appropriated Grant Reserves	A-20	1,300,484	1,794,073
Unappropriated Grant Reserves	A-21	1,634,841	962,036
Encumbrances Payable	A-15	378,297	
Due to Other Trust Fund	B-8	<u>146,990</u>	<u>-</u>
Total Federal and State Grant Fund		<u>3,460,612</u>	<u>2,756,109</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 20,635,024</u>	<u>\$ 17,490,968</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 3,050,000	\$ 2,750,000
Miscellaneous Revenue Anticipated	5,586,874	5,394,542
Receipts from Delinquent Taxes	550,049	614,073
Receipts from Current Taxes	81,066,048	79,294,927
Non-Budget Revenue	941,580	653,166
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	1,509,326	1,772,406
Interfunds Returned	<u>22,478</u>	<u>457,735</u>
 Total Revenues and Other Income	 <u>92,726,355</u>	 <u>90,936,849</u>
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	13,247,688	12,684,300
Other Expenses	13,572,724	13,703,453
Capital Improvements	676,000	270,000
Municipal Debt Service	2,440,397	2,386,333
Deferred Charges and Statutory Expenditures - Municipal	3,283,876	3,154,637
Local District School Tax	47,898,080	46,715,530
County Taxes	7,773,966	7,968,102
Refund of Prior Year Revenues	5,637	20,894
Prior Year Senior Citizen/Veterans Deduction Disallowed	1,645	420
Establish Reserve for Demolition Lien Receivable	<u>71,205</u>	<u>-</u>
 Total Expenditures	 <u>88,971,218</u>	 <u>86,903,669</u>
 Statutory Excess to Fund Balance	 3,755,137	 4,033,180
 Fund Balance, January 1	 <u>9,408,213</u>	 <u>8,125,033</u>
	13,163,350	12,158,213
Decreased by:		
Utilization as Anticipated Revenue	<u>3,050,000</u>	<u>2,750,000</u>
 Fund Balance, December 31	 <u>\$ 10,113,350</u>	 <u>\$ 9,408,213</u>

BOROUGH OF RUTHERFORD
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	Realized <u>in 2022</u>	Excess or <u>(Deficit)</u>
Surplus Anticipated	\$ 3,050,000	-	\$ 3,050,000	-
Miscellaneous Revenues:				
Licenses				
Alcoholic Beverages	18,000		21,167	\$ 3,167
Other	5,000		12,750	7,750
Fees and Permits				
Other	122,000		134,487	12,487
Municipal Court	237,000		433,272	196,272
Interest and Cost on Taxes	150,000		144,315	(5,685)
Parking Meters	274,000		284,432	10,432
Interest on Investments	55,000		153,421	98,421
Parking Lot Permits	168,000		197,276	29,276
Fire Safety Fees	79,000		94,442	15,442
Energy Receipts Tax	1,384,589		1,384,589	-
Uniform Construction Code Fees	764,000		539,262	(224,738)
Special Items of General Revenue				
Interlocal Municipal Service Agreements:				
Gasoline and Diesel for Vehicles	240,000		379,338	139,338
Public and Private Revenues:				
N.J. Transportation Trust Fund Authority - Municipal Aid Program		\$ 206,000	206,000	
Resiliency Planning - Rutherford Tree Inventory & Risk Assessment		50,000	50,000	
Municipal Alliance on Alcoholism and Drug Abuse	4,507		4,507	
Recycling Tonnage Grant	20,188		20,188	
Bergen County Local Arts Program Grant	5,193		5,193	
DMHAS-Youth Leadership Grant		4,633	4,633	
Body Armor Fund	2,062		2,062	
Clean Communities Program		32,388	32,388	
Donation - Police Equipment	4,087		4,087	
Other Special Items:				
Uniform Fire Safety Act	28,210		33,721	5,511
Lease of Borough Property	180,000		154,193	(25,807)
Cable TV Franchise Fee	210,781		210,781	-
Nursing Services Non-Public School Pupils	21,056		21,871	815
PILOT - Rutherford Senior Housing Committee	22,000		22,028	28
PILOT - Redevelopment	166,000		166,097	97
Hotel Occupancy Fee	174,000		235,989	61,989
Nereid Boat Club - Green Trust Loan Repayment	21,988		21,988	-
Fees and Permits - Recycling Revenues	12,000		7,397	(4,603)
American Rescue Plan	300,000		300,000	-
Due from Free Public Library	230,000		230,000	-
General Capital Surplus	75,000	-	75,000	-
Total Miscellaneous Revenues	<u>4,973,661</u>	<u>293,021</u>	<u>5,586,874</u>	<u>320,192</u>
Receipts from Delinquent Taxes	<u>500,000</u>	<u>-</u>	<u>550,049</u>	<u>50,049</u>
Amount to be Raised by Taxes for Municipal Purposes	24,545,166		25,530,562	985,396
Free Public Library	<u>1,063,440</u>	<u>-</u>	<u>1,063,440</u>	<u>-</u>
Total Amount to be Raised by Taxes	<u>25,608,606</u>	<u>-</u>	<u>26,594,002</u>	<u>985,396</u>
	<u>\$ 34,132,267</u>	<u>\$ 293,021</u>	<u>35,780,925</u>	<u>\$ 1,355,637</u>
Non-Budget Revenue			<u>941,580</u>	
			<u>\$ 36,722,505</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, 2022

Analysis of Realized Revenues	
Revenue from Collections	\$ 81,066,048
Allocated to School and County Taxes	<u>55,672,046</u>
Balance for Support of Municipal Budget Appropriations	25,394,002
Add: Appropriation - Reserve for Uncollected Taxes	<u>1,200,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 26,594,002</u>
Licenses - Other	
Clerk	\$ 4,350
Building	<u>8,400</u>
	<u>\$ 12,750</u>
Fees and Permits - Other	
Borough Clerk	\$ 45,099
Street & Sewer	34,905
Planning Board/Board of Adjustment	6,110
Clothing Bin Fee	1,275
Farmer Market Fees	1,780
Board of Health/Registrar of Vital Statistics	<u>45,318</u>
	<u>\$ 134,487</u>
Interest on Investments	
Cash Receipts	\$ 134,096
Due from Grant Fund	3,321
Due from Other Trust Fund	15,522
Due from Public Assistance Fund	<u>482</u>
	<u>\$ 153,421</u>
Non-Budget Revenue	
BMED Dividend	\$ 225,764
Felician Field Usage Fees	5,000
BCUA Sewer Connection Fee Rebate	7,742
Prior Year Budget Refunds	36,810
Building Department - Penalty & Admin Fee	35,030
Police Vehicle Use Fee	22,400
FEMA Aid - Tropical Storm Isaias	378,369
FEMA Aid - Tropical Storm Ida	184,640
Train Station Rent	7,591
Police Department Records	7,096
Public Auction Proceeds	4,975
Memorial Field Rent	2,125
Veteran Deductions Disallowed Refunds Prior Year	3,750
Tax Office Fees	3,089
Senior Citizen and Veterans Deduction 2% Admin. Fee	1,508
Tax Sale Costs	1,492
Extra Garbage Carts	1,200
Car Charging Station Fees	2,969
Miscellaneous	<u>10,030</u>
	<u>\$ 941,580</u>

BOROUGH OF RUTHERFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> Paid or Charged	<u>Reserved</u>	<u>Unexpended Balances Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 293,000	\$ 293,000	\$ 268,675	\$ 24,325	
Other Expenses	124,500	124,500	98,602	25,898	
Mayor and Council					
Salaries and Wages	22,000	22,000	22,000	-	
Other Expenses	9,000	9,000	5,812	3,188	
Municipal Clerk					
Salaries and Wages	245,000	245,000	244,125	875	
Other Expenses	80,000	84,000	80,360	3,640	
Financial Administration					
Salaries and Wages	287,000	287,000	275,896	11,104	
Other Expenses	31,300	31,300	23,275	8,025	
Audit Services					
Other Expenses	32,500	32,500	32,500	-	
Computerized Data Processing					
Other Expenses	99,000	99,000	74,299	24,701	
Collection of Taxes					
Salaries and Wages	102,000	102,000	99,929	2,071	
Other Expenses	16,400	16,400	10,245	6,155	
Tax Assessment Administration					
Salaries and Wages	48,000	50,000	48,676	1,324	
Other Expenses	45,000	35,000	19,679	15,321	
Communications Office					
Salaries and Wages	75,000	75,000	73,269	1,731	
Other Expenses	39,000	39,000	16,149	22,851	
Legal Services					
Other Expenses	295,000	295,000	255,859	39,141	
Engineering Services					
Other Expenses	90,000	90,000	75,000	15,000	
Other Expenses - Complete Streets	5,000	5,000	-	5,000	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	4,000	4,000	4,000	-	
Other Expenses	16,500	16,500	12,270	4,230	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,000	4,000	-	
Other Expenses	16,500	16,500	14,973	1,527	
Property Management Enforcement					
Salaries and Wages	138,000	138,000	137,779	221	
Other Expenses	1,100	1,100	766	334	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	6,790,000	6,815,000	6,628,675	186,325	
Other Expenses	310,876	310,876	277,971	32,905	
Police Dispatch/911					
Other Expenses	21,200	21,200	21,200	-	
Emergency Management					
Salaries and Wages	14,000	16,500	15,000	1,500	
Other Expenses	11,000	8,500	736	7,764	

BOROUGH OF RUTHERFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATIONS - WITHIN "CAPS" (Continued)			<u>Expended</u>		Unexpended
PUBLIC SAFETY FUNCTIONS	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balances</u>
	\$	\$	\$	\$	<u>Cancelled</u>
Aid to Volunteer Ambulance Co.	13,500	13,500	11,365	2,135	
Fire Department					
Other Expenses	456,850	456,850	436,128	20,722	
Fire Official					
Salaries and Wages	150,790	160,790	160,073	717	
Other Expenses	16,850	16,850	12,729	4,121	
Life Hazard Use Fees - Fire Official					
Salaries and Wages	28,210	28,210	28,210	-	
Uniform Fire Safety Act - Fire Official					
Salaries and Wages	79,000	79,000	79,000	-	
DPW-Stormwater Registration Permits					
Municipal Prosecutor					
Salaries and Wages	12,500	12,500	12,500	-	
Municipal Court					
Salaries and Wages	210,000	213,000	210,835	2,165	
Other Expenses	15,450	15,450	11,248	4,202	
Public Defender					
Salaries and Wages	7,000	7,000	6,865	135	
PUBLIC WORKS FUNCTIONS					
Streets and Roads Maintenance					
Salaries and Wages	1,551,500	1,551,500	1,526,196	25,304	
Other Expenses	264,250	264,250	251,860	12,390	
Sewer System Maintenance					
Salaries and Wages	20,000	15,000	5,573	9,427	
Other Expenses	133,000	133,000	64,458	68,542	
Shade Tree					
Salaries and Wages	450,000	450,000	389,518	60,482	
Other Expenses	109,600	109,600	100,563	9,037	
Garbage and Trash Removal					
Salaries and Wages	410,000	410,000	343,948	66,052	
Other Expenses	74,250	99,250	86,442	12,808	
Recycling					
Salaries and Wages	192,000	177,000	143,182	33,818	
Buildings and Grounds					
Salaries and Wages	475,000	475,000	408,315	66,685	
Other Expenses	241,500	271,500	256,173	15,327	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	276,000	276,000	270,245	5,755	
Other Expenses	33,135	33,135	19,629	13,506	
Animal Control Services					
Other Expenses	24,500	24,500	21,932	2,568	
Rutherford Senior Citizen - Kip Center					
Other Expenses	60,000	60,000	60,000	-	
Administration of Public Assistance					
Salaries and Wages	119,000	119,000	118,786	214	
Other Expenses	3,700	3,700	2,462	1,238	
PARK AND RECREATION FUNCTIONS					
Recreation and Services and Programs					
Salaries and Wages	678,000	678,000	616,231	61,769	
Other Expenses	149,500	149,500	121,768	27,732	
OTHER COMMON OPERATING FUNCTIONS					
Education Plans for Employees					
Other Expenses	5,000	5,000	2,097	2,903	

BOROUGH OF RUTHERFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATIONS - WITHIN "CAPS" (Continued)	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	<u>Unexpended Balances Cancelled</u>
Insurance					
General Liability	\$ 630,000	\$ 630,000	\$ 629,440	\$ 560	
Worker's Compensation	735,000	735,000	731,434	3,566	
Employee Group Insurance	3,297,000	3,043,000	2,847,282	195,718	
Other Insurance Premiums	25,000	25,000	16,575	8,425	
Health Benefit Waiver Costs	165,000	170,000	166,810	3,190	
State Uniform Construction Code:					
Construction Code Officials					
Salaries and Wages	234,000	239,000	236,518	2,482	
Other Expenses	35,100	35,100	30,754	4,346	
Unclassified:					
Landfill Solid Waste Disposal Costs					
Dumping Fees	925,000	925,000	771,218	153,782	
Terminal Leave	100,000	100,000	88,462	11,538	
Reserve for Compensated Absences	50,000	50,000	-	50,000	
Joint Meeting	5,000	5,000	5,000	-	
Legal Settlements	125,000	125,000	92,959	32,041	
Utility Expenses and Bulk Purchases:					
Electricity	304,500	339,500	327,877	11,623	
Street Lighting	275,000	275,000	229,574	45,426	
Telephone	70,000	70,000	57,490	12,510	
Water	80,000	95,000	82,234	12,766	
Fuel Oil	15,000	15,000	15,000	-	
Gasoline	375,000	500,000	425,000	75,000	-
Total Operations Within "CAPS"	<u>22,971,561</u>	<u>22,971,561</u>	<u>21,373,678</u>	<u>1,597,883</u>	<u>-</u>
Contingent	5,000	5,000	3,100	1,900	-
Total Operations Including Contingent - Within "CAPS"	<u>22,976,561</u>	<u>22,976,561</u>	<u>21,376,778</u>	<u>1,599,783</u>	<u>-</u>
Detail:					
Salaries & Wages	13,065,000	13,092,500	12,466,481	626,019	-
Other Expenses (Including Contingent)	9,911,561	9,884,061	8,910,297	973,764	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Charges					
Social Security System	640,000	640,000	632,138	7,862	
Public Employees Retirement System	883,154	883,154	883,154	-	
Unemployment Insurance	100	100	-	100	
Police and Firemen's Retirement System	1,725,122	1,725,122	1,725,122	-	
Fire Widow's Pension	24,000	24,000	24,000	-	
DCRP	11,500	11,500	10,325	1,175	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>3,283,876</u>	<u>3,283,876</u>	<u>3,274,739</u>	<u>9,137</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>26,260,437</u>	<u>26,260,437</u>	<u>24,651,517</u>	<u>1,608,920</u>	<u>-</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, 2022

	Budget	Budget After Modification	Expended		Unexpended Balances Cancelled
			Paid or Charged	Reserved	
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	\$ 1,183,551	\$ 1,183,551	\$ 1,116,318	\$ 67,233	
Sewer Charges Contractual					
Bergen County Utilities Authority	1,305,000	1,305,000	1,303,654	1,346	
Passaic Valley Trunk Sewer	610,000	610,000	606,258	3,742	
Emergency Service Length of Service Award Program	125,000	125,000	102,000	23,000	
Reserve for Tax Appeals	25,000	25,000		25,000	
Stormwater Regulation	4,050	4,050	4,050	-	
Declared State of Emergency - Coronavirus	10,000	10,000	-	10,000	-
Total Other Operations Excluded from "CAPS"	3,262,601	3,262,601	3,132,280	130,321	-
Interlocal Municipal Service Agreements					
Bergen County Department of Health Services	73,192	73,192	73,192	-	
Gasoline and Diesel for Vehicles	240,000	240,000	240,000	-	
Construction Code Official Services	135,000	135,000	128,475	6,525	-
Total Interlocal Municipal Service Agreements	448,192	448,192	441,667	6,525	-
Public and Private Programs Offset by Revenues					
Matching Funds for Grants	10,000	10,000	1,127	8,873	
Clean Communities Program		32,388	32,388		
Body Armor Fund	2,062	2,062	2,062		
Recycling Tonnage Grant	20,188	20,188	20,188		
Bergen County Local Arts Program Grant	5,193	5,193	5,193		
Donation - Police Equipment	4,087	4,087	4,087		
DMHAS-Youth Leadership Grant		4,633	4,633		
Resiliency Planning-Rutherford Tree Inventory & Risk Assessment		50,000	50,000		
Municipal Alliance on Alcoholism and Drug Abuse	4,507	4,507	4,507	-	-
Total Public and Private Programs offset by Revenues	46,037	133,058	124,185	8,873	-
Total Operations - Excluded from "CAPS"	46,037	133,058	124,185	8,873	-
Detail:					
Salaries & Wages	155,188	155,188	148,663	6,525	
Other Expenses	3,601,642	3,688,663	3,549,469	139,194	-
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	470,000	470,000	470,000		
New Jersey Transportation Trust Fund Authority Act	-	206,000	206,000	-	-
Total Capital Improvements Excluded from "CAPS"	470,000	676,000	676,000	-	-
MUNICIPAL DEBT SERVICE -					
Payment of Bond Principal	1,755,000	1,755,000	1,755,000		
Interest on Bonds	635,000	635,000	631,637		\$ 3,363
Green Trust Loan Program					
Principal & Interest	55,000	55,000	53,760	-	1,240
Total Municipal Debt Service Excluded from "CAPS"	2,445,000	2,445,000	2,440,397	-	4,603

BOROUGH OF RUTHERFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balances Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 6,671,830	\$ 6,964,851	\$ 6,814,529	\$ 145,719	\$ 4,603
Subtotal General Appropriations	32,932,267	33,225,288	31,466,046	1,754,639	4,603
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 34,132,267</u>	<u>\$ 34,425,288</u>	<u>\$ 32,666,046</u>	<u>\$ 1,754,639</u>	<u>\$ 4,603</u>
Adopted Budget		\$ 34,132,267			
Appropriated by N.J.S. 40A:4-87		<u>293,021</u>			
		<u>\$ 34,425,288</u>			
Cash Disbursed			\$ 30,412,881		
Encumbrances Payable			620,980		
Length of Service Awards Program			102,000		
Due to Grant Fund			330,185		
Reserve for Uncollected Taxes			<u>1,200,000</u>		
			<u>\$ 32,666,046</u>		

BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2022 AND 2021

ASSETS	<u>Reference</u>	<u>2022</u>	<u>2021</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ <u>7</u>	\$ <u>-</u>
		<u>7</u>	<u>-</u>
OTHER TRUST FUND			
Cash	B-1	2,311,266	2,358,239
Due from Grant Fund	B-8	<u>146,990</u>	<u>-</u>
		<u>2,458,256</u>	<u>2,358,239</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>135,440</u>	<u>119,214</u>
		<u>135,440</u>	<u>119,214</u>
COAH TRUST FUND			
Cash	B-1	<u>3,674,072</u>	<u>1,495,298</u>
		<u>3,674,072</u>	<u>1,495,298</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Cash	B	3,249,808	3,883,225
Municipal Contribution Receivable	B	<u>112,000</u>	<u>112,000</u>
		<u>3,361,808</u>	<u>3,995,225</u>
Total Assets		<u>\$ 9,629,583</u>	<u>\$ 7,967,976</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2022 AND 2021**

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2022</u>	<u>2021</u>
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Trust Fund	B-2	\$ 3	\$ -
Due to State of New Jersey	B-3	<u>4</u>	<u>-</u>
		<u>7</u>	<u>-</u>
OTHER TRUST FUND			
Due to Current Fund	B-11	260,410	282,888
Miscellaneous Reserves	B-4	1,823,238	1,686,084
Escrow Deposits	B-5	266,633	280,253
Payroll Deductions Payable	B-9	<u>107,975</u>	<u>109,014</u>
		<u>2,458,256</u>	<u>2,358,239</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Expenditures	B-6	102,936	83,979
Due to State of New Jersey	B-7	<u>32,504</u>	<u>35,235</u>
		<u>135,440</u>	<u>119,214</u>
COAH TRUST FUND			
Reserve for COAH Expenditures	B-10	<u>3,674,072</u>	<u>1,495,298</u>
		<u>3,674,072</u>	<u>1,495,298</u>
LENGTH OF SERVICE AWARDS PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>3,361,808</u>	<u>3,995,225</u>
		<u>3,361,808</u>	<u>3,995,225</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,629,583</u>	<u>\$ 7,967,976</u>

BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2022 AND 2021

	<u>Reference</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Cash	C-2, C-3	\$ 4,101,796	\$ 15,010,216
Deferred Charges to Future Taxation			
Funded	C-4	23,845,253	25,640,109
Unfunded	C-5	<u>3,040,000</u>	<u>1,615,000</u>
 Total Assets		 <u>\$ 30,987,049</u>	 <u>\$ 42,265,325</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Green Acres Loan Payable	C-6	\$ 665,253	\$ 705,109
General Serial Bonds	C-7	23,180,000	24,935,000
Improvement Authorization			
Funded	C-8	1,697,281	4,098,682
Unfunded	C-8	568,714	455,402
Encumbrances Payable	C-9	3,720,152	10,715,833
Capital Improvement Fund	C-10	15,017	20,017
Reserve for Building Improvements	C-11	367,712	487,362
Fund Balance	C-1	<u>772,920</u>	<u>847,920</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 30,987,049</u>	 <u>\$ 42,265,325</u>

There were bonds and notes authorized but not issued on December 31, 2022 and 2021 of \$3,040,000 and \$1,615,000, respectively (Exhibit C-12).

BOROUGH OF RUTHERFORD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE -
REGULATORY BASIS - GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Balance, January 1	\$ 847,920	\$ 922,920
Decreased by:		
Anticipated as Current Fund Budget Revenue	<u>75,000</u>	<u>75,000</u>
Balance, December 31	<u>\$ 772,920</u>	<u>\$ 847,920</u>

**BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2022 AND 2021**

	<u>Reference</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Cash	D-1	\$ 91,155	\$ 101,844
		<u>\$ 91,155</u>	<u>\$ 101,844</u>
LIABILITIES			
Due to State of New Jersey	D-4	\$ 62,339	\$ 75,853
Reserve for Public Assistance Expenditures	D-5	<u>28,816</u>	<u>25,991</u>
		<u>\$ 91,155</u>	<u>\$ 101,844</u>

BOROUGH OF RUTHERFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Land	\$ 47,112,433	\$ 47,112,433
Site Improvements	4,217,692	3,858,991
Construction in Progress	12,519,578	4,930,155
Buildings	11,802,095	11,802,095
Buildings Improvements	4,349,727	4,197,850
Machinery, Equipment and Vehicles	<u>16,696,305</u>	<u>15,470,443</u>
	<u>\$ 96,697,830</u>	<u>\$ 87,371,967</u>
 INVESTMENT IN GENERAL FIXED ASSETS	 <u>\$ 96,697,830</u>	 <u>\$ 87,371,967</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

COAH Trust Fund - This fund is used to account for the receipts and disbursements relating to Council on Affordable Housing.

Length of Service Awards Program Trust 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, 2022 AND 2021

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, 2021 balances to conform to the December 31, 2022 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, 2022 AND 2021**

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, 2022 AND 2021**

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.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The Borough appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Other Post-Employment Benefits (OPEB) – The Borough funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the government-wide financial statements.

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.

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

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The Borough must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

1977 Appropriation “CAP”: The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum.

2010 Levy “CAP”: The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation for municipal purposes, exclusive of certain appropriations and allowable adjustments and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy.

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 2022 and 2021 the Borough Council increased the original budget by \$293,021 and \$259,372, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the Governing Body approved several budget transfers during 2022 and 2021.

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 deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee’s salary or funds which may pass to the local government upon the happening of a future condition.

BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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, 2022 and 2021, the book value of the Borough's deposits was \$27,048,384 and \$33,374,222 and bank and brokerage firm balances of the Borough's deposits amounted to \$27,792,407 and \$34,421,835, 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>2022</u>	<u>2021</u>
Insured	\$ 26,702,380	\$ 33,272,391
Uninsured and Collateralized	<u>1,090,027</u>	<u>1,149,444</u>
	<u>\$ 27,792,407</u>	<u>\$ 34,421,835</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, 2022 and 2021, the Borough's bank balances of \$1,090,027 and \$1,149,444 were exposed to custodial credit risk.

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2022</u>	<u>2021</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 1,090,027</u>	<u>\$ 1,149,444</u>
	<u>\$ 1,090,027</u>	<u>\$ 1,149,444</u>

B. Investments

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

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2022 and 2021, the Borough had the following investments:

	<u>Fair Value</u> <u>(Unaudited)</u>	
	<u>2022</u>	<u>2021</u>
Investment in VALIC (LOSAP)	\$ 3,249,808	\$ 3,883,225

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 credit risk. As of December 31, 2022 and 2021 \$3,249,808 and \$3,883,225 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>2022</u>	<u>2021</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 3,249,808	\$ 3,883,225

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. 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 – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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, 2022 and 2021, the Borough’s investment in VALIC was rated A2 by Moody’s Investors Service, Inc.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough’s investment in a single issuer. 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.

Fair Value of Investments. The Borough of Rutherford measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments are valued based on price data obtained from observed transactions and market price quotations provided by VALIC. Since the value is not obtained from a quoted price in an active market the investments held by the Borough at December 31, 2022 and 2021 are categorized as Level 2.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Property Taxes	\$ 469,405	\$ 553,966
Tax Title Liens	<u>76,369</u>	<u>64,880</u>
	<u>\$ 545,774</u>	<u>\$ 618,846</u>

In 2022 and 2021, the Borough collected \$550,049 and \$614,033 from delinquent taxes, which represented 89% and 91%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2022</u>		<u>2021</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	\$ 260,410	\$ 886,047	\$ 282,888	
Grant Fund	886,047	146,990		
Other Trust Fund	<u>146,990</u>	<u>260,410</u>	-	\$ 282,888
Total	<u>\$ 1,293,447</u>	<u>\$ 1,293,447</u>	<u>\$ 282,888</u>	<u>\$ 282,888</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>2022</u>		<u>2021</u>	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 10,111,514	\$ 3,275,000	\$ 9,407,315	\$ 3,050,000
Non-Cash Surplus	<u>1,836</u>	<u>-</u>	<u>898</u>	<u>-</u>
	<u>\$ 10,113,350</u>	<u>\$ 3,275,000</u>	<u>\$ 9,408,213</u>	<u>\$ 3,050,000</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021.

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance, December 31, <u>2022</u>
Land	\$ 47,112,433				\$ 47,112,433
Site Improvements	3,858,991	\$ 58,033		\$ 300,668	4,217,692
Construction in Progress	4,930,155	7,890,091		(300,668)	12,519,578
Buildings	11,802,095				11,802,095
Building Improvements	4,197,850	151,877			4,349,727
Machinery and Equipment	15,470,443	1,736,131	\$ 510,269	-	16,696,305
	<u>\$ 87,371,967</u>	<u>\$ 9,836,132</u>	<u>\$ 510,269</u>	<u>\$ -</u>	<u>\$ 96,697,830</u>
	Balance December 31, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance, December 31, <u>2021</u>
Land	\$ 47,112,433				\$ 47,112,433
Site Improvements	3,858,991				3,858,991
Construction in Progress		\$ 4,930,155			4,930,155
Buildings	11,802,095				11,802,095
Building Improvements	4,187,350	10,500			4,197,850
Machinery and Equipment	14,825,893	704,037	\$ 59,487	-	15,470,443
	<u>\$ 81,786,762</u>	<u>\$ 5,644,692</u>	<u>\$ 59,487</u>	<u>\$ -</u>	<u>\$ 87,371,967</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 and acquisitions or other purposes permitted by the Local Bond Law, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2022</u>	<u>2021</u>
Issued		
General		
Bonds and Loans	\$ 23,845,253	\$ 25,640,109
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>-</u>
Net Debt Issued	23,845,253	25,640,109
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,040,000</u>	<u>1,615,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 26,885,253</u>	<u>\$ 27,255,109</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and Report of Audit and indicates a statutory net debt of .819% and .870% at December 31, 2022 and 2021, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2022</u>			
General Debt	\$ 26,885,253		\$ 26,885,253
School Debt	<u>49,525,000</u>	<u>\$ 49,525,000</u>	<u>-</u>
Total	<u>\$ 76,410,253</u>	<u>\$ 49,525,000</u>	<u>\$ 26,885,253</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt (Continued)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2021</u>			
General Debt	\$ 27,255,109		\$ 27,255,109
School Debt	<u>51,655,000</u>	<u>\$ 51,655,000</u>	<u>-</u>
Total	<u>\$ 78,910,109</u>	<u>\$ 51,655,000</u>	<u>\$ 27,255,109</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>2022</u>	<u>2021</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 114,854,034 <u>26,885,253</u>	\$ 109,666,672 <u>27,255,109</u>
Remaining Borrowing Power	<u>\$ 87,968,781</u>	<u>\$ 82,411,563</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>2022</u>	<u>2021</u>
\$9,950,000, 2018 Bonds, due in annual installments of \$850,000 to \$950,000 through November 1, 2030, interest at 3.00% to 4.00%	\$ 7,000,000	\$ 7,830,000
\$18,030,000, 2020 Bonds, due in annual installments of \$550,000 to \$1,100,000 through November 1, 2043, interest at 0.05% to 3.00%	<u>16,180,000</u>	<u>17,105,000</u>
	<u>\$ 23,180,000</u>	<u>\$ 24,935,000</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements 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>2022</u>	<u>2021</u>
2013 Loans of \$335,074, due in semi-annual installments of \$17,404 to \$21,663 through July 9, 2034, interest at 2.00%	\$ 233,550	\$ 250,611
2017 Loans of \$316,944, due in semi-annual installments of \$14,695 to \$19,417 through August 6, 2037, interest at 2.00%	254,317	268,722
2020 Loans of \$194,000, due in semi-annual installments of \$8,558 to \$11,767 through May 27, 2040, interest at 2.00%	<u>177,386</u>	<u>185,776</u>
	<u>\$ 665,253</u>	<u>\$ 705,109</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2022 is as follows:

Calendar Year	Serial Bonds		Loans		Total
	Principal	Interest	Principal	Interest	
2023	\$ 1,800,000	\$ 578,988	\$ 40,657	\$ 13,102	\$ 2,432,747
2024	1,800,000	534,487	41,475	12,285	2,388,247
2025	1,800,000	489,488	42,308	11,452	2,343,248
2026	1,800,000	443,987	43,159	10,602	2,297,748
2027	1,800,000	380,487	44,027	9,733	2,234,247
2028-2032	6,300,000	1,144,249	233,767	35,036	7,713,052
2033-2037	3,750,000	482,500	190,586	12,250	4,435,336
2038-2042	3,550,000	146,150	29,274	884	3,726,308
2043	<u>580,000</u>	<u>11,600</u>	<u>-</u>	<u>-</u>	<u>591,600</u>
Total	<u>\$ 23,180,000</u>	<u>\$ 4,211,936</u>	<u>\$ 665,253</u>	<u>\$ 105,344</u>	<u>\$ 28,162,533</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021 were as follows:

	Balance, December 31, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2022</u>	Due Within <u>One Year</u>
General Capital Fund					
Serial Bonds Payable	\$ 24,935,000		\$ 1,755,000	\$ 23,180,000	\$ 1,800,000
Intergovernmental Loans Payable	<u>705,109</u>	<u>-</u>	<u>39,856</u>	<u>665,253</u>	<u>40,657</u>
	<u>\$ 25,640,109</u>	<u>\$ -</u>	<u>\$ 1,794,856</u>	<u>\$ 23,845,253</u>	<u>\$ 1,840,657</u>

	Balance, December 31, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>	Due Within <u>One Year</u>
General Capital Fund					
Serial Bonds Payable	\$ 26,660,000		\$ 1,725,000	\$ 24,935,000	\$ 1,755,000
Intergovernmental Loans Payable	<u>744,180</u>	<u>-</u>	<u>39,071</u>	<u>705,109</u>	<u>39,856</u>
	<u>\$ 27,404,180</u>	<u>\$ -</u>	<u>\$ 1,764,071</u>	<u>\$ 25,640,109</u>	<u>\$ 1,794,856</u>

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>2022</u>		
Police Headquarters	\$ 789,221	2023
Acquisition of DPW Vehicles	224,478	2023
Refurbishment of 3 Fire Engines	443,902	2023
Acquisition of Office Furniture	189,863	2023
Locker Room Lockers and Mobile Storage	209,361	2023
Purchase and Installation of Technology Systems/Equipment	330,350	2023
Tamblyn Field Improvements	262,392	2023
2022 Road Improvement Program	1,081,209	2023
Police Headquarters Radio Tower	137,629	2023
Clara's Tunnel Transit Village Project	51,791	2023

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

<u>Capital Project/Purpose</u>	<u>Remaining Commitment</u>	<u>Estimated Date of Acquisition/ Completion</u>
<u>2021</u>		
Police Headquarters	\$ 8,023,820	2023
2020 Road Improvement Program	368,620	2022
Lighting at Memorial Field Complex	67,747	2022
2021 Road Improvement Program	591,420	2022
Acquisition of Police Radios	250,000	2022
Acquisition of Police Body Cameras	149,975	2022
Acquisition of DPW Vehicles	469,310	2022
Refurbishment of 3 Fire Engines	622,754	2023

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 \$4,010,957 and \$3,739,581 at December 31, 2022 and 2021, respectively. These amounts which 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) at December 31, 2022 and 2021 is \$118,694 and \$193,251, respectively.

During the years ended December 31, 2022, 2021 and 2020 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>
2022	\$ 23,898	\$ 50,659
2021	21,837	46,344
2020	20,035	42,590

BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 were as follows:

<u>2022</u>	Balance, December 31, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2022</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 3,739,581	\$ 271,376		\$ 4,010,957	
Deferred Pension Obligation	193,251		\$ 74,557	118,694	\$ 77,807
Net OPEB Liability	53,219,535	2,463,384		55,682,919	
Net Pension Liability					
PFRS (1)	10,367,141			10,367,141	
PERS (1)	8,589,771	-	-	8,589,771	-
Total	<u>\$ 76,109,279</u>	<u>\$ 2,734,760</u>	<u>\$ 74,557</u>	<u>\$ 78,769,482</u>	<u>\$ 77,807</u>
<u>2021</u>	Balance, December 31, <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2021</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 3,599,528	\$ 140,053		\$ 3,739,581	
Deferred Pension Obligation	261,432		\$ 68,181	193,251	\$ 74,557
Net OPEB Liability	54,858,785		1,639,250	53,219,535	
Net Pension Liability					
PFRS	18,015,046		7,647,905	10,367,141	
PERS	12,160,772	-	3,571,001	8,589,771	-
Total	<u>\$ 88,895,563</u>	<u>\$ 140,053</u>	<u>\$ 12,926,337</u>	<u>\$ 76,109,279</u>	<u>\$ 74,557</u>

(1) - GASB Statement Number 68 Pension financial information was not provided by the State's Division of Pensions and Benefits as of the audit date.

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) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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) Annual Comprehensive Financial Report (ACFR) 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.

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, 2022 AND 2021**

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 on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment 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, 2022 AND 2021**

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, 2022 was not available and for June 30, 2021 is \$12.0 billion, and the plan fiduciary net position as a percentage of the total pension liability is 70.33% at June 30, 2021. The collective net pension liability of the participating employers for local PFRS at June 30, 2022 was not available and for June 30, 2021 is \$9.4 billion and the plan fiduciary net position as a percentage of total pension liability is 77.26% at June 30, 2021.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2020 which were rolled forward to June 30, 2021.

Actuarial Methods and Assumptions

In the July 1, 2020 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 2022 and 2021 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2022 and 2021 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 2022, 2021 and 2020 were equal to the required contributions.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2022, 2021, and 2020, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

Year Ended December 31	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2022	\$ 1,653,069	\$ 849,164	\$ 10,325
2021	1,557,572	815,783	9,886
2020	1,433,790	744,306	11,673

In addition for the years ended December 31, 2022, 2021 and 2020 the Borough contributed for long-term disability insurance premiums (LTDI) \$-0-, \$-0- and \$2,366, 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.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2022 for the measurement date of June 30, 2022 was not available as of the date of audit. Accordingly, the State’s Division of Local Government Services issued Local Finance Notice 2023-10 which authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2022 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2021 and 2020. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2021, the Borough reported a liability of \$8,589,771 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2021, the Borough’s proportionate share was .07251 percent, which was a decrease of .00206 percent from its proportionate share measured as of June 30, 2020 of .07457 percent.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2021, the pension system has determined the Borough's pension benefit to be \$1,202,582 for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$815,783. At December 31, 2021, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 135,472	\$ 61,493
Changes of Assumptions	44,735	3,058,014
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,262,771
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>565,361</u>	<u>528,988</u>
Total	<u>\$ 745,568</u>	<u>\$ 5,911,266</u>

At December 31, 2021 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension benefit as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2022	\$ (2,005,124)
2023	(1,389,738)
2024	(965,181)
2025	(797,491)
2026	(8,164)
Thereafter	<u>-</u>
	<u>\$ (5,165,698)</u>

**BOROUGH OF RUTHERFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2021, as reported for the year ended December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.35%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment Grade Credit	8.00%	1.68%
US Equity	27.00%	8.09%
Non-US Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
High Yield	2.00%	3.75%
Real Assets	3.00%	7.40%
Private Credit	8.00%	7.60%
Real Estate	8.00%	9.15%
Private Equity	13.00%	11.30%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2021 calculated using the discount rate of 7.00%, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2021</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>11,697,526</u>	\$ <u>8,589,771</u>	\$ <u>5,952,400</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2021. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

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, 2021, the Borough reported a liability of \$10,367,141 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2021, the Borough's proportionate share was .14184 percent, which an increase of .00242 percent from its proportionate share measured as of June 30, 2020 of .13942 percent.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2021, the pension system has determined the Borough pension benefit to be \$1,018,317 for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$1,557,572. At December 31, 2021, 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>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 118,277	\$ 1,241,876
Changes of Assumptions	55,165	3,106,985
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		4,417,776
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>990,011</u>	<u>125,190</u>
Total	<u>\$ 1,163,453</u>	<u>\$ 8,891,827</u>

At December 31, 2021 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension benefit as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ (2,520,816)
2023	(1,879,804)
2024	(1,551,140)
2025	(1,588,988)
2026	(160,361)
Thereafter	<u>(27,265)</u>
	<u>\$ (7,728,374)</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation Rate:	2.75%
Salary Increases	3.25%-15.25% Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2021, as reported for the year ended December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>2021</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.35%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment Grade Credit	8.00%	1.68%
US Equity	27.00%	8.09%
Non-US Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
High Yield	2.00%	3.75%
Real Assets	3.00%	7.40%
Private Credit	8.00%	7.60%
Real Estate	8.00%	9.15%
Private Equity	13.00%	11.30%

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2021 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

2021	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,742,179</u>	<u>\$ 10,367,141</u>	<u>\$ 5,893,002</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2021. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Special Funding Situation – PFRS

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

At December 31, 2021, the State’s proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,915,756. For the year ended December 31, 2021, 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 \$324,730 which is more than the actual contribution the State made on behalf of the Borough of \$253,290. At December 31, 2021 (measurement date June 30, 2021) the State’s share of the PFRS net pension liability attributable to the Borough was .14184 percent, which was an increase of .00242 percent from its proportionate share measured as of December 31, 2020 (measurement date June 30, 2020) of .13942 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, 2022 AND 2021**

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, 2022 and 2021, the following employees were covered by postemployment health care benefits:

	<u>2022</u>	<u>2021</u>
Active Employees	103	92
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>103</u>	<u>94</u>
	<u>206</u>	<u>186</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, 2022 AND 2021**

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, 2022 and 2021, the Borough's total OPEB liabilities were \$55,682,919 and \$53,219,535, respectively. Net OPEB liability was measured as of December 31, 2022 and 2021, respectively, and the OPEB liability was determined by an actuarial valuation as of these dates, respectively.

For the year ended December 31, 2022 and 2021, the Borough has determined it's OPEB expense to be \$2,530,678 and \$2,495,152, respectively, based on the actuarial valuations which were more than the actual contributions reported in the Borough's financial statements of \$1,357,356 and \$1,036,202, respectively. At December 31, 2022 and 2021, 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:

	2022		2021	
	<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	\$ 7,262,723			
Changes of Assumptions	<u>6,553,007</u>	<u>\$ 7,807,573</u>	<u>\$ 7,184,651</u>	<u>\$ 2,466,556</u>
Total	<u>\$ 13,815,730</u>	<u>\$ 7,807,573</u>	<u>\$ 7,184,651</u>	<u>\$ 2,466,556</u>

At December 31, 2022 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>
2023	\$ 545,430
2024	545,430
2025	545,430
2026	545,430
2027	545,430
Thereafter	<u>3,281,007</u>
	<u>\$ 6,008,157</u>

BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2022 was based on the December 31, 2022 measurement date as determined by an actuarial valuation as of December 31, 2022. The total OPEB liability reported for the year ended December 31, 2021 was based on the December 31, 2021 measurement date as determined by an actuarial valuation as of December 31, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

December 31, 2022

<i>Mortality</i>	<i>December 31, 2022 - RP 2000 Combined Healthy Male Mortality Rates Set Forward One Year and Adjusted for Generational Improvement December 31, 2022 - PUB 2010 "General" classification headcount weighted mortality with generational improvement using Scale MP-2022</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 completing 25 years of service</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>2.06% Based on the Bond Buyer 20 Index December 31, 2021 3.72% Based on the Bond Buyer 20 Index December 31, 2022</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: 5.3% in 2022, reducing by 0.2% per annum, leveling at 4.5% per annum in 2026 Drug: 6.5% in 2022, reducing by 0.5% per annum, leveling at 4.5% per annum in 2026 Medicare Advantage: 4.5% per annum Dental and Vision: 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 full benefits eligibility date.
- Per capita cost methods – The valuation reflects per capita net premium costs based on actual 2022 medical, prescription drug and dental 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 until age 65. At age 65, Medicare Advantage becomes the primary payor of medical benefits and aging factors are not applied.
- 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. Contribution rates were assumed to be 35% for all active participants, based on previous data.
- Actuarial valuation method – Entry Age Normal Funding Method based on a level percentage of salary. 2022 salaries were reported as \$9.572 million.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions (Continued)

December 31, 2021

<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 completing 25 years of service</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>2.12% Based on the Bond Buyer 20 Index December 31, 2020 2.06% Based on the Bond Buyer 20 Index December 31, 2021</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: 5.6% in 2021, reducing by 0.2% per annum, leveling at 4.5% per annum in 2026 Drug: 7.0% in 2021, reducing by 0.5% per annum leveling at 4.5% per annum in 2026 Medicare Advantage: 4.5% per annum Dental and Vision: 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 2020 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 (47) 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. 2021 salaries were reported as \$8.193 million.

The actuarial assumptions used in the December 31, 2022 and 2021 valuation were based on the results of an actuarial experience study as of December 31, 2022 and 2021, respectively.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Changes in the Total OPEB Liability

The change in the Borough's OPEB liability for the years ended December 31, 2022 and 2021 based on measurement date of December 31, 2022 and 2021, respectively, are as follows:

	Total OPEB Liability 2022	Total OPEB Liability 2021
Balance - Beginning of Year	\$ 53,219,535	\$ 54,858,785
Changes for the Year:		
Service Cost	884,683	909,635
Interest on the Total OPEB Liability	1,100,565	1,171,306
Differences Between Expected and Actual Experience	7,821,910	
Changes in Assumptions	(5,986,418)	(2,683,989)
Benefit Payments	(1,357,356)	(1,036,202)
Net Changes	<u>2,463,384</u>	<u>(1,639,250)</u>
Balance - End of Year	<u>\$ 55,682,919</u>	<u>\$ 53,219,535</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, 2022 and 2021 calculated using the discount rate of 3.72% and 2.06%, 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 2.72% and 1.06%, respectively or 1-percentage-point higher 4.72% and 3.06%, respectively than the current rate:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
<u>2022</u>			
Net OPEB Liability	<u>\$ 63,206,412</u>	<u>\$ 55,682,919</u>	<u>\$ 49,622,338</u>
	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
<u>2021</u>			
Net OPEB Liability	<u>\$ 60,369,440</u>	<u>\$ 53,219,535</u>	<u>\$ 47,440,782</u>

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (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, 2022 and 2021 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>1%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1%</u> <u>Increase</u>
<u>2022</u>			
Net OPEB Liability	<u>\$ 50,375,506</u>	<u>\$ 55,682,919</u>	<u>\$ 49,622,338</u>
<u>2021</u>			
Net OPEB Liability	<u>\$ 48,167,723</u>	<u>\$ 53,219,535</u>	<u>\$ 59,392,331</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. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) Annual Comprehensive Financial Report (ACFR), 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, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 was not available and for 2021 is \$18.0 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is 0.28% at June 30, 2021.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2020 which was rolled forward to June 30, 2021.

Actuarial Methods and Assumptions

In the June 30, 2020 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 \$325.1 million and the State of New Jersey, as the non-employer contributing entity, contributed \$37.8 million for fiscal year 2021.

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, 2022 AND 2021

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.

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 75 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2022 for the measurement date of June 30, 2022 was not available as of the date of audit. Accordingly, the State's Division of Local Government Services issued Local Finance Notice 2023-10 which authorizes and permits New Jersey municipalities to present the most recent available audited GASB No. 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 75 financial information for the year ended December 31, 2022 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2021 and 2020. 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, 2021, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$11,168,939. For the year ended December 31, 2021 the plan has determined the State's proportionate share of the OPEB expense (benefit) attributable to the Borough for the OPEB special funding situation is \$(1,524,043). At December 31, 2021, (measurement date June 30, 2021), the State's share of the OPEB liability attributable to the Borough was .28925percent, which was an increase of .09579 percent from its proportionate share measured as of December 31, 2020 (measurement date June 30, 2020) of .19346 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, 2022 AND 2021**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation (Continued)

The Borough’s total OPEB liability reported for the year ended December 31, 2021 was based on the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2021</u>
Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Initial Fiscal Year Applied Through	Rate for All Future Years
Rate	3.25% to 15.25%

*Salary increases are based on years of service within the respective pension plan.

Mortality Rates

Pre-retirement and healthy post-retirement mortality rates were based on the Pub-2010 Healthy “Safety” for PFRS and Healthy “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Disabled “Safety” for PFRS and Disabled “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trends

The trend rate for pre-Medicare medical benefits is initially 5.65 percent and decreases to a 4.50 percent long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 and 2023 are reflected. Future years PPO and HMO trend rates differ for each retirement plan. PPO trend is initially 7.56% in fiscal year 2024, increasing to 14.43% in fiscal year 2025 and decreasing to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to 4.50% long-term after 7 years.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Discount Rate

The discount rate for June 30, 2021 measurement date was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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 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 Borough is also a member of the Bergen Municipal Employee Benefits Fund (BMED). This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The BMED is a risk-sharing public entity pool. The BMED coverage amounts are on file with the Borough.

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2022	\$ 18,269	\$ -	\$ 102,936
2021	16,052	26,727	83,979
2020	15,323	12,125	94,098

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021. 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, 2022 and 2021, the Borough reserved \$528,803 and \$535,716, 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, 2022 and 2021, 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, 2022 and 2021, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The Borough's Length of Service Awards 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.

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 \$1,814 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

The Borough of Rutherford has contributed up to a maximum of \$1,814 and \$1,718 for 2022 and 2021, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$112,000 and \$112,000 for 2022 and 2021, 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.

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2022 and 2021, 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, 2022 and 2021 the Borough abated property taxes totaling \$442,794 and \$45,810, respectively under the LTTE program. The Borough received \$166,097 and \$166,287 in PILOT payments under this program for the years ended December 31, 2022 and 2021, respectively.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 17 TAX ABATEMENTS (Continued)

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, 2022 and 2021 the Borough abated property taxes totaling \$166,641 and \$160,018, respectively, under this law. The Borough received \$22,028 and \$22,447 in PILOT payments under this program for the years ended December 31, 2022 and 2021, respectively.

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also declared a public health emergency on March 9, 2020 and instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey's economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor's pandemic-related executive orders on July 4, 2021. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) terminated on January 1, 2022. On January 11, 2022, the Governor reinstated, via Executive Order No. 280, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency was set to expire 30 days from January 11, 2022, but was later extended, via Executive Order No. 288, for an additional 30 days on February 10, 2022. On March 4, 2022, the Governor declared, via Executive Order No. 292, an end to the reinstated public health emergency, effective March 7, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place.

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

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

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

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

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

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

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

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

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

The Borough will receive \$1,915,748 from the Plan in two equal payments. The Borough has received the full amount of its relief funds under the plan as of December 31, 2022. The Borough utilized \$300,000 of the funds in the 2022 budget to replace lost public sector revenue. The Borough utilized funds in the amount of \$1,515,748 in the 2023 budget to replace lost public sector revenue. The deadline to obligate the funds is December 31, 2024 and to spend them is December 31, 2026.

**BOROUGH OF RUTHERFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

On May 2, 2023 the Borough adopted a bond ordinance authorizing the issuance \$1,710,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

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

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2021	\$ 13,803,518	\$ 485,123
Increased by Receipts:		
Taxes Receivable	\$ 81,071,622	
Non Budget Revenue	941,580	
Petty Cash Returned	900	
Revenue Accounts Receivable	4,903,096	\$ 3,321
2022 Prepaid Taxes	422,514	
Due from State - Senior Citizen and Veteran Deductions	72,885	
Various Reserves	1,358,987	
Grants Receivable		241,454
Receipts from Grant Fund	403,336	
Receipts for Grant Fund	1,230,382	
Receipts from Other Trust Fund	976,567	
Receipts for Other Trust Fund		146,990
Receipts from General Capital Fund	43,716	
Receipts from Public Assistance Fund	482	
	<u>91,426,067</u>	<u>391,765</u>
	105,229,585	876,888
Decreased by Disbursements:		
2022 Budget Appropriations	30,412,881	
2021 Appropriation Reserves	489,886	
Petty Cash Disbursed	900	
Encumbrances Payable	586,741	
Local District School Tax Payable	47,898,080	
County Taxes Payable	7,763,523	
Various Reserves	312,428	
Advance/Security Deposit	218	
Demolition Lien Receivable	71,205	
Payments for Grant Fund	489,193	
Payments for Other Trust Fund	938,567	
Payments to Current Fund		403,336
Refund of Prior Year Revenue	5,637	
	<u>88,969,259</u>	<u>403,336</u>
Balance, December 31, 2022	<u>\$ 16,260,326</u>	<u>\$ 473,552</u>

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

<u>Year</u>	Balance, December 31, <u>2021</u>	<u>Levy</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Collected In</u>		Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Transferred to Tax Title <u>Liens</u>	Balance, December 31, <u>2022</u>
				<u>2021</u>	<u>2022</u>				
2021	\$ 553,966		\$ 1,645	\$ 550,049				\$ 4,349	\$ 1,213
2022	<u>-</u>	<u>\$ 81,564,533</u>	<u>2,250</u>	<u>\$ 469,225</u>	<u>80,521,573</u>	<u>\$ 77,500</u>	<u>\$ 24,031</u>	<u>6,262</u>	<u>468,192</u>
	<u>\$ 553,966</u>	<u>\$ 81,564,533</u>	<u>\$ 3,895</u>	<u>\$ 469,225</u>	<u>\$ 81,071,622</u>	<u>\$ 77,500</u>	<u>\$ 24,031</u>	<u>\$ 10,611</u>	<u>\$ 469,405</u>

Analysis of 2022 Property Tax Levy

Tax Yield		
General Purpose Tax		\$ 81,279,651
Added and Omitted Taxes		<u>284,882</u>
		<u>\$ 81,564,533</u>
Tax Levy		
Local District School Tax		\$ 47,898,080
County Taxes	\$ 7,439,287	
County Open Space Taxes	307,339	
County Taxes - Added & Omitted	<u>27,340</u>	
		7,773,966
Local Tax for Municipal Purposes	24,545,166	
Local Tax for Free Public Library	1,063,440	
Additional Taxes	<u>283,881</u>	
		<u>25,892,487</u>
		<u>\$ 81,564,533</u>

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

Balance, December 31, 2021		\$ 64,880
Increased by:		
Transfer from Taxes Receivable	\$ 10,611	
Interest and Costs on Tax Sale	<u>878</u>	
		<u>11,489</u>
Balance, December 31, 2022		<u><u>\$ 76,369</u></u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2021		<u>\$ 7,025</u>
Balance, December 31, 2022		<u><u>\$ 7,025</u></u>

STATEMENT OF DEMOLITION LIEN RECEIVABLE

Increased by:		
Cash Disbursements		<u>\$ 71,205</u>
Balance, December 31, 2022		<u><u>\$ 71,205</u></u>

BOROUGH OF RUTHERFORD
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2021</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2022</u>
Licenses				
Alcoholic Beverages		\$ 21,167	\$ 21,167	
Other		12,750	12,750	
Fees and Permits				
Other		134,487	134,487	
Municipal Court	\$ 20,914	439,424	433,272	\$ 27,066
Interest and Cost on Taxes		144,315	144,315	
Parking Meters		284,432	284,432	
Interest on Investments		134,096	134,096	
Parking Lot Permits		197,276	197,276	
Fire Safety Fees		94,442	94,442	
Energy Receipts Tax		1,384,589	1,384,589	
Uniform Construction Code Fees		539,262	539,262	
Interlocal Municipal Service Agreements:				
Gasoline and Diesel for Vehicles		379,338	379,338	
Uniform Fire Safety Act		33,721	33,721	
Lease of Borough Property		154,193	154,193	
Cable TV Franchise Fee		210,781	210,781	
Nursing Services Non-Public School Pupils		21,871	21,871	
PILOT - Rutherford Senior Housing Committee		22,028	22,028	
PILOT - Redevelopment		166,097	166,097	
Hotel Occupancy Fee		235,989	235,989	
Nereid Boat Club - Green Trust Loan Repayment		21,988	21,988	
Fees and Permits - Recycling Revenues		7,397	7,397	
Due from Free Public Library		230,000	230,000	
General Capital Surplus	-	75,000	75,000	-
	<u>\$ 20,914</u>	<u>\$ 4,944,643</u>	<u>\$ 4,938,491</u>	<u>\$ 27,066</u>
			\$ 4,903,096	
			<u>35,395</u>	
			<u>\$ 4,938,491</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF GRANTS RECEIVABLE
GRANT FUND**

<u>Grant</u>	Balance, December 31, <u>2021</u>	Grant <u>Awards</u>	<u>Receipts</u>	Balance, December 31, <u>2022</u>
Local Grants:				
Bergen County Open Space Grant - Park Improvement Program	15,018			\$ 15,018
Bergen County Open Space Grant - Sunset Memorial Park improvement	\$ 18,061			18,061
Bergen County Open Space - Tamblyn Field - 2019	76,500			76,500
Bergen County Open Space - Tamblyn Field - 2020	32,450			32,450
Bergen County Open Space - Memorial, Tamblyn & Wall Field Imp.	74,358			74,358
Bergen County Local Arts Program Grant - 2022		\$ 5,193	\$ 3,894	1,299
Bergen County Local Arts Program Grant - 2021	2,210		552	1,658
Bergen County Local Arts Program Grant - 2020	3,100			3,100
Bergen County Historic Preservation Grant - 2015	725		181	544
Donation - Police Equipment		4,087	4,087	
Resiliency Planning - Rutherford Tree Inventory & Risk Assessment		50,000		50,000
NJSEA - Arbor Day Tree Grant - 2020	1,000			1,000
	<u>223,422</u>	<u>59,280</u>	<u>8,714</u>	<u>273,988</u>
Subtotal Local Grants				
Federal Grants:				
Bulletproof Vest Partnership Grant - 2017	2,474			2,474
2017 NJDOT Safe Routes to Schools	368,000			368,000
Bergen County CDGB - 2019 Darwin Avenue Street Improvement	105,800			105,800
Bergen County CDGB - 2019 Handicapped Accessible Bathroom - Kidspot	22,450		20,235	2,215
Bergen County CDGB - 2019 Handicapped Accessibility Improvements - Borough Hall	92,900			92,900
Assistance to Firefighters Grant Program	238,095		238,095	
Assistance to Firefighters Grant - COVID Supplemental	4,783			4,783
	<u>834,502</u>	<u>-</u>	<u>258,330</u>	<u>576,172</u>
Subtotal Federal Grants				
State Grants:				
Municipal Alliance on Alcoholism and Drug Abuse - 2018/19	6,213			6,213
Municipal Alliance on Alcoholism and Drug Abuse - 2019/20	7,736			7,736
Municipal Alliance on Alcoholism and Drug Abuse - 2020/21	4,507		4,507	-
Municipal Alliance on Alcoholism and Drug Abuse - 2021/22				
DMHAS - Youth Leadership Grant		4,633		4,633
NJDEP Forestry Management Plan Grant	30,318			30,318
Green Acres - Memorial Park Improvements - 2020	148,215			148,215
Green Acres - Walls Field Rain Garden/Bio Retention - 2020	63,420			63,420
N.J. Div. of Criminal Justice - Body Armor Grant 2022		2,062	2,062	
Body Worn Cameras Grant	18,342		18,342	
Recycling Tonnage Grant		20,188	20,188	
Clean Communities Program		32,388	32,388	
Census Grant - 2020	1,279			1,279
Recreational Opportunities for Individuals with Disabilities - 2017/18	291			291
Recreational Opportunities for Individuals with Disabilities - 2021	20,000			20,000
N.J. Transportation Trust Fund Authority Act - 2015 Municipal Aid	60,052			60,052
N.J. Transportation Trust Fund Authority Act - 2018 Municipal Aid	55,102			55,102
N.J. Transportation Trust Fund Authority Act - 2019	212,000			212,000
N.J. Transportation Trust Fund Authority Act - 2020 Municipal Aid	195,000			195,000
N.J. Transportation Trust Fund Authority Act - 2020 Transit Village	210,000			210,000
N.J. Transportation Trust Fund Authority Act - 2021	180,587			180,587
N.J. Transportation Trust Fund Authority Act - 2022	-	206,000	154,500	51,500
	<u>1,213,062</u>	<u>269,778</u>	<u>231,987</u>	<u>1,250,853</u>
Subtotal State Grants				
Grand Totals	<u>\$ 2,270,986</u>	<u>\$ 329,058</u>	<u>\$ 499,031</u>	<u>\$ 2,101,013</u>
			\$ 4,087	
			253,490	
			<u>241,454</u>	
			<u>\$ 499,031</u>	

BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATION RESERVES

	Balance December 31, <u>2021</u>	<u>Transfers</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":						
General Administration	\$ 26,749			\$ 26,749	\$ 26,749	
Municipal Clerk	1,279			1,279		\$ 1,279
Financial Administration	9,069			9,069		9,069
Assessment of Taxes	1,182			1,182	335	847
Property Management Enforcement	14,998			14,998		14,998
Police	282,174			282,174	121,827	160,347
Emergency Management	100			100		100
Fire Official	8,144			8,144	203	7,941
Public Defender	23			23		23
Municipal Court	2,036			2,036	295	1,741
Road repairs and Maintenance	126,742	\$ (9,000)		117,742	12,870	104,872
Shade Tree	77,803			77,803		77,803
Sewer System	9,246			9,246	185	9,061
Garbage and Trash	36,793			36,793	6,114	30,679
Recycling Program	49,458			49,458	1,837	47,621
Public Buildings and Grounds	8,982			8,982		8,982
Board of Health	1,979			1,979		1,979
Administration of Public Assistance	795			795		795
Recreation Commission	9,231			9,231	2,429	6,802
Terminal Leave	47,507			47,507		47,507
Reserve for Compensated Absences	50,000			50,000		50,000
Construction Code Officials	6,061	-	-	6,061	-	6,061
Total Salaries and Wages Within "CAPS"	770,351	(9,000)	-	761,351	172,844	588,507
Other Expenses Within "CAPS"						
General Administration	10,352			10,352	1,488	8,864
Mayor and Council	1,159		\$ 123	1,282		1,282
Municipal Clerk	7,881		2	7,883		7,883
Financial Administration - Other	8,880			8,880	6,154	2,726
Financial Administration - Audit	30,000			30,000	30,000	-
Computerized Data Processing	5,019		2,067	7,086		7,086
Collection of Taxes	7,236			7,236	2,699	4,537
Assessment of Taxes	31,094			31,094	563	30,531
Legal Services and Costs	28,583			28,583	19,606	8,977
Engineering Services and Costs	40,000			40,000	38,089	1,911
Engineering Services & Costs Complete Streets	5,000			5,000		5,000
Planning Board	4,648			4,648	1,000	3,648
Board of Adjustment	3,400			3,400	1,755	1,645
Property Management Enforcement	500			500		500
Police	31,382			31,382	5,522	25,860
Emergency Management Services	9,707			9,707		9,707
Aid to Volunteer Ambulance Co.	2,135		215	2,350		2,350
Fire	41,268			41,268	3,148	38,120
Fire Official	3,979			3,979		3,979
Municipal Court	6,138			6,138		6,138
Road Repairs and Maintenance	7,456		1,605	9,061		9,061
Shade Tree Division	17,222		680	17,902		17,902
Sewer System	17,620	9,000		26,620	22,761	3,859
Garbage & Trash Removal	3,547		653	4,200		4,200
Public Buildings and Grounds	39,376		2,013	41,389		41,389
Landfill Disposal Costs	189,998			189,998	80,351	109,647
Animal Control	3,441			3,441		3,441
Board of Health	20,981		134	21,115		21,115
Administration of Public Assistance	2,028		250	2,278		2,278
Senior Citizen - Kip Center	15,000			15,000	15,000	-
Recreation Department	51,463			51,463	4,403	47,060

BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATION RESERVES
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Balance December 31, <u>2021</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	\$ 4,179			\$ 4,179		\$ 4,179
General Liability Insurance	4,796			4,796		4,796
Workers Compensation Insurance	3,714			3,714		3,714
Employee Group Insurance	315,828			315,828	\$ 4,544	311,284
Other Insurance Premiums	9,286			9,286	469	8,817
Health Benefit Waiver	7,249			7,249		7,249
Legal Settlements	20,969			20,969		20,969
Construction Code Official	823			823	453	370
Electricity	386			386		386
Street Lighting	4,037			4,037		4,037
Telephone	18,296			18,296	2,770	15,526
Water	4,792			4,792	2,728	2,064
Fuel Oil	5,000		\$ 5,889	10,889		10,889
Gasoline	56,000		10,240	66,240		66,240
Contingent	5,000			5,000	2,311	2,689
Social Security System	2,341			2,341	31	2,310
Unemployment Insurance	100			100		100
Maintenance of Free Public Library	97,048			97,048	97,048	-
Passaic Valley Trunk Sewer	1,010			1,010		1,010
Shared Service - Construction Code Official Service	4,245			4,245		4,245
Matching Funds for Grants	4,634			4,634		4,634
BCUA Sewer Charges	2,001			2,001		2,001
Declared State of Emergency - Coronavirus	10,000	-	-	10,000	-	10,000
Total Other Expenses	<u>1,230,841</u>	<u>9,000</u>	<u>23,871</u>	<u>1,263,712</u>	<u>342,893</u>	<u>920,819</u>
Total	<u>\$ 2,001,192</u>	<u>\$ -</u>	<u>\$ 23,871</u>	<u>\$2,025,063</u>	<u>\$ 515,737</u>	<u>\$ 1,509,326</u>
					Cash Disbursements	\$ 489,886
					Miscellaneous Reserves/Payable	25,851
					<u>\$ 515,737</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2021		\$ 610,612
Increased by:		
2022 Budget Appropriations	\$ 620,980	
Appropriated Grant Reserves	<u>378,297</u>	
		<u>999,277</u>
		1,609,889
Decreased by:		
Canceled to 2021 Appropriation Reserves	\$ 23,871	
Cash Disbursements	<u>586,741</u>	
		<u>610,612</u>
Balance, December 31, 2022		<u>\$ 999,277</u>
	2022 Budget Appropriations	\$ 620,980
	Appropriated Grant Reserves	<u>378,297</u>
		<u>\$ 999,277</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2021		\$ 469,225
Increased by:		
Collection of 2023 Taxes		<u>422,514</u>
		891,739
Decreased by:		
Applied to 2022 Taxes Receivable		<u>469,225</u>
Balance, December 31, 2022		<u>\$ 422,514</u>

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

Increased by:		
2022 Calendar Year Levy	\$	<u>47,898,080</u>
Decreased by:		
Payments	\$	<u>47,898,080</u>

SCHEDULE OF COUNTY TAXES PAYABLE

Balance, December 31, 2021		
	\$	16,897
Increased by:		
General County Tax	\$	7,439,287
Open Space Tax		307,339
Added and Omitted Taxes		<u>27,340</u>
		<u>7,773,966</u>
		7,790,863
Decreased by:		
Payments		<u>7,763,523</u>
Balance, December 31, 2022	\$	<u>27,340</u>

BOROUGH OF RUTHERFORD
STATEMENT OF MISCELLANEOUS RESERVES/PAYABLES

<u>Description</u>	Balance, December 31, <u>2021</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2022</u>
Tax Overpayments	\$ 3,018	\$ 73,535	\$ 71,198	\$ 5,355
Accounts Payable	166,031	25,851	4,688	187,194
Accrued Salaries and Wages	325,529		59,619	265,910
Prepaid Licenses, Fees & Permits, Other	144,156	37,331	63,646	117,841
Due to Bergen County PILOT	26,268			26,268
Due to State of New Jersey:				
Marriage/Civil Union Fees	700	1,250	1,950	-
Construction Code-Training Fees	10,416	40,820	34,801	16,435
Reserve for:				
Tax Appeals	535,716		6,913	528,803
Blood Screenings	4,051	3,825	2,458	5,418
Length of Service Award Program	83,162	102,000	102,550	82,612
Miscellaneous - Impact Fee		1,130,000		1,130,000
Municipal Relief Fund Aid	-	72,226	-	72,226
	<u>\$ 1,299,047</u>	<u>\$ 1,486,838</u>	<u>\$ 347,823</u>	<u>\$ 2,438,062</u>
Cash Receipts		\$ 1,358,987		
Cash Disbursements			\$ 312,428	
Current Year Budget Revenues			35,395	
2021 Appropriation Reserves		25,851		
2022 Budget Appropriations		<u>102,000</u>	<u>-</u>	
		<u>\$ 1,486,838</u>	<u>\$ 347,823</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATED GRANT RESERVES
GRANT FUND**

<u>Grant</u>	Balance, December 31, <u>2021</u>	2022 <u>Budget</u>	<u>Adjustments</u>	<u>Expended</u>	Balance, December 31, <u>2022</u>
<u>Local Grants:</u>					
BCB Bank - Police Equipment	\$ 237				\$ 237
Municipal Alliance on Alcoholism and Drug Abuse - 2021/22 Local		\$ 1,127		\$ 500	627
Donations - Police Equipment - 2016	3,020				3,020
Donations - Police Equipment - 2017	900				900
Donations - Police Equipment - 2019	321				321
Donations - Police Equipment - 2020	120				120
Donations - Police Equipment - 2021	750				750
Donations - Police Equipment - 2022		4,087			4,087
Bergen County Local Arts Grant - 2022		5,193		5,193	-
Resiliency Planning - Rutherford Tree Inventory & Risk Assessment		50,000		47,500	2,500
Bergen County History Grant for Special Projects - 2019	6				6
Bergen County History Grant for Special Projects - 2021	725				725
Bergen County Open Space Grant - Park Improvement Program	15,018				15,018
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, Tamblyn & Wall Field	74,358				74,358
Bergen County Open Space Grant - 2019 Tamblyn Field Improvements	76,500			76,500	-
Bergen County Open Space Grant - 2020 Tamblyn Field Improvements	32,450			18,589	13,861
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 - 2020	1,000				1,000
Census Grant - 2020	1,279				1,279
Labor Day Fair 2013	16,751				16,751
Labor Day Street Fair	2,550				2,550
	<u>271,700</u>	<u>60,407</u>	<u>-</u>	<u>148,282</u>	<u>183,825</u>
Subtotal Local Grants					
<u>Federal Grants:</u>					
Assistance to Firefighters Grant Program	238,095			238,095	-
Assistance to Firefighters Grant - COVID Supplemental	5,022				5,022
Safe Routes to School	368,000				368,000
Bergen County Community Development - Darwin Avenue Street Improvements	62,084		\$ 43,716		105,800
Bergen County Community Development - Vanderburgh Ave. Imp.	46,044				46,044
Bergen County CDGB - 2019 Handicapped Accessibility Improvements	92,900				92,900
	<u>812,145</u>	<u>-</u>	<u>43,716</u>	<u>238,095</u>	<u>617,766</u>
Subtotal Federal Grants					

**BOROUGH OF RUTHERFORD
STATEMENT OF APPROPRIATED GRANT RESERVES
GRANT FUND**

<u>Grant</u>	Balance, December 31, <u>2021</u>	2022 <u>Budget</u>	<u>Adjustments</u>	<u>Expended</u>	Balance, December 31, <u>2022</u>
<u>State Grants:</u>					
Clean Communities Program - 2020	\$ 4,977			\$ 4,977	
Clean Communities Program - 2021	8,304			8,304	
Clean Communities Program - 2022		\$ 32,388		21,767	\$ 10,621
Municipal Alliance on Alcoholism and Drug Abuse - 2018/19	7,211				7,211
Municipal Alliance on Alcoholism and Drug Abuse - 2019/20	9,669				9,669
Municipal Alliance on Alcoholism and Drug Abuse - 2020/21	4,025			4,024	1
Municipal Alliance on Alcoholism and Drug Abuse - 2021/22		4,507		677	3,830
DMHAS - Youth Leadership Grant		4,633		4,620	13
NJDEP - Community Forestry Management Plan	30,318				30,318
2013-Recreation Opportunities for Individual w/Disabilities	6,107			503	5,604
2015-Recreation Opportunities for Individual w/Disabilities	4,685			2,750	1,935
2018-Recreation Opportunities for Individual w/Disabilities	349				349
2021-Recreation Opportunities for Individual w/Disabilities	22,844				22,844
Recycling Tonnage Grant - 2021	20,805			20,805	-
Recycling Tonnage Grant - 2022		20,188			20,188
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2014	1,286			1,286	-
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2016	3,628			3,628	-
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2019	954			954	-
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2021	839			839	-
NJ Div. of Criminal Justice - Body Armor Replacement Fund 2022		2,062		2,061	1
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
Green Acres - Memorial Park Improvements - 2020	73,048			16,937	56,111
Green Acres - Walls Field Rain Garden/Bio Retention	63,420				63,420
Body Worn Cameras	18,342			18,342	
NJ Department of Transportation:					
2015 Municipal Aid	30,042			2,639	27,403
2020 Municipal Aid - Transit Village	210,000			160,000	50,000
2020 Municipal Aid	180,587				180,587
2022 Municipal Aid	-	206,000	-	206,000	-
Subtotal State Grants	<u>710,228</u>	<u>269,778</u>	<u>-</u>	<u>481,113</u>	<u>498,893</u>
Grant Totals	<u>\$ 1,794,073</u>	<u>\$ 330,185</u>	<u>\$ 43,716</u>	<u>\$ 867,490</u>	<u>\$ 1,300,484</u>
			Due from/to Current Fund	\$ 43,716	\$ 489,193
			Encumbrances Payable	-	378,297
				<u>\$ 43,716</u>	<u>\$ 867,490</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF UNAPPROPRIATED GRANT RESERVES
GRANT FUND**

<u>Grant</u>	<u>Balance December 31, 2021</u>	<u>Increases</u>	<u>2022 Budget</u>	<u>Balance December 31, 2022</u>
Local Grants:				
Police Donations - Helmets/Equipment	\$ 4,087	\$ 1,050	\$ 4,087	\$ 1,050
Winter Festival	<u>75</u>	<u>-</u>	<u>-</u>	<u>75</u>
Subtotal Local Grants	<u>4,162</u>	<u>1,050</u>	<u>4,087</u>	<u>1,125</u>
Federal/State Grants:				
American Rescue Plan	957,874	957,874	300,000	1,615,748
National Opioid Settlement Funds		15,212		15,212
Body Armor Fund	<u>-</u>	<u>2,756</u>	<u>-</u>	<u>2,756</u>
Subtotal Federal Grants	<u>957,874</u>	<u>975,842</u>	<u>300,000</u>	<u>1,633,716</u>
Grand Totals	<u>\$ 962,036</u>	<u>\$ 976,892</u>	<u>\$ 304,087</u>	<u>\$ 1,634,841</u>
		<u>\$ 976,892</u>		
		Due from Current Fund		

EXHIBIT A-22

**STATEMENT OF DUE FROM CURRENT FUND
GRANT FUND**

Increased by:	
Grant Receivables Deposited in Current Fund	\$ 253,490
Unappropriated Grant Reserves Deposited in Current Fund	976,892
Payments to Current Fund	403,336
Prior Year Expenditure Adjustment - Appropriated Grant Reserves	43,716
2022 Budget Appropriations - Local Match	<u>1,127</u>
	\$ 1,678,561
	1,678,561
Decreased by:	
Grant Expenditures Paid by Current Fund	489,193
Anticipated Revenue - Current Fund	300,000
Interest on Deposits	<u>3,321</u>
	<u>792,514</u>
Balance, December 31, 2022	<u>\$ 886,047</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>COAH Trust Fund</u>
Balance - December 31, 2021	\$ -	\$ 2,358,239	\$ 119,214	\$ 1,495,298
Increased by Receipts:				
Dog License Fees - Borough Share	\$ 2,511			
Dog License Fees - State Share	780			
Miscellaneous Reserves		\$ 959,912		
Escrow Deposits		198,896		
Payroll Deductions Payable		8,793,687	\$ 18,269	
Accrued Salaries & Wages		9,227,093		
COAH Fees				\$ 2,160,399
Interest on Deposits	<u>-</u>	<u>15,522</u>	<u>688</u>	<u>18,375</u>
	<u>3,291</u>	<u>19,195,110</u>	<u>18,957</u>	<u>2,178,774</u>
	3,291	21,553,349	138,171	3,674,072
Decreased by Disbursements:				
Payments to Current Fund		976,567		
Miscellaneous Reserves		31,181		
Reserve for Animal Control Expenditures	2,508			
Payments to State of New Jersey	776		2,731	
Builders/Special Escrow Deposits		212,516		
Payroll Deductions Payable		8,794,726		
Accrued Salaries & Wages	<u>-</u>	<u>9,227,093</u>	<u>-</u>	<u>-</u>
	<u>3,284</u>	<u>19,242,083</u>	<u>2,731</u>	<u>-</u>
Balance - December 31, 2022	<u>\$ 7</u>	<u>\$ 2,311,266</u>	<u>\$ 135,440</u>	<u>\$ 3,674,072</u>

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

Increased by:		
Animal Control Fees Collected	\$	2,511
Decreased by:		
Expenditures		<u>2,508</u>
Balance, December 31, 2022	\$	<u>3</u>

EXHIBIT B-3

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

Increased by:		
State of New Jersey Fees Collected	\$	780
Decreased by:		
Payments to State of New Jersey		<u>776</u>
Balance, December 31, 2022	\$	<u>4</u>

EXHIBIT B-4

**STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2021</u>	Receipts	Decreased	Balance, December 31, <u>2022</u>
Recreation Commission	\$ 394,807	\$ 394,519	\$ 313,296	\$ 476,030
Recycling Trust Program	2,215			2,215
Parking Offense Adjudication Fund	38,222	5,202		43,424
Fire Safety Penalties	46,705	26,200	46,712	26,193
Tax Sale Premiums	577,800	307,500	321,400	563,900
Field House Security Deposit	425			425
Municipal Alliance Against Drugs	2,168			2,168
Police Forfeited Funds	391,468	220,612	140,201	471,879
Flexible Spending Account	2,458	18,735	17,533	3,660
Outside Police Duty	137,825	126,300	124,765	139,360
Multicultural Account	7,603	2,888	3,257	7,234
Downtown Rutherford Bucks	1,885			1,885
Business Initiative Advisory Committee	65,873	345		66,218
Donations	<u>16,630</u>	<u>4,601</u>	<u>2,584</u>	<u>18,647</u>
	\$ <u>1,686,084</u>	\$ <u>1,106,902</u>	\$ <u>969,748</u>	\$ <u>1,823,238</u>
Due from Grant Fund		\$ 146,990		
Cash Receipts		959,912		
Due to Current Fund			\$ 938,567	
Cash Disbursements		<u>-</u>	<u>31,181</u>	
		\$ <u>1,106,902</u>	\$ <u>969,748</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2021	\$	280,253
Increased by:		
Cash Receipts		198,896
		479,149
Decreased by:		
Cash Disbursements		212,516
Balance, December 31, 2022	\$	266,633
Developers Escrow		
	\$	163,707
Performance Bond Escrow		
		64,335
Shade Tree Escrow		
		38,591
	\$	266,633

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

Balance, December 31, 2021	\$	83,979
Increased by:		
Employee Contributions	\$	18,269
Interest on Deposits		688
		18,957
Balance, December 31, 2022	\$	102,936

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

Balance, December 31, 2021	\$	35,235
Decreased by:		
Cash Disbursements		2,731
Balance, December 31, 2022	\$	32,504

**STATEMENT OF DUE FROM GRANT FUND
OTHER TRUST FUND**

Increased by:		
Other Trust Deposits Received by Grant Fund	\$	146,990
Balance, December 31, 2022	\$	146,990

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

Balance, December 31, 2021	\$ 109,014
Increased by:	
Cash Receipts	<u>8,793,687</u>
	8,902,701
Decreased by:	
Cash Disbursements	<u>8,794,726</u>
Balance, December 31, 2022	<u>\$ 107,975</u>

EXHIBIT B-10

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

Balance, December 31, 2021	\$ 1,495,298
Increased by:	
Developer Fees	\$ 2,160,399
Interest on Deposits	<u>18,375</u>
	<u>2,178,774</u>
Balance, December 31, 2022	<u>\$ 3,674,072</u>

EXHIBIT B-11

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

Balance, December 31, 2021	\$ 282,888
Increased by:	
Other Trust Expenditures Paid by Current Fund	\$ 938,567
Interest on Deposits	<u>15,522</u>
	<u>954,089</u>
	1,236,977
Decreased by:	
Payments to Current Fund	<u>976,567</u>
Balance, December 31, 2022	<u>\$ 260,410</u>

GENERAL CAPITAL FUND

**BOROUGH OF RUTHERFORD
STATEMENT OF CASH**

Balance, December 31, 2021		\$ 15,010,216
Increased by:		
Capital Improvement Fund		<u>470,000</u>
		15,480,216
Decreased by:		
Improvement Authorizations	1,426,243	
Encumbrances Payable	9,713,811	
Payments to Current Fund	43,716	
Reserve for Building Improvements	119,650	
Current Fund Anticipated Revenue - General Capital Surplus	<u>75,000</u>	
		<u>11,378,420</u>
Balance, December 31, 2022		<u>\$ 4,101,796</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF CAPITAL CASH
DECEMBER 31, 2022**

Fund Balance	\$ 772,920
Encumbrances Payable	3,720,152
Capital Improvement Fund	15,017
Reserve for Building Improvements	367,712

Improvement Authorizations:

<u>Ordinance Number</u>	<u>Improvement Description</u>	
3206-10	Kids Spot	33,982
3245-11	WWI Monument Improvements	1,677
3292-13	General Capital Improvements	4,093
3369-15	General Capital Improvements	51,649
3394-16	General Capital Improvements	13
3395-16	General Capital Improvements	517
3425-17	General Capital Improvements	37,040
3460-18	General Capital Improvements	101,123
3461-18	General Capital Improvements	258,147
3497-19	General Capital Improvements	469,096
3498-19	General Capital Improvements	99,697
3525-20	General Capital Improvements	211,199
3526-20	General Capital Improvements	188,772
3560-21	General Capital Improvements	(1,544,664)
3561-21	General Capital Improvements	276
3610-22	General Capital Improvements	(926,622)
3611-22	General Capital Improvements	<u>240,000</u>
		<u>\$ 4,101,796</u>

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

Balance, December 31, 2021		\$ 25,640,109
Decreased by:		
Serial Bonds	\$ 1,755,000	
Green Trust Loans	<u>39,856</u>	
		<u>1,794,856</u>
Balance, December 31, 2022		<u>\$ 23,845,253</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2021	2022 Authorizations	Balance, December 31, 2022	Analysis of Balance	
					Expenditures	Unexpended Improvement Authorizations
3560-21	General Capital Improvements	\$ 1,615,000		\$ 1,615,000	\$ 1,544,664	\$ 70,336
3610-22	General Capital Improvements	-	\$ 1,425,000	1,425,000	926,622	498,378
		<u>\$ 1,615,000</u>	<u>\$ 1,425,000</u>	<u>\$ 3,040,000</u>	<u>\$ 2,471,286</u>	<u>\$ 568,714</u>

STATEMENT OF NEW JERSEY GREEN TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of			Interest Rate	Balance, December 31,		Balance, December 31, 2022
		Original Issue	Semi-Annual Maturities			2021	Increased	
Development of Waterfront Park	2013	\$ 335,074	\$17,404 to \$21,663	2.000%	\$ 250,611		\$ 17,061	\$ 233,550
Improvements to Wall Field	2017	316,944	\$14,695 to \$19,417	2.000%	268,722		14,405	254,317
Memorial Field and Lincoln Wood Project	2020	194,000	\$8,558 to \$11,767	2.000%	185,776	-	8,390	177,386
					<u>\$ 705,109</u>	<u>\$ -</u>	<u>\$ 39,856</u>	<u>\$ 665,253</u>

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding at December 31, 2022</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2021</u>	<u>Decreased</u>	<u>Balance, December 31, 2022</u>	
General Obligation Bonds - 2018	11/29/2018	\$ 9,950,000	11/1/2023	\$ 850,000	3.000%	\$ 7,830,000	\$ 830,000	\$ 7,000,000
			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%			
General Obligation Bonds - 2020	12/16/2020	18,030,000	11/1/2023	950,000	2.000%	17,105,000	925,000	16,180,000
			11/1/2024	900,000	2.000%			
			11/1/2025-27	850,000	2.000-3.000%			
			11/1/2028-29	550,000	3.000%			
			11/1/2030	625,000	3.000%			
			11/1/2031	1,100,000	3.000%			
			11/1/2032	1,075,000	2.000%			
			11/1/2033	1,050,000	2.000%			
			11/1/2034-35	725,000	2.000%			
			11/1/2036-37	625,000	2.000%			
			11/1/2038	750,000	2.000%			
			11/1/2039-42	700,000	0.050-2.000%			
			11/1/2043	580,000	2.000%			
					<u>17,105,000</u>	<u>925,000</u>	<u>16,180,000</u>	
					<u>\$ 24,935,000</u>	<u>\$ 1,755,000</u>	<u>\$ 23,180,000</u>	

**BOROUGH OF RUTHERFORD
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Balance, December 31, 2021		2022 Authorizations		Paid or Charged	Encumbrances Payable Cancelled	Balance, December 31, 2022	
		Funded	Unfunded	Deferred Charges Unfunded	Capital Improvement Fund			Funded	Unfunded
3206-10	Kids Spot	\$ 33,982						\$ 33,982	
3245-11	WWI Monument Improvements	1,677						1,677	
3292-13	General Capital Improvements	4,093						4,093	
3337-14	General Capital Improvements	2,646				\$ 2,646		-	
3369-15	General Capital Improvements	101,649				50,000		51,649	
3394-16	General Capital Improvements						\$ 13	13	
3395-16	General Capital Improvements	77,077				76,560		517	
3425-17	General Capital Improvements	58,699				21,659		37,040	
3426-17	General Capital Improvements	42,131				42,131		-	
3460-18	General Capital Improvements	169,352				68,229		101,123	
3461-18	General Capital Improvements	323,611				65,464		258,147	
3476-18	Construction of Police Department Headquarters	738,858				738,858		-	
3497-19	General Capital Improvements	262,931					206,165	469,096	
3498-19	General Capital Improvements	302,832				203,135		99,697	
3525-20	General Capital Improvements	471,989				260,790		211,199	
3526-20	General Capital Improvements	1,422,155				1,233,383		188,772	
3560-21	General Capital Improvements		\$ 455,402			385,066			\$ 70,336
3561-21	General Capital Improvements	85,000				84,724		276	
3610-22	General Capital Improvements			\$ 1,425,000	\$ 75,000	1,001,622			498,378
3611-22	General Capital Improvements	-	-	-	400,000	160,000		240,000	-
		<u>\$ 4,098,682</u>	<u>\$ 455,402</u>	<u>\$ 1,425,000</u>	<u>\$ 475,000</u>	<u>\$ 4,394,267</u>	<u>\$ 206,178</u>	<u>\$ 1,697,281</u>	<u>\$ 568,714</u>

Cash Disbursements	\$ 1,426,243
Due to Current Fund	43,716
Encumbrances Payable	<u>2,924,308</u>
	<u>\$ 4,394,267</u>

**BOROUGH OF RUTHERFORD
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2021		\$ 10,715,833
Increased by:		
Contracts Awarded		<u>2,924,308</u>
		13,640,141
Decreased by:		
Cash Disbursements	\$ 9,713,811	
Encumbrances Cancelled	<u>206,178</u>	
		<u>9,919,989</u>
Balance, December 31, 2022		<u>\$ 3,720,152</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2021		\$ 20,017
Increased by:		
Budget Appropriation		<u>470,000</u>
		490,017
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>475,000</u>
Balance, December 31, 2022		<u>\$ 15,017</u>

STATEMENT OF RESERVE FOR BUILDING IMPROVEMENTS

Balance, December 31, 2021		\$ 487,362
Decreased by:		
Cash Disbursements		<u>119,650</u>
Balance, December 31, 2022		<u>\$ 367,712</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance, December 31, <u>2021</u>	2022 Authorizations	Balance, December 31, <u>2022</u>
3560-21	General Capital Improvements	\$ 1,615,000		\$ 1,615,000
3610-22	General Capital Improvements	<u>-</u>	\$ 1,425,000	<u>1,425,000</u>
		<u>\$ 1,615,000</u>	<u>\$ 1,425,000</u>	<u>\$ 3,040,000</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, 2021	\$ 101,844	\$ 25,991	\$ 75,853
Increased by:			
Reimbursements	22,762		22,762
Donations	5,650	5,650	
Interest on Deposits	482	143	339
SSI Reimbursement	<u>2,771</u>	<u>-</u>	<u>2,771</u>
	<u>31,665</u>	<u>5,793</u>	<u>25,872</u>
	<u>133,509</u>	<u>31,784</u>	<u>101,725</u>
Decreased by:			
Public Assistance Claims	39,047		39,047
Other	2,825	2,825	
Payments to Current Fund	<u>482</u>	<u>143</u>	<u>339</u>
	<u>42,354</u>	<u>2,968</u>	<u>39,386</u>
Balance - December 31, 2022	<u>\$ 91,155</u>	<u>\$ 28,816</u>	<u>\$ 62,339</u>

EXHIBIT D-2

STATEMENT OF PUBLIC ASSISTANCE REVENUES

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Reimbursements	\$ 22,762		\$ 22,762
Donations	5,650	\$ 5,650	
Supplemental Security Income	2,771		2,771
Interest on Deposits	<u>482</u>	<u>143</u>	<u>339</u>
Total Revenues	<u>\$ 31,665</u>	<u>\$ 5,793</u>	<u>\$ 25,872</u>

BOROUGH OF RUTHERFORD
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	\$ 12,560		\$ 12,560
Other:			
Temporary Rental Assistance	24,238		24,238
Security Deposit	1,987		1,987
Utilities	262		262
Other	2,825	\$ 2,825	
Payments to Current Fund	<u>482</u>	<u>143</u>	<u>339</u>
Total Disbursements	<u>\$ 42,354</u>	<u>\$ 2,968</u>	<u>\$ 39,386</u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY

Balance, December 31, 2021	\$ 75,853
Increased by:	
Receipts - Public Assistance #2	<u>25,533</u>
	101,386
Decreased by:	
Public Assistance Claims	<u>39,047</u>
Balance, December 31, 2022	<u>\$ 62,339</u>

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2021	\$ 25,991
Increased by:	
Donations	<u>5,650</u>
	31,641
Decreased by:	
Cash Disbursements	<u>2,825</u>
Balance, December 31, 2022	<u>\$ 28,816</u>

BOROUGH OF RUTHERFORD
PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT SECTIONS



LERCH, VINCI & BLISS, LLP

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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
176 Park Avenue
Rutherford, New Jersey 07070

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, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2023. 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.

Report on 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) as a basis for designing 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.


Report on 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 financial statements. 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 a certain matter that is not required to be reported under Government Auditing Standards that we have reported to management of the Borough of Rutherford in the section of this report of audit entitled "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 & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
September 12, 2023



LERCH, VINCI & BLISS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
176 Park Avenue
Rutherford, New Jersey 07070

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Borough of Rutherford's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Borough of Rutherford's major federal programs for the year ended December 31, 2022. The Borough of Rutherford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Borough of Rutherford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and U.S. Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough of Rutherford and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough of Rutherford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to the Borough of Rutherford's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough of Rutherford's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and U.S. Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough of Rutherford's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and U.S. Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Borough of Rutherford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough of Rutherford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Rutherford's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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


Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance

We have audited the financial statements - regulatory basis of the Borough of Rutherford as of and for the year ended December 31, 2022, and the related notes to the financial statements and have issued our report thereon dated September 12, 2023, which contained a modified opinion on those financial statements prepared in accordance with the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund and also contained a modified opinion on those financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
September 12, 2023

BOROUGH OF RUTHERFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Name of Federal Agency or <u>Department</u>	<u>Grant Program</u>	Federal CFDA <u>Number</u>	<u>Grant Award</u>	Grant <u>Receipts</u>	Balance January 1, <u>2022</u>	<u>Revenues</u>	<u>Expended</u>	<u>Adjustments</u>	Balance, December 31, <u>2022</u>	Cumulative Total <u>Expenditures</u>
Department of Housing and Urban Development										
<u>Pass Through Funds:</u>	<u>Community Development Block Grant -</u>									
County of Bergen	Vanderburgh Ave. Improvements	14.218	\$ 66,680		\$ 46,044				\$ 46,044	\$ 20,636
	Darwin Avenue Street Improvements	14.218	105,800		62,084			\$ 43,716	105,800	-
	Handicapped Accessibility - Borough Hall	14.218	92,900		92,900				92,900	-
U.S. Department of Homeland Security	Assistance to Firefighters Grant	97.044	238,095	\$ 238,095	238,095		\$ 238,095		-	238,095
	Assistance to Firefighters Grant - COVID Supplemental	97.044	5,022		5,022				5,022	-
U.S. Department of Treasury										
<u>Pass Through Funds:</u>										
NJ Dept. of Community Affairs	American Rescue Plan	21.027	1,915,748	957,874		\$ 300,000	300,000		-	300,000
<u>Pass Through Funds:</u>										
NJ Dept. of Law and Public Safety	Public Assistance - Tropical Storm Isaias	97.036	378,369	378,369		378,369	378,369		-	378,369
	Public Assistance - Tropical Storm Ida	97.036	184,640	184,640		184,640	184,640		-	184,640
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	
					<u>\$ 812,145</u>	<u>\$ 863,009</u>	<u>\$ 1,101,104</u>	<u>\$ 43,716</u>	<u>\$ 617,766</u>	

The above schedule is 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, 2022

<u>State Grantor Department</u>	<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2022</u>	<u>Revenues</u>	<u>Expended</u>	<u>Balance December 31, 2022</u>	<u>Cumulative Expenditures</u>		
Division of Motor Vehicles	Municipal Court Alcohol Education and Rehabilitation	9735-760-060000-60	\$ 756		\$ 754			\$ 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		2,187			2,187	1		
			643		643		643	-			
Division of Criminal Justice	Body Armor Fund	1020-718-066-1020-001									
				3,874		1,286	\$ 1,286	-	3,874		
				3,628		3,628		3,628	-	3,628	
				4,140		954		954	-	4,140	
				3,017		839		839	-	3,017	
				2,062	\$ 2,062		\$ 2,062	2,061	1	2,061	
Department of Human Services	General Assistance	7500-150-15801060 A/C#2			75,853	25,533	39,047	62,339			
Department of Community Affairs	Recreational Opportunities for Individuals with Disabilities	N/A	18,000		6,107		503	5,604	12,396		
			24,000		22,844			22,844	1,156		
			20,000		4,685		2,750	1,935	18,065		
			20,000		349			349	19,651		
Department of Environmental Protection	Clean Communities Program	4900-765-178900-60	32,269		8,304		8,304	-	32,269		
			30,311		4,977			-	30,311		
			32,388		32,388		32,388	21,767	10,621	21,767	
	Recycling Tonnage Grant	4900-752-042-4900	20,805		20,805			20,805	-	20,805	
			20,188		20,188		20,188		20,188	-	
	Green Acres - Memorial and Lincoln Field Improvements	0256-12-031	194,000								
			148,215		73,048		16,937	56,111	92,104		
			63,420		63,420			63,420			
			60,000		-			-	60,000		
		Community Forestry Management Plan	N/A	150,000		30,318			30,318	119,682	
Bergen County Municipal Alliance Grant	Governor's Alcohol and Drug Abuse Prevention	110-448-031020-22	11,677		7,211			7,211	4,466		
			11,312		9,669			9,669	1,643		
			4,507		4,025		4,024	1	4,506		
			4,507	4,507		4,507	677	3,830	677		
Bergen County Municipal Alliance Grant	Youth Leadership Grant		4,633			4,633	4,620	13	4,620		
Division of Criminal Justice	Body Worn Cameras	N/A	18,342	18,342	18,342		18,342	-	18,342		
Department of Transportation	Transportation Trust Fund	2015 Municipal Road Aid Projects	6320-480-078-xxx		149,000			30,042	2,639	27,403	121,597
			6320-480-078-xxx		206,000	154,500		206,000	206,000	-	206,000
			6320-480-078-xxx		210,000		210,000		160,000	50,000	160,000
			6320-480-078-xxx		180,587		180,587		-	180,587	-
						\$ 786,081		\$ 295,311	\$ 520,160	\$ 561,232	

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, 2022**

NOTE 1 REPORTING ENTITY

The Borough of Rutherford (the “Borough”) received and participated in numerous Federal Award and State Financial Assistance programs in the form of cost reimbursement grants and revenue sharing entitlements. The Borough is the reporting entity for these programs. The Borough is defined in Note 1 (A) to the Borough’s Financial Statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (the “Schedules”) present the activity of all federal and state programs of the Borough. All federal awards received directly from federal agencies or passed through other government agencies are included on the schedule of expenditures of federal awards. All state awards received directly from state agencies or passed through other government agencies are included in the schedule of expenditures of state financial assistance. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Borough conform to the accounting principles and practices prescribed 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 federal awards and state financial assistances through separate funds and accounts which differ from those required by accounting principles generally accepted in the United States of America. The Borough’s summary of significant accounting policies are described in Note 1 to the Borough’s Financial Statements.

NOTE 4 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	\$ 863,009	\$ 269,778	\$ 1,132,787
Public Assistance Trust Fund	<u>-</u>	<u>25,533</u>	<u>25,533</u>
	<u>\$ 863,009</u>	<u>\$ 295,311</u>	<u>\$ 1,158,320</u>

**BOROUGH OF RUTHERFORD
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2022**

NOTE 5 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.

NOTE 6 STATE LOANS OUTSTANDING

Certain state loans at the beginning of the year and loans made during the year are included in the Schedules, while others are not required to be included in The Schedules. The Borough’s state loans outstanding at December 31, 2022, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
Development of Waterfront Park	#0256-07-018	\$ 233,550
Improvements to Wall Field	#0256-10-025	254,317
Memorial and Lincoln Field Improvements	#0256-12-031	<u>177,386</u>
		<u>\$ 665,253</u>

NOTE 7 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 QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

CURRENT YEAR STATE AWARDS

Not Applicable.

CURRENT YEAR FEDERAL AWARDS

There are none.

**BOROUGH OF RUTHERFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

**BOROUGH OF RUTHERFORD
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Tax Rate</u>	<u>\$2.969</u>	<u>\$2.929</u>	<u>\$2.851</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.896	.881	.859
Library	.039	.039	.038
County	.272	.281	.271
County Open Space	.012	.011	.011
Local School	1.750	1.717	1.672

Assessed Valuation

2022	<u>\$2,737,610,277</u>	
2021		<u>\$2,721,634,280</u>
2020		<u>\$2,719,634,280</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>
2021	\$ 81,564,533	\$ 81,066,048	99.39%
2021	79,886,277	79,294,927	99.26%
2020	77,647,523	76,919,186	99.06%

**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>
2022	\$ 469,405	\$ 76,369	\$ 545,774	0.67%
2021	553,966	64,880	618,846	0.77%
2020	613,653	63,052	676,705	0.87%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2022 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>
2022	\$7,025
2021	7,025
2020	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	2022	\$10,113,350	\$3,275,000
	2021	9,408,213	3,050,000
	2020	8,125,033	2,750,000
	2019	7,954,793	2,850,000
	2018	7,477,586	2,725,000

**BOROUGH OF RUTHERFORD
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE

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

<u>Name</u>	<u>Title</u>
Frank Nunziato	Mayor
Mark Goldsack	Council President
Thomas Mullahey	Councilman
Stephanie McGowan	Councilwoman
Matthew Cokeley	Councilman
Raymond Guzman	Councilman
Maria Begg-Roberson	Councilwoman
Robert J. Kakoleski	Borough Administrator
M. Bernadette Finelli	Tax Collector
Gordon L. Stelter	Chief Financial Officer
Margaret Scanlon	Borough Clerk
Robert Ferraro	Borough Attorney
Jillian Andrews	Court Administrator
Joseph Ariyan	Judge
John R. Russo	Police Chief
Christopher Seidler	Department of Public Works Superintendent
Patrick Bonner	Recreation Director
Brian O'Keefe	Health Officer
Frank Recanati	Construction Official
Paul Dansbach	Fire Protection Inspector
Michele Hennessey	Tax Assessor
Genevieve Kacmarcik	Welfare Director

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 revealed that the 2022 Uniform Construction Code annual report was not filed with the State of New Jersey. It is recommended that the Borough file its annual Uniform Construction Code financial report, by the required due date.

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 vendor. 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 \$44,000 effective July 1, 2020. The Borough Council 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:

Police Department Command Center Console
Tamblyn Field Improvements
2022 Road Improvements

Clara's Tunnel Transit Village Project
Event Planner Services
Sanitation Truck

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.

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, 2022, adopted a resolution authorizing interest and year penalties to be charged on delinquent taxes:

Suggestions to Management

- Consider action be given to integrate the fixed asset record keeping with the purchase order system.
- Grant receivable and the appropriated grant balances in the Current Fund be reviewed and action taken to collect or clear of record.
- Old outstanding checks and reconciling items on the Borough's bank reconciliations be reviewed and cleared of record.

BOROUGH OF RUTHERFORD

RECOMMENDATIONS

It is recommended that:

1. The Borough file its annual Uniform Construction Code financial report, by the required due date.
2. Purchase orders be encumbered prior to the ordering of goods or services.

* * * * *

No recommendations were reported in the prior year audit.

ACKNOWLEDGEMENT

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