

BOROUGH OF ALLENDALE
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2019

BOROUGH OF ALLENDALE

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BOROUGH OF ALLENDALE
BERGEN COUNTY, NEW JERSEY

PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Allendale, as of December 31, 2019, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, 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 Allendale as of December 31, 2019 and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Prior Year’s Financial Statements Audited by Other Auditors

The financial statements of the Borough of Allendale as of and for the year ended December 31, 2018 were audited by other auditors whose report dated May 8, 2019 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. Their report also expressed a unmodified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting and for the notes to the financial statements that presented GASB 75 disclosures that were more than 12 months prior to the Borough’s year end.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2020 on our consideration of the Borough of Allendale’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 Allendale’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 Allendale’s internal control over financial reporting and compliance.

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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
August 13, 2020

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

ASSETS	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Current Fund:			
Cash	A-4	\$ 3,924,416	\$ 4,820,452
Change Fund	A-5	400	400
Grant Receivable	A-26	<u>15,350</u>	<u>15,350</u>
		<u>3,940,166</u>	<u>4,836,202</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	206,752	260,276
Property Acquired for Taxes- Assessed Valuation	A-9	4,900	4,900
Tax Title Liens	A-10	82,858	80,072
Revenue Accounts Receivable	A-11		22,112
Due from Other Trust Fund	B-11	10	10
Due from Animal Control Fund	B-6	<u>7,451</u>	<u>3,245</u>
		301,971	370,615
Deferred Charges			
Emergency Authorization	A-25	<u>55,000</u>	<u>-</u>
Total Assets		<u>\$ 4,297,137</u>	<u>\$ 5,206,817</u>

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

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Current Fund:			
Appropriation Reserves	A-3,A-12	\$ 677,158	\$ 754,057
Due to State of New Jersey: Ch. 73, P.L.			
Senior Citizens and Veterans Deduction	A-7	4,194	3,624
Encumbrances Payable	A-13	180,688	192,732
Accounts Payable	A-14	3,347	
Prepaid Taxes	A-15	287,144	355,258
Tax Overpayments	A-20	51,876	98,396
Prepaid Revenue	A-21		8,138
State Fees Payable	A-24	4,537	9,930
Appropriated Reserve for Grants	A-27	125,375	109,888
Unappropriated Reserve for Grants	A-28	22,743	12,797
Reserve for Tax Appeals	A-22	197,133	126,970
Reserve for Revaluation	A-23	-	13,530
		<u>1,554,195</u>	<u>1,685,320</u>
Reserve for Receivables	A	301,971	370,615
Fund Balance	A-1	<u>2,440,971</u>	<u>3,150,882</u>
		<u>\$ 4,297,137</u>	<u>\$ 5,206,817</u>

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

	<u>Reference</u>	<u>Year 2019</u>	<u>Year 2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,475,000	\$ 1,450,000
Miscellaneous Revenues Anticipated	A-2	2,590,001	3,238,151
Receipts from Delinquent Taxes	A-2	258,211	363,878
Receipts from Current Taxes	A-2	39,311,290	38,695,295
Non-Budget Revenue	A-2	92,211	233,077
Other Credits to Income			
Statutory Excess in Animal Control Fund	B-4	4,206	3,245
Unexpended Balance of Appropriation Reserves	A-12	580,509	571,071
Cancel Reserve for Revaluation	A-23	13,530	
Tax Overpayments Canceled	A-1	-	19
		<hr/>	<hr/>
Total Revenues and Other Income		44,324,958	44,554,736
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations			
Salaries and Wages	A-3	4,317,050	4,101,873
Other Expenses	A-3	6,337,839	6,343,407
Capital Improvements	A-3	41,000	153,500
Municipal Debt Service	A-3	1,871,498	2,296,480
Deferred Charges and Statutory Expenditures-			
Municipal	A-3	1,045,152	958,911
Refund and Prior Year's Revenue	A-4	534	173
Interfund Advanced- Net	A	4,206	3,254
Municipal Open Space Tax	A-19	84,720	84,803
Local District School Tax	A-16	16,097,574	15,637,578
Regional High School Tax	A-17	9,515,374	9,117,025
County Taxes including added Taxes	A-18	4,299,922	4,355,720
		<hr/>	<hr/>
Total Expenditures		43,614,869	43,052,724
Excess (Deficit) Revenue Over Expenditures		710,089	1,502,012
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year	A-25	55,000	-
		<hr/>	<hr/>
Statutory Excess to Fund Balance		765,089	1,502,012
Fund Balance, January 1,	A	3,150,882	3,098,870
		<hr/>	<hr/>
		3,915,971	4,600,882
Decreased by:			
Fund Balance Utilized as Budget Revenue	A-1	1,475,000	1,450,000
		<hr/>	<hr/>
Fund Balance, December 31,	A	\$ 2,440,971	\$ 3,150,882
		<hr/>	<hr/>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 1,475,000	-	\$ 1,475,000	-
MISCELLANEOUS REVENUES					
Licenses:					
Alcoholic beverages	A-11	15,250		15,000	\$ (250)
Fees and Permits	A-2	60,000		75,554	15,554
Fines and Costs:					
Municipal Court	A-11	40,000		28,605	(11,395)
Interest and Costs on Taxes	A-4	71,000		80,362	9,362
Interest on Investments an Deposits	A-11	163,000		140,661	(22,339)
Dues & Fees - Crestwood Lake	A-11	288,000		297,331	9,331
Ramsey Sewer Charges	A-11	165,792		165,792	-
Allendale Elementary School Contribution to Sewer Use	A-11	21,090		21,725	635
Northern Highlands Reg. H.S. Contribution to Sewer Use	A-11	34,890		34,890	-
Saddle River Sewer Payment	A-11	57,000		48,979	(8,021)
Garbage Collection	A-11	1,500		2,390	890
Cellular Tower Lease	A-2	116,000		119,817	3,817
Cable TV Franchise Fee	A-11	100,000		107,964	7,964
Energy receipts Tax	A-11	1,068,869		1,068,869	-
Uniform Construction Code Fees	A-11	300,000		290,667	(9,333)
Public and Private Revenues:					
Clean Communities Program- Reserve	A-28	12,797		12,797	-
Recycling Tonnage Grant	A-26	7,725		7,725	-
Body Armor Replacement Fund	A-26	1,865		1,865	-
Drunk Driving	A-26		\$ 6,243	6,243	-
Other Special Items:					
Municipal Open Space share of Deferred Ch. Unfunded	B-7	20,000		20,000	-
Reserve for Debt Service	A-2	1,000,000			(1,000,000)
General Capital Fund Surplus	C-1	3,500		3,500	-
Engineering Fees	A-11	13,000		28,269	15,269
Uniform Fire Safety Act	A-11	11,000	-	10,996	(4)
Total Miscellaneous Revenues	A-1	3,572,278	6,243	2,590,001	(988,520)
RECEIPTS FROM DELINQUENT TAXES	A-1,A-8	200,000	-	258,211	58,211
AMOUNT TO BE RAISED BY TAXATION:					
Local Tax for Municipal Purposes		9,138,145		9,147,826	9,681
Minimum Library Tax		590,874	-	590,874	-
Total Amount to be Raised by Taxation	A-2	9,729,019	-	9,738,700	9,681
Total General Revenues		\$ 14,976,297	\$ 6,243	\$ 14,061,912	\$ (920,628)
Non-Budget Revenue	A-1,-2			92,211	
				<u>\$ 14,154,123</u>	

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

	<u>Reference</u>	<u>Realized</u>
Analysis of Realized Revenue		
Allocation of Current Tax Collections- Revenue from Collections	A-8	\$ 39,311,290
Less: Allocated to School, County Taxes and Municipal Open Space Taxes	A-16,A-17,A-18,A-19	<u>29,997,590</u>
Add: Appropriation - Reserve for Uncollected Taxes	A-3	<u>425,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 9,738,700</u>
Fees and Permits - Other:		
Clerk	A-11	\$ 17,793
Parking	A-11	33,835
Planning Board/Board of Adjustment	A-11	6,150
Board of Health	A-11	<u>17,776</u>
	A-2	<u>\$ 75,554</u>
Cellular Tower Lease		
Cash Receipts	A-11	\$ 111,679
Realize Pre-Paid Revenue	A-21	<u>8,138</u>
	A-2	<u>\$ 119,817</u>
Non Budget Revenue		
Gun Permits/Police Copies/Firearm Reg.		\$ 803
Address Lists/Duplicate Bills		281
Sewer- Mischellaneous		6,600
Raffles		680
Alarm Registration		2,030
Police Outside Duty Admin Fees		6,150
PILOT Payment		25,558
Allendale Senior Housing		13,521
Library Admin Fees		5,505
DMV Inspections		1,950
County of Bergen- Snow Plow Reimbursement		2,640
Prior Year Police Outside Duty		1,181
Insurance Dividend		12,573
Miscellaneous Refunds & Reimbursements		<u>12,739</u>
	A-2,A-4	<u>\$ 92,211</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

OPERATIONS - WITHIN "CAPS"	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL GOVERNMENT					
General Administration					
Salaries & Wages	\$ 50,000	\$ 51,700	\$ 49,225	\$ 2,475	
Other Expenses	88,250	88,250	87,323	927	
Mayor & Council					
Salaries & Wages	6,500	6,500	3,737	2,763	
Municipal Clerk					
Salaries & Wages	133,500	136,871	136,871	-	
Other Expenses	48,450	45,450	39,818	5,632	
Financial Administration					
Salaries & Wages	147,500	147,309	147,309	-	
Other Expenses	29,592	27,592	19,439	8,153	
Audit Services	33,500	33,500	1,002	32,498	
Collection of Taxes					
Salaries & Wages	50,000	47,895	47,895	-	
Other Expenses	9,500	9,500	9,029	471	
Assessment for Taxes					
Salaries & Wages	47,300	47,207	47,207	-	
Other Expenses	23,000	13,000	8,429	4,571	
Legal Services and Costs					
Other Expenses	140,000	130,000	102,900	27,100	
Engineering Services & Costs					
Other Expenses	85,000	85,000	52,126	32,874	
LAND USE ADMINISTRATION					
Planning Board					
Salaries & Wages	40,800	36,018	36,018	-	
Other Expenses	30,000	25,000	14,765	10,235	
INSURANCE					
Other Insurance - Premiums	193,300	183,400	129,717	53,683	
Workers' Compensation Insurance	154,600	140,600	106,237	34,363	
Employee Group Health	870,000	881,200	880,668	532	
Health Benefit Waiver	22,040	22,520	22,520	-	
Unemployment Insurance	5,000	5,000	5,000	-	

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

	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS					
Police Dispatch/911					
Salaries & Wages	\$ 2,420,000	\$ 2,573,265	\$ 2,543,639	\$ 29,626	
Other Expenses	203,086	218,086	218,016	70	
Emergency Management Services					
Salaries and Wages	3,800	3,714	3,714	-	
Other Expenses	1,500	1,500	1,500	-	
First Aid Organization					
Other Expenses-Contribution	34,000	34,000	34,000	-	
Fire Department					
Other Expenses	111,100	166,100	143,716	22,384	
Fire Certification					
Other Expenses	500	500	500	-	
Uniform Fire Safety Act (Ch. 383, P.L. 1983)					
Fire Official					
Salaries & Wages	14,000	14,000	5,810	8,190	
Other Expenses	8,200	8,200	3,071	5,129	
Municipal Prosecutor					
Salaries & Wages	5,600	5,526	5,526	-	
Municipal Court					
Salaries and Wages	14,500	14,500	14,473	27	
Other Expenses	6,500	6,500	400	6,100	
Public Defender					
Other Expenses	2,000	2,000	200	1,800	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries & Wages	905,000	905,000	813,386	91,614	
Other Expenses	131,250	126,250	115,602	10,648	
Snow Removal					
Other Expenses	127,500	115,000	90,937	24,063	
Shade Tree Commission					
Other Expenses	43,500	43,500	32,494	11,006	
Sewer System					
Other Expenses	24,500	24,500	14,309	10,191	
Garbage and Trash Removal					
Other Expenses	475,000	475,000	424,373	50,627	
Recycling					
Other Expenses	148,000	148,000	138,680	9,320	

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

	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Buildings and Grounds					
Other Expenses	\$ 124,500	\$ 134,500	\$ 125,247	\$ 9,253	
Health and Welfare:					
Board of Health					
Salaries & Wages	50,000	43,111	43,111	-	
Other Expenses	28,155	28,155	26,487	1,668	
RECREATION & EDUCATION					
Senior Citizens					
Other Expenses	5,000	5,000	3,518	1,482	
Animal Control					
Other Expenses	11,200	11,200	10,040	1,160	
Aid to Health Care Facilities (N.J.S.A. 44:5-2)					
Other Expense	6,000	6,000	6,000	-	
Municipal Alliance					
Other Expense	7,000	7,000	6,868	132	
Parks and Playgrounds					
Other Expense	49,500	57,000	56,284	716	
Crestwood Lake Public Swimming and Recreation Facility					
Salaries and Wages	150,000	124,877	124,877	-	
Other Expenses	113,750	133,750	131,894	1,856	
Salary and Wage Adjustment	60,000			-	
Radio Equipment Maintenance- All Departments	7,000	7,000	5,645	1,355	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries & Wages	98,000	98,000	97,227	773	
Other Expenses	19,200	19,200	17,332	1,868	
Sub-Code Officials					
Zonining Officer/Propety Maintenance					
Salaries & Wages	22,000	23,000	22,847	153	
Other Expenses	2,000	500	-	500	
Plumbing Inspector - Salaries & Wages	11,900	12,437	12,437	-	
Electrical Inspector - Salaries & Wages	13,700	14,300	14,210	90	
Fire Protection Inspector - Salaries & Wages	11,900	11,820	11,820	-	

See Accompanying Notes are an Integral Part of these Financial Statements

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

OPERATIONS - WITHIN "CAPS"	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 109,000	\$ 99,000	\$ 83,389	\$ 15,611	
Street Lighting	110,000	95,000	81,773	13,227	
Telephone	65,000	65,000	62,691	2,309	
Water	25,000	15,000	8,048	6,952	
Natural Gas	35,000	35,000	26,221	8,779	
Gasoline	100,000	80,000	49,033	30,967	-
Total Operations Within "CAPS"	<u>8,122,173</u>	<u>8,174,503</u>	<u>7,578,580</u>	<u>595,923</u>	<u>-</u>
Contingent	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total Operations including Contingent Within "CAPS"	<u>8,147,173</u>	<u>8,199,503</u>	<u>7,578,580</u>	<u>620,923</u>	<u>-</u>
Detail:				-	
Salaries & Wages	4,256,000	4,317,050	4,181,339	135,711	-
Other Expenses (Including Contingent)	<u>3,891,173</u>	<u>3,882,453</u>	<u>3,397,241</u>	<u>485,212</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Social Security System (O.A.S.I.)	326,000	326,000	287,785	38,215	
Police and Firemen's Retirement System	499,247	501,917	501,917	-	
Public Employees Retirement System	186,140	186,140	186,140	-	
Long Term Disability Assessment	1,095	1,095	1,095	-	
Defined Contribution Retirement Plan	10,000	10,000	6,686	3,314	-
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	<u>1,022,482</u>	<u>1,025,152</u>	<u>983,623</u>	<u>41,529</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>9,169,655</u>	<u>9,224,655</u>	<u>8,562,203</u>	<u>662,452</u>	<u>-</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (P.L. 1985, Ch. 82-541)	\$ 590,874	\$ 590,874	\$ 590,874	-	
Reserve for Tax Appeals	75,000	75,000	75,000	-	
Northwest Bergen County Sewerage Authority Share of Costs				-	
Share of Costs	1,714,622	1,714,622	1,714,622	-	
Borough of Waldwick - Well Baby				-	
Other Expenses	1,000	1,000	325	\$ 675	
Borough of Hohokus - Municipal Court				-	
Other Expenses	45,260	45,260	31,229	14,031	
				-	
PUBLIC AND PRIVATE OFFSET BY REVENUES					
Clean Communities Grant	12,797	12,797	12,797	-	
Drunk Driving Enforcement Grant		6,243	6,243	-	
Recycling Tonnage Grant	7,725	7,725	7,725	-	
Body Armor Replacement Fund	1,865	1,865	1,865	-	-
				-	
Total Operations - Excluded from "CAPS"	<u>2,449,143</u>	<u>2,455,386</u>	<u>2,440,680</u>	<u>14,706</u>	<u>-</u>
				-	
Detail:				-	
Other Expenses	<u>2,449,143</u>	<u>2,455,386</u>	<u>2,440,680</u>	<u>14,706</u>	<u>-</u>
				-	
CAPITAL IMPROVEMENT EXCLUDED FROM "CAPS"					
Capital Improvement Fund	41,000	41,000	41,000	-	-
				-	
Total Capital Improvements Excluded from "CAPS"	<u>41,000</u>	<u>41,000</u>	<u>41,000</u>	<u>-</u>	<u>-</u>
				-	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,320,000	1,320,000	1,320,000	-	
Payment of Bond Anticipation Notes and Capital Notes	1,000,000	1,000,000		-	\$ 1,000,000
Interest on Bonds	155,990	155,990	155,990	-	
Interest on Notes	395,509	395,509	395,508	-	1
				-	
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,871,499</u>	<u>2,871,499</u>	<u>1,871,498</u>	<u>-</u>	<u>1,000,001</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Deferred Charges to Future Taxation Unfunded:					
Ord. 07-13 & 15-04	\$ 20,000	\$ 20,000	\$ 20,000	-	-
Total Deferred Charges - Municipal-Excluded from "CAPS"	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,381,642</u>	<u>5,387,885</u>	<u>4,373,178</u>	\$ 14,706	\$ 1,000,001
Subtotal General Appropriations	<u>14,551,297</u>	<u>14,612,540</u>	<u>12,935,381</u>	<u>677,158</u>	<u>1,000,001</u>
Reserve for Uncollected Taxes	<u>425,000</u>	<u>425,000</u>	<u>425,000</u>	-	-
Total General Appropriations	<u>\$ 14,976,297</u>	<u>\$ 15,037,540</u>	<u>\$ 13,360,381</u>	<u>\$ 677,158</u>	<u>\$ 1,000,001</u>

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

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-3	\$ 14,976,297	
Emergency Authorization N.J.S.A. 40A:4-55.1	A-25	55,000	
Added by N.J.S.A. 40A:4-87	A-2	<u>6,243</u>	
		<u>\$ 15,037,540</u>	
Cash Disbursed	A-4		\$ 12,651,063
Reserve for Uncollected Taxes	A-2		425,000
Encumbrances Payable	A-13		180,688
Transfer to Reserve for Tax Appeals	A-22		75,000
Transfer to Grants Appropriated	A-27		<u>28,630</u>
			<u>\$ 13,360,381</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	15,739	\$ 10,865
Due from State Department of Health	B-5	<u>3</u>	<u>1</u>
		15,742	10,866
OTHER TRUST FUND			
Cash	B-3	<u>899,660</u>	<u>877,914</u>
		899,660	877,914
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	<u>85,854</u>	<u>85,376</u>
Total Assets		<u>\$ 1,001,256</u>	<u>\$ 974,156</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Reserve for Dog Fund Expenditures	B-4	8,291	7,621
Due to Current Fund	B-6	<u>7,451</u>	<u>3,245</u>
		<u>15,742</u>	<u>10,866</u>
OTHER TRUST FUND			
Due to Current Fund	B-11	10	10
Payroll Deductions Payable	B-10	52,423	53,467
Reserve for Unemployment	B-8	62,215	80,542
Miscellaneous Reserves	B-9	<u>785,012</u>	<u>743,895</u>
		<u>899,660</u>	<u>877,914</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Municipal Open Space Expenditures	B-7	<u>85,854</u>	<u>85,376</u>
Total Liabilities, Reserves and Fund Balance		<u>85,854</u>	<u>85,376</u>
		<u>\$ 1,001,256</u>	<u>\$ 974,156</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF ALLENDALE
STATEMENT OF REVENUES - REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 <u>Budget</u>	Realized in <u>2019</u>	Excess or <u>Deficit</u>
Amount to be Raised by Taxation	\$ <u>84,556</u>	\$ <u>84,720</u>	\$ <u>164</u>
Reference	B-2	B-7	

EXHIBIT B-2

**STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 <u>Budget</u> <u>(Memo)</u>	2019 <u>Paid or</u> <u>Charged</u>	Reserved/ <u>Excess</u>
Payment of Bond Anticipation Notes and Capital Notes	\$ 38,000	\$ 38,000	-
Interest on Notes	26,825	26,750	\$ 75
Realized as Current Fund Budgeted Revenue	<u>19,731</u>	<u>20,000</u>	<u>(269)</u>
	<u>\$ 84,556</u>	<u>\$ 84,750</u>	<u>\$ (194)</u>
Reference	B-1	B-7	

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
OTHER ASSETS			
Cash	C-2/C-3	\$ 2,188,423	\$ 1,162,970
Grant Receivables	C-9	495,386	422,618
Deferred Charges to Future Taxation:			
Funded	C-4	5,665,000	6,985,000
Unfunded	C-5	<u>16,956,810</u>	<u>16,205,810</u>
 Total Assets		 <u>25,305,619</u>	 <u>24,776,398</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-7	\$ 5,665,000	\$ 6,985,000
Bond Anticipation Notes Payable	C-8	16,938,210	15,325,210
Improvement Authorization			
Funded	C-6	138,676	421,219
Unfunded	C-6	867,996	851,463
Capital Improvement Fund	C-10	3,112	3,112
Contracts Payable	C-13	306,741	
Reserve for:			
Municipal Improvements	C-11	43,800	43,800
Debt Service	C-12	1,172,926	939,622
Fund Balance	C-1	<u>169,158</u>	<u>206,972</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 25,305,619</u>	 <u>\$ 24,776,398</u>

There were bonds and notes authorized but not issued at December 31, 2019 and 2018 of \$18,600 and \$880,600, respectively (Exhibit C-14).

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 206,972	\$ 146,337
Increased by:			
Premium on Sale of Bond Anticipation Notes	C-1,C-2	<u>65,686</u>	<u>60,635</u>
		272,658	206,972
Decreased by:			
Appropriate to Finance Improvement Authorization	C-6	100,000	
Realized as Current Fund Budgeted Revenue	A-2	<u>3,500</u>	<u>-</u>
		<u>103,500</u>	<u>-</u>
Balance, December 31	C	<u>\$ 169,158</u>	<u>\$ 206,972</u>

BOROUGH OF ALLENDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Operating Fund:			
Cash	D-5	\$ 417,893	\$ 439,125
		<u>417,893</u>	<u>439,125</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-7	<u>372,707</u>	<u>333,340</u>
		<u>372,707</u>	<u>333,340</u>
Total Operating Fund		<u>\$ 790,600</u>	<u>\$ 772,465</u>
Capital Fund:			
Cash	D-5,D-6	\$ 1,305,460	\$ 1,221,036
Fixed Capital	D-10	8,406,030	7,820,976
Fixed Capital Authorized and Uncompleted	D-17	<u>1,843,074</u>	<u>2,513,358</u>
Total Capital Fund		<u>11,554,564</u>	<u>11,555,370</u>
Total Assets		<u>\$ 12,345,164</u>	<u>\$ 12,327,835</u>

**BOROUGH OF ALLENDALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserve	D-4,D-9	\$ 54,093	\$ 133,285
Encumbrances Payable	D-8	147,714	9,463
Accrued Interest on Bonds and Notes	D-21	23,171	31,983
Reserve for:			
Meter Deposits	D-19	15,325	15,325
Valve Replacement	D-19	<u>513</u>	<u>513</u>
		<u>240,816</u>	<u>190,569</u>
Reserve for Receivables	D	372,707	333,340
Fund Balance	D-1	<u>177,077</u>	<u>248,556</u>
Total Operating Fund		<u>\$ 790,600</u>	<u>\$ 772,465</u>
Capital Fund:			
Bond Anticipation Notes	D-22	\$ 350,000	\$ 350,000
Water Serial Bonds Payable	D-23	2,461,000	2,826,000
Improvement Authorizations:			
Funded	D-16	53,024	292,148
Unfunded	D-16	465,234	514,333
Contracts Payable	D-12	57,417	
Capital Improvement Fund	D-13	3	3
Reserve for Amortization	D-14	6,669,266	6,290,258
Reserve for Deferred Amortization	D-18	441,288	540,526
Reserve for Capital Infrastructure	D-11	964,893	722,089
Reserve for Payment of Bonds	D-15	72,426	
Fund Balance	D-2	<u>20,013</u>	<u>20,013</u>
Total Capital Fund		<u>11,554,564</u>	<u>11,555,370</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 12,345,164</u>	<u>\$ 12,327,835</u>

There were bonds and notes authorized but not issued on December 31, 2019, and 2018 of \$327,550, respectively (Exhibit D-20).

BOROUGH OF ALLENDALE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME			
Surplus Anticipated	D-3	\$ 95,000	\$ 110,000
Rents	D-3	1,519,730	1,640,000
Miscellaneous	D-3	71,720	68,510
Additional Rents	D-1		4,428
Facilities Charge	D-3	232,675	238,160
Reserve for Capital Infrastructure	D-3	32,000	
Other Credits to Income:			
Unexpended Balance of			
Appropriations Reserves	D-9	<u>97,584</u>	<u>81,788</u>
Total Income		<u>2,048,709</u>	<u>2,142,886</u>
EXPENDITURES			
Operating	D-4	1,325,250	1,336,975
Capital Improvements	D-4	262,000	220,000
Debt Service	D-4	436,538	475,725
Deferred Charges and Statutory Expenditures	D-4	<u>1,400</u>	<u>2,300</u>
Total Expenditures		<u>2,025,188</u>	<u>2,035,000</u>
Excess in Revenue		<u>23,521</u>	<u>107,886</u>
Statutory Excess to Surplus		23,521	107,886
Fund Balance, January 1	D	<u>248,556</u>	<u>250,670</u>
		272,077	358,556
Decreased by:			
Utilized as Anticipated Revenue	D-3	<u>95,000</u>	<u>110,000</u>
Fund Balance, December 31	D	<u>\$ 177,077</u>	<u>\$ 248,556</u>

BOROUGH OF ALLENDALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1, 2019	D	\$ 20,013	\$ 17,645
Increased by:			
Premium on Sale of Bond Anticipation Notes	D-2	-	2,368
Balance, December 31, 2019	D	<u>\$ 20,013</u>	<u>\$ 20,013</u>

EXHIBIT D-3

STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Surplus Anticipated	D-1	\$ 95,000	\$ 95,000	
Rents	D-1,D-8	1,644,000	1,519,730	\$ (124,270)
Facilities Charge	D-1,D-8	230,000	232,675	2,675
Miscellaneous	D-1	68,000	71,720	3,720
Reserve for Capital Infrastructure	D-1,D-11	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Budget Totals		<u>\$ 2,069,000</u>	<u>\$ 1,951,125</u>	<u>\$ (117,875)</u>

ANALYSIS OF REALIZED REVENUE

Miscellaneous:

Interest on Investments	\$ 31,173
Fire Standby	17,075
New Construction	6,344
Hydrant Annual Fee	11,700
Interest on Rents	<u>5,428</u>
	<u>\$ 71,720</u>

D-5

BOROUGH OF ALLENDALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATING					
Salaries and Wages	\$ 18,900	\$ 21,900	\$ 21,354	\$ 546	
Other Expenses	841,350	841,350	823,315	18,035	
Purchase of Water	500,000	497,000	427,070	34,930	\$ 35,000
CAPITAL IMPROVEMENTS					
Capital Outlay	32,000	32,000	32,000		
Capital Infrastructure	230,000	230,000	230,000		
DEBT SERVICE					
Payment of Bond Principal	365,000	365,000	365,000		
Interest on Bonds	69,850	69,850	61,223		8,627
Interest on Notes	10,500	10,500	10,315	-	185
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>1,400</u>	<u>\$ 1,400</u>	<u>\$ 818</u>	<u>\$ 582</u>	<u>-</u>
	<u>\$ 2,069,000</u>	<u>\$ 2,069,000</u>	<u>\$ 1,971,095</u>	<u>\$ 54,093</u>	<u>\$ 43,812</u>
		Reference	D-3		
Budget as Adopted		D-3	<u>\$ 2,069,000</u>		
Cash Disbursed		D-5		\$ 1,751,843	
Encumbrances		D-8		147,714	
Accrued Interest on Bonds and Notes		D-21		<u>71,538</u>	
				<u>\$ 1,971,095</u>	

BOROUGH OF ALLENDALE
COMPARATIVE STATEMENTS OF GENERAL FIXED ASSET ACCOUNT GROUP -
REGULATORY BASIS
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
GENERAL FIXED ASSETS		
Land	\$ 11,007,900	\$ 11,007,900
Land Improvements	1,888,779	1,923,179
Building and Building Improvements	19,860,001	19,725,912
Machinery and Equipment	<u>9,226,340</u>	<u>9,538,029</u>
	<u>\$ 41,983,020</u>	<u>\$ 42,195,020</u>
Investment in General Fixed Assets	<u>\$ 41,983,020</u>	<u>\$ 42,195,020</u>

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

Open Space Preservation Trust Fund - This fund is used to account for the resources which have accumulated from a dedicated tax to be used for the preservation of open space, recreation and farm land property.

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.

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

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

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

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

Financial Statements – Regulatory Basis

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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 Allendale 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. GAAP requires that all investments be reported at fair value.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon consumption and a standard facility charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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, the Borough doesn't allow for the accumulation of sick and vacation days.

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Allendale has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$5,000 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 stated at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets are stated as follows:

Land and Buildings	Assessed Value 1985
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 (Except for Open Space Trust Fund)
General Capital Fund
Water Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the Current Fund original budget by \$61,243 and \$-0-. The increases were funded by additional aid allotted to the Borough and to an emergency authorization for the Fire Department emergency fire truck repair. There were no increases to the water utility operating budget. In addition, the governing body approved several budget transfers during 2019 and 2018 for both the Current Fund and the Water Utility Operating Fund.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

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

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, 2019 and 2018, the book value of the Borough's deposits were \$8,837,845 and \$8,618,138 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,032,764 and \$10,116,118, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	\$ 9,032,764	\$ 10,116,118

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

B. Investments

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

As of December 31, 2019 and 2018 the Borough had no outstanding investments.

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

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

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE (Modify if no utility)

Receivables at December 31, 2019 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Total</u>
<u>2019</u>			
Property Taxes	\$ 206,752		\$ 206,752
Tax Title Liens	82,858		82,858
Utility Charges and Fees	<u>-</u>	<u>\$ 372,707</u>	<u>372,707</u>
	<u>\$ 289,610</u>	<u>\$ 372,707</u>	<u>\$ 662,317</u>

In 2019, the Borough collected \$258,211 and \$333,340 from delinquent taxes and utility charges and fees, which represented 76% and 100% of the delinquent tax and water charges receivable at December 31, 2018.

Receivables at December 31, 2018 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Total</u>
<u>2018</u>			
Property Taxes	\$ 260,276		\$ 260,276
Tax Title Liens	80,072		80,072
Utility Charges and Fees	<u>-</u>	<u>\$ 333,340</u>	<u>333,340</u>
	<u>\$ 340,348</u>	<u>\$ 333,340</u>	<u>\$ 673,688</u>

In 2018, the Borough collected \$363,777 and \$402,751 from delinquent taxes and utility charges and fees, which represented 82% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2017.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 7,461		\$ 3,255	
Trust Fund:				
Animal Control Fund		\$ 7,451		\$ 3,245
Other Trust Fund - Miscellaneous Reserves	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
 Total	 <u>\$ 7,461</u>	 <u>\$ 7,461</u>	 <u>\$ 3,255</u>	 <u>\$ 3,255</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues earned in on fund that are due to another fund.

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2019</u>			
Current Fund			
Emergency Authorization	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ -</u>

2018

There were none.

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

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2019</u>		<u>2018</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,425,621	\$ 1,225,000	\$ 3,135,532	\$ 1,475,000
Non-Cash Surplus	<u>15,350</u>	<u>-</u>	<u>15,350</u>	<u>-</u>
	<u>\$ 2,440,971</u>	<u>\$ 1,225,000</u>	<u>\$ 3,150,882</u>	<u>\$ 1,475,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 177,077	\$ 124,000	\$ 248,556	\$ 95,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 177,077</u>	<u>\$ 124,000</u>	<u>\$ 248,556</u>	<u>\$ 95,000</u>

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

NOTE 8 FIXED ASSETS

A. General Fixed Assets

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

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2019</u>
<u>2019</u>					
Land	\$ 11,007,900				\$ 11,007,900
Land Improvements	1,923,179			\$ (34,400)	1,888,779
Buildings and Building Improvements	19,725,912	\$ 99,689		34,400	19,860,001
Machinery and Equipment	<u>9,538,029</u>	<u>259,868</u>	<u>\$ 571,557</u>	<u>-</u>	<u>9,226,340</u>
	<u>\$ 42,195,020</u>	<u>\$ 359,557</u>	<u>\$ 571,557</u>	<u>\$ -</u>	<u>\$ 41,983,020</u>
	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2018</u>
<u>2018</u>					
Land	\$ 11,007,900				\$ 11,007,900
Land Improvements	1,863,445	\$ 59,734			1,923,179
Buildings	19,725,912				19,725,912
Machinery and Equipment	<u>9,002,923</u>	<u>880,149</u>	<u>\$ 345,043</u>	<u>\$ -</u>	<u>9,538,029</u>
	<u>\$ 41,600,180</u>	<u>\$ 939,883</u>	<u>\$ 345,043</u>	<u>\$ -</u>	<u>\$ 42,195,020</u>

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

NOTE 8 FIXED ASSETS (Continued)

B. Water Utility Fund Fixed Assets

The following is a summary of changes in the water utility fund fixed assets for the years ended December 31, 2019 and 2018.

	Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
<u>2019</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 7,820,976	\$ 585,054	\$ -	\$ 8,406,030
	<u>\$ 7,820,976</u>	<u>\$ 585,054</u>	<u>\$ -</u>	<u>\$ 8,406,030</u>
	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>
<u>2018</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 7,665,932	\$ 155,044	\$ -	\$ 7,820,976
	<u>\$ 7,665,932</u>	<u>\$ 155,044</u>	<u>\$ -</u>	<u>\$ 7,820,976</u>

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Notes	\$ 22,603,210	\$ 22,310,210
Water Utility		
Bonds and Notes	<u>2,811,000</u>	<u>3,176,000</u>
	25,414,210	25,486,210
Less Funds Temporarily Held to Pay Bonds and Notes	<u>1,245,352</u>	<u>939,622</u>
Net Debt Issued	<u>24,168,858</u>	<u>24,546,588</u>
Authorized But Not Issued		
General		
Bonds and Notes	18,600	880,600
Water Utility		
Bonds and Notes	<u>327,550</u>	<u>327,550</u>
	<u>346,150</u>	<u>1,208,150</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 24,515,008</u>	<u>\$ 25,754,738</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.209% and 1.266% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
Local School District Debt	\$ 2,165,000	\$ 2,165,000	
Regional School District Debt	1,971,437	1,971,437	
General Debt	22,621,810	1,172,926	\$ 21,448,884
Utility Debt	<u>3,138,550</u>	<u>3,138,550</u>	<u>-</u>
Total	<u>\$ 29,896,797</u>	<u>\$ 8,447,913</u>	<u>\$ 21,448,884</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
Local School District Debt	\$ 2,692,000	\$ 2,692,000	
Regional School District Debt	2,735,915	2,735,915	
General Debt	23,190,810	939,622	\$ 22,251,188
Utility Debt	<u>3,503,550</u>	<u>3,503,550</u>	<u>-</u>
Total	<u>\$ 32,122,275</u>	<u>\$ 9,871,087</u>	<u>\$ 22,251,188</u>

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3.5% of Equalized Valuation Basis (Municipal)	\$ 62,111,961	\$ 61,530,304
Less: Net Debt	<u>21,448,884</u>	<u>22,251,188</u>
Remaining Borrowing Power	<u>\$ 40,663,077</u>	<u>\$ 39,279,116</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2019</u>	<u>2018</u>
\$4,165,000, 2010 General Improvement Bonds, due in annual installments of \$550,000 to \$1,100,000 through February 15, 2022, interest at 3.00% to 3.15%	\$ 2,735,000	\$ 3,185,000
\$3,015,000, 2015 General Improvement Refunding Bonds, due in annual installments of \$475,000 through July 1, 2020, interest at 1.00% to 1.50%	475,000	1,015,000
\$3,580,000, 2015 General Improvement Bonds, due in annual installments of \$330,000 to \$425,000 through May 1, 2025, interest at 1.00% to 2.00%	<u>2,455,000</u>	<u>2,785,000</u>
	<u>\$ 5,665,000</u>	<u>\$ 6,985,000</u>

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

Water Utility

	<u>2019</u>	<u>2018</u>
\$946,000, 2010 Water Utility Bonds, due in annual installments of \$10,000 to \$250,000 through February 15, 2026, interest at 3.00% to 3.60%	\$ 861,000	\$ 871,000
\$2,620,000, 2012 Refunding Bonds, due in annual installments of \$120,000 to \$240,000 through July 15, 2023, interest at 2.00% to 4.00%	775,000	1,050,000
\$1,075,000, 2015 Water Utility Bonds, due in annual installments of \$25,000 to \$80,000 through May 1, 2030 interest at 1.00% to 3.00%	<u>825,000</u>	<u>905,000</u>
	<u>\$ 2,461,000</u>	<u>\$ 2,826,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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

Calendar Year	<u>General</u>		<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,355,000	\$ 127,940	\$ 330,000	\$ 62,850	\$ 1,875,790
2021	1,525,000	88,928	325,000	56,250	1,995,178
2022	1,510,000	46,838	270,000	49,642	1,876,480
2023	425,000	21,250	325,000	42,222	813,472
2024	425,000	12,750	305,000	32,363	775,113
2025-2029	425,000	4,250	881,000	48,174	1,358,424
2030-2034	-	-	25,000	375	25,375
	<u>\$ 5,665,000</u>	<u>\$ 301,956</u>	<u>\$ 2,461,000</u>	<u>\$ 291,876</u>	<u>\$ 8,719,832</u>

Changes in Long-Term Municipal Debt

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

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund Bonds Payable	<u>\$ 6,985,000</u>	<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ 5,665,000</u>	<u>\$ 1,355,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,985,000</u>	<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ 5,665,000</u>	<u>\$ 1,355,000</u>
Water Utility Capital Fund Bonds Payable	<u>\$ 2,826,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ 2,461,000</u>	<u>\$ 330,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 2,826,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ 2,461,000</u>	<u>\$ 330,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund Bonds Payable	\$ 8,260,000	\$ -	\$ 1,275,000	\$ 6,985,000	\$ 1,320,000
General Capital Fund Long-Term Liabilities	<u>\$ 8,260,000</u>	<u>\$ -</u>	<u>\$ 1,275,000</u>	<u>\$ 6,985,000</u>	<u>\$ 1,320,000</u>
Water Utility Capital Fund Bonds Payable	\$ 3,211,000	\$ -	385,000	\$ 2,826,000	\$ 365,000
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,211,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 2,826,000</u>	<u>\$ 365,000</u>

B. Short-Term Debt

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

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, January 1, <u>2019</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2019</u>
<u>2019</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Acquisition of Real Property	3.00%	1/24/2020	\$ 1,073,000	\$ 1,035,000	\$ 1,073,000	\$ 1,035,000
Acquisition of Real Property	2.75%	4/24/2020	4,285,000	4,285,000	4,285,000	4,285,000
Acquisition of Real Property	2.75%	4/24/2020	8,905,000	8,905,000	8,905,000	8,905,000
Various Improvements	2.25%	9/25/2020	480,000	480,000	480,000	480,000
Various Improvements	2.25%	9/25/2020	582,210	582,210	582,210	582,210
Various Improvements	2.25%	9/25/2020		842,000	-	842,000
Various Improvements	2.25%	9/25/2020	-	809,000	-	809,000
Total General Capital Fund			<u>\$ 15,325,210</u>	<u>\$ 16,938,210</u>	<u>\$ 15,325,210</u>	<u>\$ 16,938,210</u>

	Rate (%)	Maturity Date	Balance, January 1, <u>2019</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2019</u>
<u>2019</u>						
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Improvements	2.25%	9/25/2020	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>
Total Water Utility Capital Fund			<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2018</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>General Capital Fund</u>						
	<u>Purpose</u>					
Acquisition of Real Property	2.50%	1/25/2019	\$ 1,122,000	\$ 1,073,000	\$ 1,122,000	\$ 1,073,000
Acquisition of Real Property	3.00%	4/26/2019	4,285,000	4,285,000	4,285,000	4,285,000
Acquisition of Real Property	2.64%	4/26/2019	9,365,000	8,905,000	9,365,000	8,905,000
Various Improvements	3.00%	9/26/2019	480,000	480,000	480,000	480,000
Various Improvements	3.00%	9/26/2019	<u>665,000</u>	<u>582,210</u>	<u>665,000</u>	<u>582,210</u>
Total General Capital Fund			<u>\$ 15,917,000</u>	<u>\$ 15,325,210</u>	<u>\$ 15,917,000</u>	<u>\$ 15,325,210</u>

<u>2018</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>Water Utility Capital Fund</u>						
	<u>Purpose</u>					
Various Improvements	3.00%	9/26/2019	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>
Total Water Utility Capital Fund			<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>

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

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

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

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are not allowed to accumulate unused vacation benefits, personal time, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

B. Capital Lease Agreement

The Borough entered into agreements for the leasing of police vehicles totaling \$128,636 under capital leases. The capital lease agreements are for terms of 3 year’s payable in advance. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at December 31, 2019.

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 46,434
2021	<u>46,436</u>
Total	92,870
Less: Amounts Representing Interest	<u>9,007</u>
Present Value of Net Minimum Lease Payments	<u>\$ 83,863</u>

The Borough’s capital lease activity for the years 2019 and 2018 was as follows:

	<u>2019</u>
Balance, January 1	
Additions	\$ 128,636
Reductions	<u>44,773</u>
Balance, December 31	<u>\$ 83,863</u>
Due Within One Year	<u>\$ 41,138</u>

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

NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

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

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Capital Leases		\$ 128,636	\$ 44,773	\$ 83,863	\$ 41,138
Net Pension Liability - PERS	\$ 4,184,576		107,905	4,076,671	
Net Pension Liability - PFRS	6,910,094		563,493	6,346,601	
Net OPEB Liability	<u>8,925,272</u>	<u>-</u>	<u>1,536,432</u>	<u>7,388,840</u>	<u>-</u>
Other Long Term Liabilities	<u>\$ 20,019,942</u>	<u>\$ 128,636</u>	<u>\$ 2,252,603</u>	<u>\$ 17,895,975</u>	<u>\$ 41,138</u>
	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Net Pension Liability - PERS	\$ 4,930,967		\$ 746,391	\$ 4,184,576	
Net Pension Liability - PFRS	7,545,673		635,579	6,910,094	
Net Opeb Liability	<u>11,480,819</u>	<u>-</u>	<u>2,555,547</u>	<u>8,925,272</u>	<u>-</u>
Other Long Term Liabilities	<u>\$ 23,957,459</u>	<u>\$ -</u>	<u>\$ 3,937,517</u>	<u>\$ 20,019,942</u>	<u>\$ -</u>

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

For the years ended December 31, 2019 and 2018 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2019, 2018 and 2017 were equal to the required contributions.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 499,247	\$ 211,397	\$ 6,686
2018	432,574	196,234	7,276
2017	384,675	178,243	8,720

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,282, \$4,189 and \$1,304, respectively for PERS and \$0 for PFRS.

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

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

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$4,076,671 and \$4,184,576, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .02262 percent, which was an increase of .00137 percent from its proportionate share measured as of June 30, 2018 of .02125 percent.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough’s pension expense to be \$37,971 and \$21,358, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough’s financial statements of \$211,397 and \$196,234, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 73,171	\$ 18,009	\$ 79,800	\$ 21,577
Changes of Assumptions	407,071	1,414,999	689,549	1,338,005
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		64,352		39,252
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>371,759</u>	<u>197,388</u>	<u>167,941</u>	<u>455,402</u>
Total	<u>\$ 852,001</u>	<u>\$ 1,694,748</u>	<u>\$ 937,290</u>	<u>\$ 1,854,236</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (229,548)
2021	(229,548)
2022	(229,548)
2023	(149,595)
2024	(4,508)
Thereafter	<u>-</u>
	<u>\$ (842,747)</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,149,498</u>	\$ <u>4,076,671</u>	\$ <u>3,172,662</u>
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,261,622</u>	\$ <u>4,184,576</u>	\$ <u>3,281,003</u>

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$6,346,601 and \$6,910,094, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .05186 percent, which was an increase of .00079 percent from its proportionate share measured as of June 30, 2018 of .05107 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$708,293 and \$653,330, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$499,247 and \$432,574, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 53,573	\$ 40,181	\$ 70,301	\$ 28,596
Changes of Assumptions	217,469	2,051,163	593,139	1,770,938
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		85,994		37,804
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>506,910</u>	<u>46,970</u>	<u>618,236</u>	<u>145,427</u>
Total	<u>\$ 777,952</u>	<u>\$ 2,224,308</u>	<u>\$ 1,281,676</u>	<u>\$ 1,982,765</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (334,276)
2021	(334,276)
2022	(334,276)
2023	(286,961)
2024	(156,567)
Thereafter	<u>-</u>
	<u>\$ (1,446,356)</u>

Actuarial Assumptions

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

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

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

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

**BOROUGH OF ALLENDALE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

<u>2019</u>	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 8,578,292</u>	<u>\$ 6,346,601</u>	<u>\$ 4,499,555</u>
<u>2018</u>	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 9,248,303</u>	<u>\$ 6,910,094</u>	<u>\$ 4,981,497</u>

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – 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, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,002,140 and \$938,622, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$116,441 and \$111,178, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$67,523 and \$55,589, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .05186 percent, which was an increase of .00079 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .05107 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 ALLENDALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

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

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

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

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

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

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

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

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

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2019, 2018 and 2017 were \$218,396, \$309,276 and \$323,740, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2019, 2018 and 2017 were \$36,691, \$48,190 and \$37,943, respectively.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Borough reported a liability of \$7,388,840 and \$8,925,272, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Borough’s proportionate share of the net OPEB liability was based on the ratio of the Borough’s proportionate share of the OPEB liability attributable to the Borough at June 30, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Borough’s proportionate share was .05455 percent, which was a decrease of .00242 percent from its proportionate share measured as of June 30, 2018 of .05697 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough’s OPEB expense to be \$(248,285) and \$236,649, respectively, based on the actuarial valuations which are less than the actual contributions reported in the Borough’s financial statements of \$218,396 and \$309,276, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 2,160,785		\$ 1,812,149
Changes of Assumptions		2,618,441		2,264,012
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 6,086		\$ 4,717	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	125,731	1,145,528	146,208	792,425
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 131,817</u>	<u>\$ 5,924,754</u>	<u>\$ 150,925</u>	<u>\$ 4,868,586</u>

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (960,878)
2021	(960,879)
2022	(961,372)
2023	(962,181)
2024	(962,849)
Thereafter	<u>(984,778)</u>
	<u>\$ (5,792,937)</u>

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

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

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

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

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

Calendar

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

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.50% and 2.87%, respectively or 1-percentage-point higher 4.50% and 4.87%, respectively than the current rate:

<u>2019</u>	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 8,543,379</u>	<u>\$ 7,388,840</u>	<u>\$ 6,450,625</u>
<u>2018</u>	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,471,704</u>	<u>\$ 8,925,272</u>	<u>\$ 7,690,023</u>

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2019</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>6,235,270</u>	\$ <u>7,388,840</u>	\$ <u>8,860,412</u>
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>7,445,108</u>	\$ <u>8,925,272</u>	\$ <u>10,840,824</u>

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

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.

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

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)

Special Funding Situation (Continued)

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$2,780,265 and \$3,280,102, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$36,853 and \$99,293, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .05032 percent, which was a decrease of .00247 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .05279 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.

OPEB Plan Fiduciary Net Position

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

NOTE 13 RISK MANAGEMENT

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

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

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

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

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

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

NOTE 13 RISK MANAGEMENT (Continued)

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 year.

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 5,000	\$ 5,830	\$ 30,395	\$ 62,215

NOTE 14 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$197,133 and \$126,970, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

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

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

NOTE 16 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the “LTTE Law”), the Five-Year Exemption and Abatement Law (the “FYEA”) and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$100,415 and \$98,192, respectively, under the NJHMFA program. The Borough received \$25,558 and \$25,479 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

NOTE 17 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

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

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

NOTE 18 SUBSEQUENT EVENTS

Serial Bonds

On January 6, 2020 the Borough adopted a resolution for the issuance of \$985,000 Improvement Bonds for the purpose of funding various capital improvements of the Borough. On January 23, 2020 the Borough awarded the sale of said bonds to TD Securities at an interest rate of 1.30%. These bonds dated January 23, 2020 will mature over 8 years with the first maturity due January 15, 2021.

Bond Anticipation Notes

On April 24, 2020 the Borough issued bond anticipation notes in the amount of \$13,017,214 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Securities at an interest rate of 2.50%. These notes dated April 24, 2020 will mature on April 23, 2021.

Debt Authorized

On April 16, 2020 the Borough adopted a bond ordinance authorizing the issuance \$857,000 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 ALLENDALE
STATEMENT OF CURRENT CASH - TREASURER

Balance, January 1, 2019		\$ 4,820,452
Increased by Receipts:		
Miscellaneous Revenue Not Anticipated	\$ 92,211	
Due from State - Senior Citizen and Veteran Dedications	29,070	
Taxes Receivable	38,980,293	
Homestead Rebate	205,450	
Petty Cash	800	
Revenue Accounts Receivable	2,529,733	
Grant Receivable	15,833	
Prepaid Taxes	287,144	
Tax Overpayments	55,542	
Unappropriated Reserves for Grants	22,743	
State Fees Payable	20,210	
Receipts from Municipal Open Space Trust Fund	20,000	
Receipts from General Capital Fund	<u>3,500</u>	
		42,262,529
Decreased by Disbursements:		
Current Year Budget Appropriations	12,651,063	
Appropriation Reserves	362,933	
Petty Cash	800	
Tax Overpayments	102,062	
Refund Prior Year Revenue	534	
Municipal Open Space	84,720	
Local District School Taxes	16,097,574	
Regional High School Taxes	9,515,374	
County Taxes Payable	4,299,922	
Reserve for Tax Appeals	4,837	
Appropriated Reserves for Grants	13,143	
State Fees Payable	<u>25,603</u>	
		<u>43,158,565</u>
Balance, December 31, 2019		<u>\$ 3,924,416</u>

**BOROUGH OF ALLENDALE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, January 1, <u>2019</u>	Balance, December 31, <u>2019</u>
Tax Collector	\$ 400	\$ 400
	<u>\$ 400</u>	<u>\$ 400</u>

STATEMENT OF PETTY CASH FUND

Increased by:	
Disbursed	<u>\$ 800</u>
Decreased by:	
Returned to Treasurer	<u>\$ 800</u>

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

Balance, January 1, 2019	\$ 3,624
Increased by:	
Cash Receipts	<u>29,070</u>
	32,694
Decreased by:	
Senior Citizen Deductions per Tax Billing	1,250
Veterans Deductions per Tax Billing	27,000
Veterans Deductions allow by Collector	<u>250</u>
	<u>28,500</u>
Balance, December 31, 2019	<u>\$ 4,194</u>

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

<u>Year</u>	Balance, January 1, <u>2019</u>	<u>Levy</u>	Added <u>Taxes</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Collected In</u>		<u>Homestead Rebate</u>	Senior Citizens' and Veterans' Deductions <u>Allowed</u>	Remitted or <u>Cancelled</u>	Transferred to Tax Title <u>Liens</u>	Balance, December 31, <u>2019</u>
2018	\$ 260,276					\$ 258,211			\$ 2,065		-
2019	<u>-</u>	<u>\$ 39,724,673</u>	<u>\$ 76,805</u>	<u>-</u>	<u>\$ 355,258</u>	<u>38,722,082</u>	<u>\$ 205,450</u>	<u>\$ 28,500</u>	<u>280,650</u>	<u>\$ 2,786</u>	<u>\$ 206,752</u>
	<u>\$ -</u>	<u>\$ 39,724,673</u>	<u>\$ 76,805</u>	<u>\$ -</u>	<u>\$ 355,258</u>	<u>\$ 38,980,293</u>	<u>\$ 205,450</u>	<u>\$ 28,500</u>	<u>\$ 280,650</u>	<u>\$ 2,786</u>	<u>\$ 206,752</u>

Analysis of Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 39,724,673
Added Taxes (54:4-63.1 et seq.)	<u>76,805</u>
	<u>\$ 39,801,478</u>
Tax Levy	
Municipal Open Space Tax	\$ 84,556
Added Municipal Open Space Tax	164
Local District School Tax (Abstract)	16,097,574
Regional High School Tax	9,515,374
County Tax	4,114,022
County Open Space Tax	177,591
Added County Taxes	<u>8,309</u>
	29,997,590
Local Tax for Municipal Purposes	9,729,019
Add Additional Tax Levied	<u>74,869</u>
	<u>9,803,888</u>
	<u>\$ 39,801,478</u>

**BOROUGH OF ALLENDALE
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2019	\$ 80,072
Increased by:	
Transfer from Taxes Receivable	<u>2,786</u>
Balance, December 31, 2019	<u>\$ 82,858</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, January 1, 2019	<u>\$ 4,900</u>
Balance, December 31, 2019	<u>\$ 4,900</u>

BOROUGH OF ALLENDALE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2019</u>	Accrued in 2019	<u>Realized</u>	Balance, December 31, <u>2019</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 15,000	\$ 15,000	
Fees and Permits		17,793	17,793	
Planning Board/Board of Adjustment				
Fees and Permits		6,150	6,150	
Board of Health:				
Fees and Permits	\$ 5,850	11,926	17,776	
Parking				
Fees and Permits		33,835	33,835	
Municipal Court:				
Fines and Costs	2,462	26,143	28,605	
Uniform Construction Code:				
Fees and Permits - Building		290,667	290,667	
Interest and Costs on Taxes		80,362	80,362	
Energy Receipts Taxes		1,068,869	1,068,869	
Interest on Investments and Deposits		140,661	140,661	
Engineering Fees		28,269	28,269	
Cable TV Franchise Fees		107,964	107,964	
Cellular Tower Lease		111,679	111,679	
Uniform Fire Safety Act		10,996	10,996	
Garbage Collection		2,390	2,390	
Dues & Fees - Crestwood Lake		297,331	297,331	
Saddle River Sewer Payment	13,800	35,179	48,979	
Ramsey Sewer Charges		165,792	165,792	
Allendale El. School Contribution to Sewer Use		21,725	21,725	
North. High. Reg. HS Contribution to Sewer Use	-	34,890	34,890	-
	<u>\$ 22,112</u>	<u>\$ 2,507,621</u>	<u>\$ 2,529,733</u>	<u>\$ -</u>

BOROUGH OF ALLENDALE
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, January 1, <u>2019</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Administrative and Executive	\$ 10,910	\$ 10,910	\$ 1,254	\$ 9,656
Borough Clerk	1,177	1,177	-	1,177
Financial Administration	3,112	3,112	-	3,112
Collection of Taxes	211	211	-	211
Assessment of Taxes	1	1	-	1
Engineering	1,753	1,753	-	1,753
Planning Board	38	38	-	38
Police	32,273	32,273	24,616	7,657
Emergency Management Services	4	4	-	4
Uniform Fire Safety Act - Fire Official	8,664	8,664	-	8,664
Municipal Prosecutor	2	2	-	2
Municipal Court	1	1	-	1
Road Repairs and Maintenance	65,669	60,669	7,387	53,282
Board of Health	1	1	-	1
Crestwood Lake Swimming & Rec. Facility	21	21	-	21
Construction Code Official	573	2,573	2,113	460
Plumbing Inspector	223	723	420	303
Electric Inspector	187	187	-	187
Fire Subcode Official	1	1	-	1
Zoning Officer/Property Maintenance	301	1,301	832	469
Salary and Wage Adjustment	17,000	13,500	-	13,500
				-
				-
Other Expenses				
Administrative and Executive	33,680	33,908	898	33,010
Mayor and Council	3,968	4,069	1,627	2,442
Borough Clerk	7,219	7,244	64	7,180
Financial Administration	6,447	8,849	4,312	4,537
Annual Audit	16,176	16,176	9,602	6,574
Collection of Taxes	510	787	200	587
Assessment of Taxes	14,703	14,703	-	14,703
Legal Services and Costs	46,743	47,581	2,092	45,489
Engineering	32,154	46,967	16,937	30,030
Planning Board	8,461	11,398	5,215	6,183
Insurance				
Other Insurance Premiums	41,375	41,944	41,944	-
Workers' Compensation Insurance	48,992	48,992	39,910	9,082
Group Insurance Plan for Employees	11,230	11,230	1,608	9,622
Health Benefit Waiver	604	604	-	604
Police	2,612	59,514	58,242	1,272
Emergency Management Services	3,599	3,599	189	3,410
Fire	2,694	10,455	10,451	4
Uniform Fire Safety Act - Fire Official	16	16	-	16
Municipal Court	1,683	1,683	-	1,683
Public Defender	1,221	1,200	-	1,200
Road Repairs and Maintenance	777	9,302	8,201	1,101

**BOROUGH OF ALLENDALE
STATEMENT OF 2018 APPROPRIATION RESERVES**

	Balance, January 1, <u>2019</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Snow Removal	\$ 30,605	\$ 27,605	\$ 2,246	\$ 25,359
Shade Tree	6,941	12,131	3,240	8,891
Sewer System	16,716	16,796	468	16,328
Garbage and Trash Removal	309	60,770	35,580	25,190
Recycling	5,620	16,570	10,950	5,620
Public Buildings and Grounds	21,176	31,499	5,348	26,151
Board of Health	442	1,476	492	984
Senior Citizens	357	2,765	2,765	-
Animal Control	1,795	1,795	775	1,020
Municipal Alliance	5,447	5,447	985	4,462
Parks and Playgrounds	9,096	11,292	2,067	9,225
Crestwood Lake Swimming & Rec. Facility	634	9,478	7,058	2,420
Construction Official	558	964	406	558
Zoning Officer/Property Maintenance	1,040	1,040		1,040
Radio Equipment Maintenance	1,060	1,060		1,060
Gasoline	40,849	44,121	9,019	35,102
Utilities	102,535	102,746	32,961	69,785
Contingent	25,000	25,000		25,000
Public Employees' Retirement System	298	298		298
Social Security (O.A.S.I.)	40,270	40,270	2,802	37,468
Defined Contribution Retirement Plan	2,724	2,724	459	2,265
Long Term Disability Assessment	5	5		5
Borough of Waldwick - Well Baby	875	875	40	835
Borough of Hohokus - Municipal Court	12,165	12,165	10,505	1,660
Police Equipment	554	554	-	554
	<u>\$ 754,057</u>	<u>\$ 946,789</u>	<u>\$ 366,280</u>	<u>\$ 580,509</u>
Appropriation Reserves		\$ 754,057		
Prior Year Encumbrances		<u>192,732</u>		
		<u>\$ 946,789</u>		
Cash Disbursed			\$ 362,933	
Transfer to Accounts Payable			<u>3,347</u>	
			<u>\$ 366,280</u>	

**BOROUGH OF ALLENDALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2019	\$ 192,732
Increased by:	
Transfer from Current Appropriations	<u>180,688</u>
	373,420
Decreased by:	
Transfer to Appropriation Reserves	<u>192,732</u>
Balance, December 31, 2019	<u><u>\$ 180,688</u></u>

STATEMENT OF ACCOUNTS PAYABLE

Increased by:	
Transfer from Appropriation Reserves	<u>\$ 3,347</u>
Balance, December 31, 2019	<u><u>\$ 3,347</u></u>

**BOROUGH OF ALLENDALE
STATEMENT OF PREPAID TAXES**

Balance, January 1, 2019	\$	355,258
Increased by:		
Cash Receipts		287,144
		642,402
Decreased by:		
Applied in 2019 Taxes		355,258
Balance, December 31, 2019	\$	287,144

EXHIBIT A-16

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES

Increased by:		
Levy Calendar Year, 2019	\$	16,097,574
Decreased by:		
Payments	\$	16,097,574

EXHIBIT A-17

STATEMENT OF REGIONAL HIGH SCHOOL TAX

Increased by:		
Levy Calendar Year, 2019	\$	9,515,374
Decreased by:		
Payments	\$	9,515,374

**BOROUGH OF ALLENDALE
STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:			
Levy Calendar Year, 2019		\$ 4,114,022	
Levy- Open space Preservation- 2019		177,591	
Added and Omitted Taxes		<u>8,309</u>	
			<u>\$ 4,299,922</u>
Decreased by:			
Payments			<u>\$ 4,299,922</u>

EXHIBIT A-19

STATEMENT OF DUE TO MUNICIPAL OPEN SPACE TRUST FUND

Increased by:			
Tax Levy- 2019		\$ 84,556	
Added and Omitted Taxes		<u>164</u>	
			<u>\$ 84,720</u>
Decreased by:			
Cash Disbursed			<u>\$ 84,720</u>

EXHIBIT A-20

STATEMENT OF TAX OVERPAYMENTS

Balance, January 1, 2019		\$ 98,396
Increased by:		
Cash Receipts		<u>55,542</u>
		153,938
Decreased by:		
Cash Disbursements		<u>102,062</u>
Balance, December 31, 2019		<u>\$ 51,876</u>

**BOROUGH OF ALLENDALE
STATEMENT OF PREPAID REVENUE**

Balance, January 1, 2019	\$	8,138
Decreased by:		
Realized as Current Fund Budgeted Revenue- Cell Tower		8,138
Balance, December 31, 2019	\$	-

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2019	\$	126,970
Increased by:		
Transfer from Current Year Appropriations		75,000
		201,970
Decreased by:		
Cash Disbursements		4,837
Balance, December 31, 2019	\$	197,133

STATEMENT OF RESERVE FOR REVALUATION

Balance, January 1, 2019	\$	13,530
Decreased by:		
Cancellation		13,530
Balance, December 31, 2019	\$	-

**BOROUGH OF ALLENDALE
STATEMENT OF STATE FEES PAYABLE**

	Balance, January 1, <u>2019</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2019</u>
Construction- DCA	\$ 9,730	\$ 17,579	\$ 23,103	\$ 4,206
Marriage License		425	275	150
Parking Sales Tax	<u>200</u>	<u>2,206</u>	<u>2,225</u>	<u>181</u>
	<u>\$ 9,930</u>	<u>\$ 20,210</u>	<u>\$ 25,603</u>	<u>\$ 4,537</u>

STATEMENT OF DEFERRED CHARGES

	Added in <u>2019</u>	Balance, December 31, <u>2019</u>
Emergency Authorization (40A:4-47)	<u>\$ 55,000</u>	<u>\$ 55,000</u>
	<u>\$ 55,000</u>	<u>\$ 55,000</u>

**BOROUGH OF ALLENDALE
SCHEDULE OF GRANTS RECEIVABLE
FEDERAL AND GRANT FUND**

<u>Grant</u>	Balance, January 1, 2019	<u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, 2019
Federal Grants:				
Community Development Block Grant	\$ 15,350	-	-	\$ 15,350
	<u>15,350</u>	<u>-</u>	<u>-</u>	<u>15,350</u>
State Grants:				
Recycling Tonnage Grant		\$ 7,725	\$ 7,725	
Drunk Driving Enforcement Fund		6,243	6,243	
Body Armor Replacement Fund	-	1,865	1,865	-
	<u>-</u>	<u>15,833</u>	<u>15,833</u>	<u>-</u>
	<u>\$ 15,350</u>	<u>\$ 15,833</u>	<u>\$ 15,833</u>	<u>\$ 15,350</u>

EXHIBIT A-27

**SCHEDULE OF APPROPRIATED RESERVES FOR GRANTS
FEDERAL AND STATE GRANT FUND**

<u>Grant</u>	Balance, January 1, 2019	Transfer From Current <u>Appropriations</u>	Cash <u>Disbursed</u>	Balance, December 31, 2019
Local Grants:				
Bergen Cty JIF - Police Accreditation Grant	\$ 2,289	-	-	\$ 2,289
	<u>2,289</u>	<u>-</u>	<u>-</u>	<u>2,289</u>
Federal Grants:				
Community Development Block Grant	15,350	-	-	15,350
	<u>15,350</u>	<u>-</u>	<u>-</u>	<u>15,350</u>
State Grants:				
Drunk Driving Enforcement Fund	494	\$ 6,243	\$ 2,628	4,109
Recycling Grant	7,834	7,725	1,639	13,920
NJ SLA HEOP Grant	2,406			2,406
Clean Communities Grant	76,923	12,797	4,419	85,301
Body Armor Replacement Fund	2,592	1,865	4,457	-
Green Communities Challenge Grant	2,000	-	-	2,000
	<u>92,249</u>	<u>28,630</u>	<u>13,143</u>	<u>107,736</u>
	<u>\$ 109,888</u>	<u>\$ 28,630</u>	<u>\$ 13,143</u>	<u>\$ 125,375</u>

**BOROUGH OF ALLENDALE
SCHEDULE OF UNAPPROPRIATED RESERVES FOR GRANTS
FEDERAL AND GRANT FUND**

<u>Grant</u>	Balance, January 1, <u>2019</u>	Realized as Budgeted <u>Revenue</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2019</u>
State Grants:				
Recycling Tonnage Grant			\$ 8,459	\$ 8,459
Clean Communities	\$ 12,797	\$ 12,797	<u>14,284</u>	<u>14,284</u>
	<u>\$ 12,797</u>	<u>\$ 12,797</u>	<u>\$ 22,743</u>	<u>\$ 22,743</u>

TRUST FUNDS

**BOROUGH OF ALLENDALE
STATEMENT OF CASH - TREASURER**

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Municipal Open Space Preservation <u>Trust Fund</u>
Balance, January 1, 2019	\$ 10,865	\$ 877,914	\$ 85,376
Increased by Receipts:			
Animal License Fees - Borough Share	\$ 5,423		
Dog License Fees - State Share	706		
Miscellaneous Reserves		\$ 261,454	
Employee Contributions		5,830	
Budget Appropriation		5,000	
Municipal Open Space Tax Levy			\$ 84,720
Payroll Salaries and Withholdings		6,558,311	
Interest on Deposits	-	1,238	508
	<u>16,994</u>	<u>7,709,747</u>	<u>170,604</u>
	16,994	7,709,747	170,604
Decreased by:			
Reserve for Animal Expenditures	547		
State Share - Dog Licenses	708		
Miscellaneous Reserves		220,337	
Payroll Salaries and Withholdings		6,559,355	
Reserve for Unemployment		30,395	
Reserve for Municipal Open Space			64,750
Payments to Current Fund	-	-	20,000
	<u>1,255</u>	<u>6,810,087</u>	<u>84,750</u>
Balance, December 31, 2019	<u>\$ 15,739</u>	<u>\$ 899,660</u>	<u>\$ 85,854</u>

BOROUGH OF ALLENDALE
STATEMENT OF RESERVE FOR ANIMAL LICENSE EXPENDITURES
ANIMAL CONTROL TRUST FUND

Balance, January 1, 2019		\$ 7,621
Increased by:		
Dog License Fees	\$ 4,523	
Late Fees, Replacement tags & Misc.	710	
Cat License Fees	190	
		5,423
		13,044
Decreased by:		
Expenditures R.S. 4:19-1511	547	
Statutory Excess Due to Current	4,206	
		4,753
Balance, December 31, 2019		\$ 8,291

Animal License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 3,459
2018	4,832
	\$ 8,291

STATEMENT OF DUE FROM STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND

Balance, January 1, 2019		\$ 1
Increased by:		
Payments to State		708
		709
Decreased by:		
State Fees Collected		706
Balance, December 31, 2019		\$ 3

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

Balance, January 1, 2019		\$ 3,245
Increased by:		
Statutory Excess		4,206
Balance, December 31, 2019		\$ 7,451

**STATEMENT OF RESERVE FOR OPEN SPACE TRUST
OPEN SPACE PRESERVATION TRUST FUND**

Balance, January 1, 2019		\$ 85,376
Increased by:		
2019 Tax Levy	\$ 84,556	
2019 Added Taxes	164	
Interest Earned on Deposits	508	
		85,228
		170,604
Decreased by:		
Cash Disbursements	64,750	
Realized as Current Fund Budgeted Revenue	20,000	
		84,750
Balance, December 31, 2019		\$ 85,854

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

Balance, January 1, 2019		\$ 80,542
Increased by:		
Budget Appropriation	\$ 5,000	
Employee Contributions	5,830	
Interest Earned on Deposits	1,238	
		12,068
		92,610
Decreased by:		
Unemployment Insurance Benefit Claims		30,395
Balance, December 31, 2019		\$ 62,215

BOROUGH OF ALLENDALE
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance January 1, <u>2019</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December 31, <u>2019</u>
Developers Escrow	\$ 104,798	\$ 14,326		\$ 119,124
Municipal Court - P.O.A.A.	68	100		168
Recycling	92,896	5,980	\$ 22,516	76,360
Escrow Deposits	185,012	59,885	56,855	188,042
Vacant Property Escrow	15,000	1,000	2,000	14,000
Housing Trust	97,773	136,738	36,307	198,204
Municipal Alliance Donations	4,476			4,476
Rental Deposits	4,200	3,000	2,000	5,200
ATT Tower	11,551	211		11,762
Improvement and Beautification	28,058	7,802	3,845	32,015
9/11 Memorial	20,293	7,752	11,000	17,045
Police Donations	17,778	2,147	1,627	18,298
Orchard Commons Donation	4,488			4,488
Tax Sale Premiums	117,500		69,000	48,500
CERT Donations	292		9	283
Flex Spending	1,675	2,800	4,163	312
Crestwood Cruisers	11,017	12,835	7,975	15,877
Storm Recovery	22,404			22,404
Police Outside Duty	4,516	6,878	3,040	8,354
Video Equipment Surcharge	100	-	-	100
	<u>\$ 743,895</u>	<u>\$ 261,454</u>	<u>\$ 220,337</u>	<u>\$ 785,012</u>

BOROUGH OF ALLENDALE
STATEMENT OF RESERVE FOR PAYROLL SALARIES & WITHHOLDINGS PAYABLE
OTHER TRUST FUND

Balance, January 1, 2019	\$	53,467
Increased by:		
Cash Receipts		6,558,311
		6,611,778
Decreased by:		
Cash Disbursements		6,559,355
 Balance, December 31, 2019	 \$	 <u>52,423</u>

EXHIBIT B-11

STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND

Balance, January 1, 2019	\$	<u>10</u>
 Balance, December 31, 2019	 \$	 <u>10</u>

GENERAL CAPITAL FUND

BOROUGH OF ALLENDALE
STATEMENT OF GENERAL CAPITAL CASH

Balance, January 1, 2019		\$ 1,162,970
Increased by Receipts:		
Premium on Sale of Bond Anticipation Notes	\$ 65,686	
Grant and Other Receivables	119,732	
Deferred Charges - Unfunded- Paid by Current Fund Budget Appropriation	20,000	
Deferred Charges - Unfunded- Paid by Open Space Trust Budget Appropriation	38,000	
Bond Anticipation Notes	16,938,210	
Capital Improvement Fund	41,000	
Reserve for Payment of Debt Service	<u>233,304</u>	
		<u>17,455,932</u>
		18,618,902
Decreased by Disbursements:		
Bond Anticipation Notes	15,325,210	
Improvement Authorizations	1,101,769	
Payments to Current Fund	<u>3,500</u>	
		<u>16,430,479</u>
Balance, December 31, 2019		<u>\$ 2,188,423</u>

**BOROUGH OF ALLENDALE
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2019</u>
Fund Balance		\$ 169,158
Grant/Other Receivables		(495,386)
Capital Improvement Fund		3,112
Reserve for Municipal Improvements		43,800
Reserve for Debt Service		1,172,926
Contacts Payable		306,741
Ord.		
<u>No.</u>	<u>Improvement Authorization</u>	
07-13	Acquisition of Real Property	(11,800)
12-05	Various Improvements	10,867
13-15	Various Road Improvements	18,191
15-04	Various Improvements	42,098
15-18	Engineering for Capital Projects	11,600
16-04	Various Improvements	75,787
17-02	Acquisition of Real Property	164,277
17-05	Various Improvements	81,389
18-09	Various Improvements	282,771
19-06	Various Improvements	<u>312,892</u>
		<u>\$ 2,188,423</u>

EXHIBIT C-4

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2019	\$ 6,985,000
Decreased by:	
Budget Appropriation to Pay Bonds	<u>1,320,000</u>
Balance, December 31, 2019	<u>\$ 5,665,000</u>

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

Ordinance Number	Improvement Description	Balance, January 1, 2019	Authorized 2019	Paid by Budget Appropriation	Paid by Municipal Open Space	Balance, December 31, 2019	Analysis of Balance, December 31, 2019		
							Bond Anticipation Notes	Expenditures	Improvement Authorizations Unfunded
07-13	Acquisition of Real Property	\$ 1,111,600		\$ 20,000	\$ 38,000	\$ 1,053,600	\$ 1,035,000	\$ 11,800	\$ 6,800
16-04	Various Improvements	480,000				480,000	480,000		-
17-02	Acquisition of Real Property	13,190,000				13,190,000	13,190,000		-
17-05	Various Improvements	582,210				582,210	582,210		-
18-09	Various Improvements	842,000				842,000	842,000	-	-
19-06	Various Improvements	-	\$ 809,000	-	-	809,000	809,000	-	-
						-			
		<u>\$ 16,205,810</u>	<u>\$ 809,000</u>	<u>\$ 20,000</u>	<u>\$ 38,000</u>	<u>\$ 16,956,810</u>	<u>\$ 16,938,210</u>	<u>\$ 11,800</u>	<u>\$ 6,800</u>
							Bond Anticipation Notes		
								<u>\$ 16,938,210</u>	
									Improvement Authorizations Unfunded \$ 867,996
									Less: Unexpended Bond Anticipation Note
									Proceeds
								Ord. #16-04	75,787
								Ord. #17-02	164,277
								Ord. #17-05	81,389
								Ord. #18-09	226,851
								Ord. #19-06	<u>312,892</u>
									<u>861,196</u>
									<u>\$ 6,800</u>

BOROUGH OF ALLENDALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, January 1, 2019		2019 Authorizations	Paid or Charged	Balance, December 31, 2019	
				Funded	Unfunded			Funded	Unfunded
General Improvements									
07-13	Acquisition of Real Property	8/9/2007	\$ 4,763,000		\$ 7,616		\$ 816		\$ 6,800
09-09	Various Improvements	3/26/2009	572,300	\$ 36,503			36,503		
12-05	Various Improvements	3/22/2012	181,000	10,867				\$ 10,867	
13-15	Various Road Improvements	8/8/2013	195,000	18,191				18,191	
14-03	Various Improvements	3/13/2014	628,000	25,561			25,561	-	
15-04	Various Improvements	3/12/2015	1,081,000	86,380			44,282	42,098	
15-18	Engineering for Capital Projects	5/14/2015	35,000	11,600				11,600	
16-04	Various Improvements	3/10/2016	645,000	2,390	103,660		30,263		75,787
17-02	Acquisition of Real Property	1/26/2017	14,350,000		396,912		232,635		164,277
17-05	Various Improvements	3/23/2017	924,500	31,671	116,424		66,706		81,389
18-09	Various Improvements	4/12/2018	1,138,200	198,056	226,851		142,136	55,920	226,851
19-06	Various Improvements	4/25/2019	1,142,500	-	-	\$ 1,142,500	829,608	-	312,892
				<u>\$ 421,219</u>	<u>\$ 851,463</u>	<u>\$ 1,142,500</u>	<u>\$ 1,408,510</u>	<u>\$ 138,676</u>	<u>\$ 867,996</u>
						Capital Surplus	\$ 100,000		
						Capital Improvement Fund	41,000		
						Bergen County Grants	192,500		
						Deferred Charges Unfunded	809,000		
							<u>\$ 1,142,500</u>		
						Cash Disbursed	\$ 1,101,769		
						Contracts Payable	306,741		
							<u>\$ 1,408,510</u>		

**BOROUGH OF ALLENDALE
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount Original Issue</u>	<u>Maturity of Bonds Outstanding December 31, 2019</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2019</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	2/15/2010	\$ 4,165,000	2/15/2020	\$ 550,000					
			2/15/2021	1,100,000					
			2/15/2022	1,085,000	3.00%- 3.15%	\$ 3,185,000		\$ 450,000	\$ 2,735,000
Refunding Bonds	5/7/2015	3,015,000	7/1/2020	475,000	1.00% - 1.50%	1,015,000		540,000	475,000
General Improvements	5/7/2015	3,580,000	5/1/2020	330,000					
			5/01/2021-25	425,000	1.00% - 2.00%	<u>2,785,000</u>	<u>-</u>	<u>330,000</u>	<u>2,455,000</u>
						<u>\$ 6,985,000</u>	<u>\$ -</u>	<u>\$ 1,320,000</u>	<u>\$ 5,665,000</u>
								<u>\$ 1,320,000</u>	
								<u>\$ 1,320,000</u>	

Budget Appropriation

\$ 1,320,000

**BOROUGH OF ALLENDALE
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	Date of Issue of Original Notes	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2019	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, 2019
07-13	Acquisition of Real Property	2/26/2009	1/26/2018	1/25/2019	2.50 %	\$ 1,073,000		\$ 1,073,000	
			1/25/2019	1/24/2020	3.00		\$ 1,035,000		\$ 1,035,000
17-02	Acquisition of Real Property	4/26/2017	4/26/2018	4/26/2019	3.00	4,285,000		4,285,000	
			4/26/2019	4/24/2020	2.75		4,285,000		4,285,000
17-02	Acquisition of Real Property	4/26/2017	4/26/2018	4/26/2019	2.64	8,905,000		8,905,000	
			4/26/2019	4/24/2020	2.75		8,905,000		8,905,000
16-04	Various Improvements	9/26/2017	9/26/2018	9/26/2019	3.00	480,000		480,000	
			9/26/2019	9/25/2020	2.25		480,000		480,000
17-05	Various Improvements	9/26/2017	9/26/2018	9/26/2019	3.00	582,210		582,210	
			9/26/2019	9/25/2020	2.25		582,210		582,210
18-09	Various Improvements	9/26/2019	9/26/2019	9/25/2020	2.25		842,000		842,000
19-06	Various Improvements	9/26/2019	9/26/2019	9/25/2020	2.25	-	809,000	-	809,000
						<u>\$ 15,325,210</u>	<u>\$ 16,938,210</u>	<u>\$ 15,325,210</u>	<u>\$ 16,938,210</u>
							Issued for Cash \$ 1,651,000		
							Renewals 15,287,210	\$ 15,287,210	
							Paid by Municipal Open Space -	38,000	
							<u>\$ 16,938,210</u>	<u>\$ 15,325,210</u>	

**BOROUGH OF ALLENDALE
STATEMENT OF GRANT RECEIVABLES/OTHER RECEIVABLES**

			<u>Community Development Block Grant</u>		<u>Bergen County Open Space</u>			
	<u>Total</u>	<u>Sub-Total Page 2</u>	<u>Ord. 17-05</u>	<u>Ord. 19-06</u>	<u>Ord. 16-04</u>	<u>Ord. 17-05</u>	<u>Ord. 18-09</u>	<u>Ord. 19-06</u>
Balance, January 1, 2019	\$ 422,618	\$ 285,518	\$ 25,600		\$ 39,000	\$ 39,000	\$ 33,500	
Increased by:								
Awards	<u>192,500</u>	<u>-</u>	<u>-</u>	<u>\$ 142,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 50,000</u>
	472,618	285,518	25,600	142,500	39,000	39,000	33,500	50,000
Decreased by:								
Collected	<u>119,732</u>	<u>47,732</u>	<u>-</u>	<u>-</u>	<u>39,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>
	119,732	47,732	-	-	39,000	-	33,000	-
Balance, December 31, 2019	<u>\$ 495,386</u>	<u>\$ 237,786</u>	<u>\$ 25,600</u>	<u>\$ 142,500</u>	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 500</u>	<u>\$ 50,000</u>
 <u>Analysis of Balance</u>								
Reserve for Grant Receivable								
Receivable Without Offsetting Reserve	<u>\$ 495,386</u>	<u>\$ 237,786</u>	<u>\$ 25,600</u>	<u>\$ 142,500</u>	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 500</u>	<u>\$ 50,000</u>
	<u>\$ 495,386</u>	<u>\$ 237,786</u>	<u>\$ 25,600</u>	<u>\$ 142,500</u>	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 500</u>	<u>\$ 50,000</u>

**BOROUGH OF ALLENDALE
STATEMENT OF GRANT RECEIVABLES/OTHER RECEIVABLES**

	<u>Department of Transportation</u>							<u>Other</u>
	<u>Ord. 08-09</u>	<u>Ord. 15-04 W. Allendale Ave.</u>	<u>Ord. 15-04 Boroline Rd.</u>	<u>Ord. 16-04 W. Allendale/Maple</u>	<u>Ord. 16-04 Donny Brook Dr.</u>	<u>Ord. 18-09 Downtown/ DeMercurio</u>	<u>Borough of Ramsey Ord. 13-09</u>	
Balance, January 1, 2019	\$ 285,518	\$ 1,079	\$ 5,738	\$ 138	\$ 6,883	\$ 47,732	\$ 220,000	\$ 3,948
Increased by:								
Awards	-	-	-	-	-	-	-	-
	<u>285,518</u>	<u>1,079</u>	<u>5,738</u>	<u>138</u>	<u>6,883</u>	<u>47,732</u>	<u>220,000</u>	<u>3,948</u>
Decreased by:								
Collected	<u>47,732</u>	-	-	-	-	<u>47,732</u>	-	-
	<u>47,732</u>	-	-	-	-	<u>47,732</u>	-	-
Balance, December 31, 2019	<u>\$ 237,786</u>	<u>\$ 1,079</u>	<u>\$ 5,738</u>	<u>\$ 138</u>	<u>\$ 6,883</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 3,948</u>
<u>Analysis of Balance</u>								
Reserve for Grant Receivable Receivable Without Offsetting Reserve	<u>\$ 237,786</u>	<u>\$ 1,079</u>	<u>\$ 5,738</u>	<u>\$ 138</u>	<u>\$ 6,883</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 3,948</u>
	<u>\$ 237,786</u>	<u>\$ 1,079</u>	<u>\$ 5,738</u>	<u>\$ 138</u>	<u>\$ 6,883</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 3,948</u>

**BOROUGH OF ALLENDALE
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, January 1, 2019	\$ 3,112
Increased by:	
2019 Budget Appropriation	<u>41,000</u>
	44,112
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>41,000</u>
Balance, December 31, 2019	<u>\$ 3,112</u>

EXHIBIT C-11

STATEMENT OF RESERVE FOR MUNICIPAL IMPROVEMENTS

Balance, January 1, 2019	<u>\$ 43,800</u>
Balance, December 31, 2019	<u>\$ 43,800</u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, January 1, 2019	\$ 939,622
Increased by:	
Cash Receipts (Ordinance #17-02)	<u>233,304</u>
Balance, December 31, 2019	<u>\$ 1,172,926</u>

EXHIBIT C-13

STATEMENT OF CONTRACTS PAYABLE

Increased by:	
Contract Awards	<u>\$ 306,741</u>
Balance, December 31, 2019	<u>\$ 306,741</u>

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

Ordinance Number	<u>Improvement Description</u>	Balance, January 1, <u>2019</u>	Authorized <u>2019</u>	Paid by Budget <u>Appropriation</u>	Bond Anticipation <u>Notes Issued</u>	Balance, December 31, <u>2019</u>
07-13	Acquisition of Real Property	\$ 38,600		\$ 20,000		\$ 18,600
18-09	Various Improvements	842,000			\$ 842,000	
19-06	Various Improvements	<u>-</u>	<u>\$ 809,000</u>	<u>-</u>	<u>809,000</u>	<u>-</u>
		<u>\$ 880,600</u>	<u>\$ 809,000</u>	<u>\$ 20,000</u>	<u>\$ 1,651,000</u>	<u>\$ 18,600</u>

WATER UTILITY FUND

**BOROUGH OF ALLENDALE
STATEMENT OF CASH- TREASURER
WATER UTILITY FUND**

	<u>Operating</u>	<u>Capital</u>
Balance, January 1, 2019	\$ 439,125	\$ 1,221,036
Increased by Receipts:		
Water Utility Rents Receivable	\$ 1,752,405	
Miscellaneous Revenue	71,720	
Bond Anticipation Notes		\$ 350,000
Budget Appropriation		32,000
Receipts from Water Utility Capital Fund	32,000	
Receipts from water Utility Operating Fund	<u>-</u>	<u>218,092</u>
	<u>1,856,125</u>	<u>600,092</u>
	2,295,250	1,821,128
Decreased by Disbursements:		
2019 Budget Appropriations	1,751,843	
2018 Appropriation Reserves	45,164	
Accrued Interest	80,350	
Payments to Water Utility Operating Fund		32,000
Bond Anticipation Notes		350,000
Improvement Authorizations	<u>-</u>	<u>133,668</u>
	<u>1,877,357</u>	<u>515,668</u>
Balance, December 31, 2019	<u>\$ 417,893</u>	<u>\$ 1,305,460</u>

**BOROUGH OF ALLENDALE
ANALYSIS OF WATER UTILITY CAPITAL CASH**

	Balance, December 31, <u>2019</u>	
Fund Balance	\$ 20,013	
Capital Improvement Fund	3	
Reserve for Capital Infrastructure	964,893	
Contracts Payable	57,417	
Reserve for Payment of Bonds	72,426	
Ord.		
<u>No.</u>	<u>Improvement Authorization</u>	
12-06	Various Public Improvements	22,723
14-06	Various Public Improvements	8,571
15-05	Various Public Improvements	20,319
16-05	Various Public Improvements	155,345
18-10	Various Public Improvements	(17,661)
19-07	Install. & Acq. Hydrants and Water Meters	<u>1,411</u>
		<u>\$ 1,305,460</u>

EXHIBIT D-7

**STATEMENT OF WATER UTILITY ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2019</u>	Billing Levy	Collected In <u>2019</u>	Balance, December 31, <u>2019</u>
Water Rents	\$ 333,340	\$ 1,791,772	\$ 1,752,405	\$ 372,707
	<u>\$ 333,340</u>	<u>\$ 1,791,772</u>	<u>\$ 1,752,405</u>	<u>\$ 372,707</u>

**BOROUGH OF ALLENDALE
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 9,463
Increased by:	
Charges to 2019 Budget Appropriations	147,714
	157,177
Decreased by:	
Transfer to Appropriation Reserves	9,463
Balance, December 31, 2019	\$ 147,714

EXHIBIT D-9

**STATEMENT OF APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2019</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OPERATING				
Salaries & Wages	\$ 5,932	\$ 5,932		\$ 5,932
Other Expenses	40,901	50,364	\$ 8,787	41,577
Purchase of Water	84,864	84,864	36,377	48,487
STATUTORY EXPENDITURES				
Social Security System (O.A.S.I.)	1,588	1,588	-	1,588
	\$ 133,285	\$ 142,748	\$ 45,164	\$ 97,584
Appropriation Reserves		\$ 133,285		
Transfer from Reserve for Encumbrances		9,463		
		\$ 142,748		

**BOROUGH OF ALLENDALE
STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

	Balance, January 1, <u>2019</u>	<u>Additions</u>		Balance, December 31, <u>2019</u>
		<u>Ordinances</u>	<u>Budget Capital Infrast.</u>	
Springs and Wells	\$ 312,272			\$ 312,272
Pumping Station Land	8,341			8,341
Pumping Station Equipment	35,451			35,451
Electric Power Pumping Equipment	48,448			48,448
Chemical Treatment Plant	40,020			40,020
Storage Reservoir Land	14,795			14,795
Storage Reservoirs and Tanks	533,000			533,000
Distribution Mains and Accessories	511,888			511,888
Metes and Meter Boxes	134,792			134,792
Fire Hydrants	152,181			152,181
Structure and Improvements	352,859			352,859
Office Furniture and Fixtures	6,893			6,893
Transportation Equipment	176,703			176,703
General Equipment	580,166			580,166
Water Study	38,912			38,912
Construction of Water System Improvements	69,753			69,753
Reconstruction of Water Storage Tank	300,000			300,000
Repairs to Well #11	10,472			10,472
Lowry Air Stripper - Well #15	10,758			10,758
Repairs to Well #15	57,959			57,959
Well #17 Transmitter	3,390			3,390
Office Equipment	1,096			1,096
Study of Mahaw Interconnection	14,000			14,000
Dehumidifiers for Wells	518			518
New Street Wells	853			853
Repairs to Well #4	5,711			5,711
Improvement of Wells #2 and #4	36,817			36,817
Communication Equipment	51,148			51,148
Construction of Water Main	463,780			463,780
Improvements to Water Mains	155,044			155,044
Remediation to Wells #2, #4 and #15	993,153			993,153
Various Improvements	2,280,241			2,280,241
Computer Mapping	4,930			4,930
Water Line Improvements	246,632			246,632
Pump at Fairhaven Water Tank	168,000			168,000
Chlorine Monitors			\$ 11,908	11,908
Various Water Improvements and Acquisition of Equip.	-	\$ 573,146	-	573,146
	<u>\$ 7,820,976</u>	<u>\$ 573,146</u>	<u>\$ 11,908</u>	<u>\$ 8,406,030</u>

**BOROUGH OF ALLENDALE
STATEMENT OF RESERVE FOR CAPITAL INFRASTRUCTURE
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2019		\$ 722,089
Increased by:		
Amount Raised in Water Utility Operating Budget	\$ 218,092	
Budget Appropriation	32,000	
Cancellation of Improvement Authorizations	55,712	
		305,804
		1,027,893
Decreased by:		
Realized as Water Utility Operating Budgeted Revenue	32,000	
Appropriate to Finance Improvement Authorization	31,000	
		63,000
Balance, December 31, 2019		\$ 964,893

**STATEMENT OF CONTRACTS PAYABLE
WATER UTILITY CAPITAL FUND**

Increased by:		
Contract Awards		\$ 57,417
Balance, December 31, 2019		\$ 57,417

**BOROUGH OF ALLENDALE
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$	<u>3</u>
Balance, December 31, 2019	\$	<u><u>3</u></u>

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2019	\$	6,290,258
Increased by:		
Transfer from Deferred Reserve for Amortization	\$	2,100
Serial Bonds Payable		365,000
Operating Budget-Capital Infrastructure		<u>11,908</u>
		<u>379,008</u>
Balance, December 31, 2019	\$	<u><u>6,669,266</u></u>

STATEMENT OF RESERVE FOR PAYMENT OF BONDS

Increased by:		
Cancellation	\$	<u>72,426</u>
Balance, December 31, 2019	\$	<u><u>72,426</u></u>

Analysis of Balance

Ord. #10-05	\$	6,206
Ord. #15-05		<u>66,220</u>
	\$	<u><u>72,426</u></u>

**BOROUGH OF ALLENDALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, January 1, 2019		2019 Authorizations	Cancellation	Paid or Charged	Balance, December 31, 2019	
				Funded	Unfunded				Funded	Unfunded
09-10	Various Public Improvements	3/26/2009	\$ 581,550	\$ 1,960				\$ 1,960		
10-05	Various Public Improvements	2/11/2010	43,000	6,206			\$ 6,206			
12-06	Various Public Improvements	3/22/2012	44,000	23,383				660	\$ 22,723	
14-06	Various Improvements	4/24/2014	785,000	65,266			47,245	9,450	8,571	
15-05	Various Improvements	3/12/2015	479,000	195,333	\$ 2,550		74,687	100,327	20,319	\$ 2,550
16-05	Various Improvements	3/10/2016	350,000		187,532			32,187		155,345
18-10	Various Improvements	4/12/2018	325,000	-	324,251			16,912	-	307,339
19-07	Installation and Acquisition of Hydrants and Water Meters	5/9/2019	31,000	-	-	\$ 31,000	-	29,589	1,411	-
				<u>\$ 292,148</u>	<u>\$ 514,333</u>	<u>\$ 31,000</u>	<u>\$ 128,138</u>	<u>\$ 191,085</u>	<u>\$ 53,024</u>	<u>\$ 465,234</u>
						Reserve for Capital Infrastructure	<u>\$ 31,000</u>			
						Cash Disbursed		\$ 133,668		
						Contracts Payable		<u>57,417</u>		
								<u>\$ 191,085</u>		

BOROUGH OF ALLENDALE
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY OPERATING FUND

Ord. No.	<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance</u> Amount	Balance, January 1, 2019	2019 <u>Authorizations</u>	Costs to Fixed Capital	Authorizations Cancelled	Balance, December 31, 2019
09-10	Various Public Improvements	3/26/2009	\$ 581,550	\$ 536,352		\$ 536,352		-
10-05	Various Public Improvements	2/11/2010	43,000	43,000		36,794	\$ 6,206	-
12-06	Various Public Improvements	3/22/2012	44,000	44,000				\$ 44,000
14-06	Various Improvements	4/24/2014	785,000	736,006			47,245	688,761
15-05	Various Improvements	3/12/2015	479,000	479,000			74,687	404,313
16-05	Various Improvements	3/10/2016	350,000	350,000				350,000
18-10	Various Improvements	4/12/2018	325,000	325,000		-		325,000
19-07	Installation and Acquisition of Hydrants and Water Meters	5/9/2019	31,000	-	\$ 31,000	-	-	31,000
				<u>\$ 2,513,358</u>	<u>\$ 31,000</u>	<u>\$ 573,146</u>	<u>\$ 128,138</u>	<u>\$ 1,843,074</u>

**BOROUGH OF ALLENDALE
STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Ord. Date	Balance, January 1, <u>2019</u>	2019 <u>Authorization</u>	To Reserve for Amortization Fixed <u>Capital</u>	<u>Cancellation</u>	Balance, December 31, <u>2019</u>
10-05	Various Public Improvements	2/11/2010	\$ 8,306		\$ 2,100	\$ 6,206	
12-06	Various Public Improvements	3/22/2012	44,000				\$ 44,000
14-06	Various Improvements	4/24/2014	323,000			47,245	275,755
15-05	Various Public Improvements	3/12/2015	165,220			74,687	90,533
19-07	Installation and Acq. of Hydrants and Water Meteres	5/9/2019	-	\$ 31,000	-	-	31,000
			<u>\$ 540,526</u>	<u>\$ 31,000</u>	<u>\$ 2,100</u>	<u>\$ 128,138</u>	<u>\$ 441,288</u>
				Reserve for Infrastructure		\$ 55,712	
				Reserve for Payment of Debt		<u>72,426</u>	
						<u>\$ 128,138</u>	

**BOROUGH OF ALLENDALE
STATEMENT OF MISCELLANEOUS RESERVES
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2019</u>	Balance, December 31, <u>2019</u>
Reserve for:		
Meter Deposits	\$ 15,325	\$ 15,325
Valve Replacement	<u>513</u>	<u>513</u>
	<u>\$ 15,838</u>	<u>\$ 15,838</u>

EXHIBIT D-20

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2019</u>	2019 <u>Authorization</u>	Balance, December 31, <u>2019</u>
15-05	Various Public Improvements	\$ 2,550		\$ 2,550
18-10	Various Water System Improvements	<u>325,000</u>	\$ -	<u>325,000</u>
		<u>\$ 327,550</u>	<u>\$ -</u>	<u>\$ 327,550</u>

**BOROUGH OF ALLENDALE
STATEMENT OF ACCRUED INTEREST
WATER UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 31,983
Increased by:	
2019 Budget Appropriation	71,538
	103,521
Decreased by:	
Interest Paid	80,350
Balance, December 31, 2019	\$ 23,171

Analysis of Accrued Interest, December 31, 2019

Principal Outstanding December 31, 2019	Interest Rate	From	To	Period	Amount
<u>Bond Anticipation Note</u>					
\$350,000	2.25%	9/26/2019	12/31/2019	96 Days	\$ 2,071
<u>Bonds</u>					
\$10,000	3.00-3.60%	8/15/2019	12/31/2019	4.5 Months	10,988
\$240,000	2.00-4.00%	7/15/2019	12/31/2019	5.5 Months	7,104
\$80,000	1.00-3.00%	11/1/2019	12/31/2019	2 Months	3,008
					\$ 23,171

**BOROUGH OF ALLENDALE
STATEMENT OF BOND ANTICIPATION NOTES
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Date of Issue of Original Notes	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, <u>2019</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
16-05	Various Improvements	9/26/2017	9/26/2018 9/26/2019	9/26/2019 9/25/2020	3.00 % 2.25	\$ 350,000 -	\$ 350,000	\$ 350,000 -	\$ 350,000
						<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>
						Renewals	<u>\$ 350,000</u>	<u>\$ 350,000</u>	

**BOROUGH OF ALLENDALE
STATEMENT OF GENERAL SERIAL BONDS
WATER UTILITY CAPITAL FUND**

Purpose	Date of Issue	Original Issue	Maturity of Bonds		Interest Rate	Balance, January 1, 2019	Increased	Decreased	Balance, December 31, 2019	
			Outstanding December 31, 2019	Date						
Water Bonds of 2010	2/15/2010	\$ 946,000	02/15/20-22	\$ 10,000	3.00% - 3.60%	\$ 871,000		\$ 10,000	\$ 861,000	
				2/15/2023						125,000
				2/15/2024						225,000
				2/15/2025						250,000
				2/15/2026						231,000
Refunding Bonds of 2012	10/25/2012	2,620,000	7/15/2020	240,000	2.00% - 4.00%	1,050,000		275,000	775,000	
				7/15/2021						235,000
				7/15/2022						180,000
				7/15/2023						120,000
Water Bonds of 2015	5/1/2015	\$ 1,075,000	05/01/20-29	80,000	1.00% - 3.00%	905,000	-	80,000	825,000	
				5/1/2030						25,000
						<u>\$ 2,826,000</u>	<u>\$ -</u>	<u>\$ 365,000</u>	<u>\$ 2,461,000</u>	
Paid by Budget Appropriation								<u>\$ 365,000</u>		

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



**PART II
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Allendale as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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


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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Allendale’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 Allendale’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
August 13, 2020

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

	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Award Amount</u>	<u>2019 Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
U.S. Department of Housing & Urban Development (Passed Through State Dept. of Community Affairs)									
Community Development Block Grant	14.218								
Ordinance #19-06		2019	\$ 142,500			\$ 142,500	\$ 142,500	-	\$ 142,500
					-	-	-	-	
					<u>\$ -</u>	<u>\$ 142,500</u>	<u>\$ 142,500</u>	<u>\$ -</u>	

Note: This schedule is not subject to Single Audit in accordance with U.S. Uniform Guidance.

See Accompanying Notes to Schedule of Expenditures of Federal Awards

BOROUGH OF ALLENDALE
SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award Amount</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
Department of Environmental Protection									
Clean Communities Grant	4900-765-004	2020		\$ 14,284					
		2019	\$12,797			\$ 12,797		\$ 12,797	
		2018	12,797		12,797			12,797	
		2017	13,377		13,377			13,377	
		2016	15,745		15,745			15,745	
		2015	13,770		13,770			13,770	
		2014	11,331		11,331			11,331	
		2013	12,082		12,082		\$ 6,598	5,484	\$ 6,598
		2012	10,290		10,290		10,290	-	10,290
		2011	10,469		328		328	-	10,469
116 Recycling Tonnage Grant	4910-100-224	2020		8,459					
		2019	7,725	7,725		7,725		7,725	
		2018	7,834		7,834		1,639	6,195	1,639
Green Communities	4870-100-042-6110	2010	2,000		2,000			2,000	
Div. of Highway Traffic Safety									
Drunk Driving Enforcement Fund	6400-100-078	2019	6,243	6,243		6,243	2,134	4,109	2,134
		2015	4,252		494		494	-	494
Div. of State Police									
SLA HEOP Grant			2,406		2,406			2,406	
Dept. of Law and Public Safety									
Body Armor Replacement	066-1020-718-001	2019	1,865	1,865		1,865	1,865		1,865
		2018	1,705		1,705		1,705	-	1,705
		2017	1,703		887		887	-	1,703
					<u>\$ 105,046</u>	<u>\$ 28,630</u>	<u>\$ 25,940</u>	<u>\$ 107,736</u>	

Note: This schedule is not subject to Single Audit in accordance with New Jersey OMB 15-08.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

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

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund		\$ 28,630	\$ 28,630
General Capital Fund	<u>\$ 142,500</u>	<u>-</u>	<u>142,500</u>
	<u>\$ 142,500</u>	<u>\$ 28,630</u>	<u>\$ 171,130</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 DE MINIMIS INDIRECT COST RATE

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

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

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified-Regulatory Basis</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	_____ yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

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

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards* .

There were none.

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

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.

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

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,475,000	3.33 %	\$ 1,450,000	3.25 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,682,212	6.05	3,471,228	7.79
Collection of Delinquent Taxes and Tax Title Liens	258,211	0.58	363,878	0.82
Collection of Current Tax Levy	39,311,290	88.69	38,695,295	86.85
Other Credits	<u>598,245</u>	<u>1.35</u>	<u>574,335</u>	<u>1.29</u>
Total Income	<u>44,324,958</u>	<u>100.00 %</u>	<u>44,554,736</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	13,612,539	31.21 %	13,854,171	32.18 %
Local School Taxes	16,097,574	36.91	15,637,578	36.32
Regional School Taxes	9,515,374	21.82	9,117,025	21.18
County Taxes	4,299,922	9.86	4,355,720	10.12
Municipal Open Space Taxes	84,720	0.19	84,803	0.20
Other Expenditures	<u>4,740</u>	<u>0.01</u>	<u>3,427</u>	<u>0.01</u>
Total Expenditures	<u>43,614,869</u>	<u>100.00 %</u>	<u>43,052,724</u>	<u>100.00 %</u>
Excess (Deficit) in Revenue	710,089		1,502,012	
Adjustments to Income Before Surplus: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>55,000</u>		<u>-</u>	
Statutory Excess to Surplus	765,089		1,502,012	
Fund Balance, January 1	<u>3,150,882</u>		<u>3,098,870</u>	
	3,915,971		4,600,882	
Less Utilization as Anticipated Revenue	<u>1,475,000</u>		<u>1,450,000</u>	
Fund Balance, December 31	<u>\$ 2,440,971</u>		<u>\$ 3,150,882</u>	

**BOROUGH OF ALLENDALE
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
WATER UTILITY OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 95,000	4.64 %	\$ 110,000	5.13 %
Collection of Water Service Charges	1,519,730	74.18	1,644,428	76.74
Miscellaneous - From Other Than Water Rents	<u>433,979</u>	<u>21.18</u>	<u>388,458</u>	<u>18.13</u>
Total Income	<u>2,048,709</u>	<u>100.00 %</u>	<u>2,142,886</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,325,250	65.44 %	1,336,975	65.70 %
Deferred Charges and Statutory Expenditures	1,400	0.07	2,300	0.11
Capital Improvements - Capital Outlay	262,000	12.94	220,000	10.81
Debt Service	<u>436,538</u>	<u>21.56</u>	<u>475,725</u>	<u>23.38</u>
Total Expenditures	<u>2,025,188</u>	<u>100.00 %</u>	<u>2,035,000</u>	<u>100.00 %</u>
Excess in Revenue	<u>23,521</u>		<u>107,886</u>	
Statutory Excess to Surplus	23,521		107,886	
Fund Balance, January 1	<u>248,556</u>		<u>250,670</u>	
	272,077		358,556	
Decreased by:				
Utilized in Water Operating Budget	<u>95,000</u>		<u>110,000</u>	
Fund Balance, December 31	<u>\$ 177,077</u>		<u>\$ 248,556</u>	

**BOROUGH OF ALLENDALE
COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ <u>2.349</u>	\$ <u>2.297</u>	\$ <u>2.288</u>
<u>Apportionment of Tax Rate</u>			
Municipal (Including Municipal Library)	\$ 0.575	\$ 0.570	\$ 0.567
Municipal Open Space	0.005	0.005	0.005
County (Including Open Space)	0.254	0.257	0.263
District School	0.952	0.925	0.921
Regional School	0.563	0.540	0.532
<u>Assessed Valuation</u>			
2019	\$ <u>1,691,131,200</u>		
2018	\$ <u>1,690,023,800</u>		
2017			<u>\$1,678,990,500</u>

COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections (1)</u>
2019	\$ 1,791,772	\$ 1,752,405
2018	1,813,176	1,882,588
2017	2,021,547	1,642,088

(1) Includes collection of prior year's receivables.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 39,801,478	\$ 39,311,290	98.76%
2018	38,958,532	38,695,295	99.32%
2017	38,611,956	38,170,910	98.86%

**BOROUGH OF ALLENDALE
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</u>	Amount of Delinquent Taxes	Amount of Tax Title Liens	Total Delinquent	Percentage of Tax Levy
2019	\$ 206,752	\$ 82,858	\$ 289,610	0.73%
2018	260,276	80,072	340,348	0.87%
2017	363,896	77,348	441,244	1.14%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No properties have been acquired in 2019 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$4,900
2018	4,900
2017	4,900

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	Balance, December 31st	Utilized in Budget of Succeeding Year
<u>Current Fund</u>	2019	\$ 2,440,971	\$ 1,225,000
	2018	3,150,882	1,475,000
	2017	3,098,870	1,450,000
<u>Water Utility Operating Fund</u>	2019	\$ 177,077	\$ 124,000
	2018	248,556	95,000
	2017	250,670	110,000

**BOROUGH OF ALLENDALE
OFFICIALS IN OFFICE AND SURETY BONDS**

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Ari Bernstein	Mayor	None
Stephen Sasso	Council President	None
Edward O'Connell	Council Member	None
Matthew O'Toole	Council Member	None
James Strauch	Council Member	None
Elizabeth Homan	Council Member	None
Amy Wilczynski	Council Member	None
Alissa Mayer	Chief Financial Officer/Water Collector	\$1,000,000
Anne Dodd	Borough Clerk	None
Ronald Kistner	Director of Operations/Administrator Officer	None
Harold Laufeld	Tax Collector	1,000,000
Raymond Wiss	Attorney	None
Rosemarie Novelli	Municipal Court Administrator	1,000,000
Angela M. Mattiace	Assessor	None

**BOROUGH OF ALLENDALE
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Current Year Comments

Our audit of subsequent disbursements in both the Current Fund and the Water Utility Operating Fund revealed that the Borough didn't encumber certain 2019 monthly operating expenses at December 31, 2019 in the amounts of \$108,239 and \$146,714, respectively. It is recommended that the Borough encumber all operating expenses at year end in both the Current Fund and the Water Utility Operating Fund.

Our audit revealed that the Borough has three authorized check signatures in accordance with the statute however they only require two out of the three authorized signatures on all checks issued. It is recommended that all checks issued by the Borough contain three authorized check signatures in accordance with the statute.

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR NJS 40A:11-4

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

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year.

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

- Franklin Turnpike drainage and sidewalk improvements

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per NJS 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 furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. The Borough does maintain an accumulation of cost by vendor. Disbursements were reviewed to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any instances where expenditures exceeded the bid threshold of \$40,000 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

**BOROUGH OF ALLENDALE
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held in December 2017.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years.

<u>Year</u>	<u>Number of Liens</u>
2019	4
2018	4
2017	4

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

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

The Governing Body on January 3, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"NOW, THEREFORE BE IT RESOLVED by the Mayor and Council of the Borough of Allendale that it does hereby fix the rate of interest to be charged for the non-payment of taxes or assessments to be eight (8%) per annum on the first \$1,500 delinquency and 18 percent (18%) per annum on any amount in excess of \$1,500 from the date of delinquency(s) to date of payment, providing however, that payments made during the first ten days of delinquency shall not be subject to interest charges."

APPRECIATION

We desire to express our appreciation to the Borough Administrator and other Borough Staff who assisted us during the course of our audit.

**BOROUGH OF ALLENDALE
RECOMMENDATIONS**

It is recommended that:

1. The Borough encumber all operating expenses at year end in both the Current Fund and the Water Utility Operating Fund.
2. All checks issued by the Borough contain three authorized check signatures in accordance with the statute.

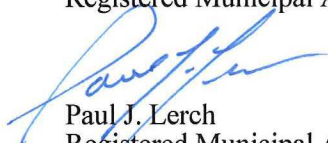
Status of Prior Years' Audit Findings/Recommendations

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

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



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457