

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

BOROUGH OF DUMONT

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>PART I – Report on Audit of Financial Statements and Supplementary Schedules</u>		
Independent Auditor’s Report		1-3
Financial Statements		
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-8
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	9-13
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	14-15
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	16
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis – General Capital Fund	17
D	Comparative Balance Sheets – Regulatory Basis – Public Assistance Fund	18
E	Comparative Balance Sheets – Regulatory Basis – General Fixed Assets Account Group	19
Notes to Financial Statements		20-65
Supplementary Schedules		
<u>Current Fund</u>		
A-4	Statement of Cash	66
A-5	Statement of Petty Cash Funds	67
A-6	Statement of Grants Receivable	67
A-7	Statement of Due from State of New Jersey Senior Citizens’ and Veterans’ Deductions	67
A-8	Statement of Taxes Receivable and Analysis of Property Tax Levy	68
A-9	Statement of Tax Title Liens Receivable	69
A-10	Statement of Property Acquired for Taxes (At Assessed Valuation)	69
A-11	Statement of Deferred Charges	69
A-12	Statement of Revenue Accounts Receivable	70
A-13	Statement of Appropriation Reserves	71-72
A-14	Statement of Accounts Payable	73
A-15	Statement of Due From Dumont Free Public Library	73
A-16	Statement of Miscellaneous Reserves	74
A-17	Statement of Prepaid Taxes	74
A-18	Statement of Tax Overpayments	74
A-19	Statement of Local School District Tax Payable	75
A-20	Statement of County Taxes Payable	75
A-21	Schedule of Appropriated Grant Reserves	75
A-22	Statement of Unappropriated Reserves for Grants	76

BOROUGH OF DUMONT

TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Trust Funds</u>		
B-1	Statement of Trust Cash	77
B-2	Statement of Reserve for Animal Control Expenditures	78
B-3	Statement of Due To State of New Jersey - Dog Regulation Fees	78
B-4	Statement of Due to Current Fund – Animal Control Fund	78
B-5	Statement of Escrow Deposits	79
B-6	Statement of Reserve for Unemployment Insurance Expenditures	79
B-7	Statement of Due From Current Fund	79
B-8	Statement of Miscellaneous Reserves	80
B-9	Statement of Accrued Salaries/Wages and Payroll Deductions Payable	80
B-10	Statement of Due to State of New Jersey Unemployment Insurance Fund	81
B-11	Statement of Due from Payroll Service Provider	81
<u>General Capital Fund</u>		
C-2	Statement of General Capital Cash	82
C-3	Analysis of General Capital Cash	83
C-4	Statement of Deferred Charges to Future Taxation - Funded	84
C-5	Statement of Deferred Charges to Future Taxation - Unfunded	85
C-6	Statement of Grants Receivable	86
C-7	Statement of Deferred Charges Unfunded – Cancelled Grant Receivables	86
C-8	Statement of Due From Current Fund	87
C-9	Statement of Reserve for Preliminary Costs	87
C-10	Statement of General Serial Bonds	88
C-11	Schedule of Pension Obligation Lease Payable	89
C-12	Statement of Bond Anticipation Notes	90
C-13	Statement of Improvement Authorizations	91
C-14	Statement of Contracts Payable	92
C-15	Statement of Green Trust Fund Loan Payable	92
C-16	Statement of Environmental Infrastructure Trust Loan Payable	92
C-17	Statement of Capital Improvement Fund	92
C-18	Statement of Bonds and Notes Authorized But Not Issued	93
C-19	Statement of Deferred Charges – Overexpenditure of Appropriations	93

BOROUGH OF DUMONT

TABLE OF CONTENTS (Continued)

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Public Assistance Fund</u>		
D-1	Statement of Public Assistance Cash	94
D-2	Statement of Reserve for Public Assistance Expenditures	94
D-3	Statement of Public Assistance Revenues	94
D-4	Statement of Public Assistance Expenditures	94
<u>Part II – Government Auditing Standards</u>		
	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	95-96
	Schedule of Federal Awards, Schedule A	97
	Schedule of State Financial Assistance, Schedule B	98
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	99-100
	Schedule of Findings and Responses	101-102
	Schedule of Prior Year Audit Findings	103
<u>Part III – Supplementary Data and Letter of Comments and Recommendations</u>		
	Comparative Schedule of Tax Rate Information	104
	Comparison of Tax Levies and Collection Currently	104
	Delinquent Taxes and Tax Title Liens	105
	Property Acquired by Tax Title Lien Liquidation	105
	Comparative Schedule of Fund Balances	105
	Officials in Office and Surety Bonds	106
	General Comments	107-109
	Recommendations	110

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Dumont
Dumont, 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 Dumont, as of December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Dumont 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 Dumont as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 52 percent and 51 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Dumont as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2019 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

Other Information

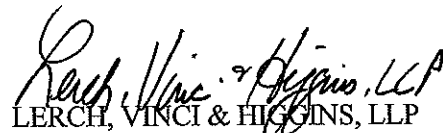
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Dumont as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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


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 September 30, 2020 on our consideration of the Borough of Dumont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Dumont'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 Dumont's internal control over financial reporting and compliance.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
September 30, 2020

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

ASSETS	Reference	2019	2018
Cash	A-4	\$ 6,280,788	\$ 5,767,302
Petty Cash	A-5	400	400
Change Fund	A	250	250
Grants Receivable	A-23	340,207	
Due From State - Senior Citizens and Veterans Deductions	A-7	<u>9,157</u>	<u>7,657</u>
		<u>6,630,802</u>	<u>5,775,609</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-8	504,843	531,494
Tax Title Liens	A-9	8,268	7,883
Property Acquired for Taxes	A-10	79,526	79,526
Revenue Accounts Receivable	A-12	5,509	5,918
Due from Animal Control Fund	B-4	10,259	7,177
Due from Dumont Library	A-15	<u>-</u>	<u>14,005</u>
		<u>608,405</u>	<u>646,003</u>
Deferred Charges			
Overexpenditure of Appropriation	A-11	<u>5,718</u>	<u>9,395</u>
		<u>5,718</u>	<u>9,395</u>
Total Assets		<u>\$ 7,244,925</u>	<u>\$ 6,431,007</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 770,864	\$ 844,695
Accounts Payable	A-14	1,213,902	669,120
Due to General Capital Fund	C-8	353,570	196,771
Due to Other Trust Fund	B-7	197,987	62,487
Miscellaneous Reserves	A-16	657,904	913,052
Prepaid Taxes	A-17	271,535	251,201
Tax Overpayments	A-18	46,407	65,580
County Taxes Payable	A-20	-	6,205
Appropriated Reserves for Grants	A-21	49,114	37,102
Unappropriated Reserves for Grants	A-22	<u>60,727</u>	<u>55,158</u>
		<u>3,622,010</u>	<u>3,101,371</u>
Reserve for Receivables and Other Assets	A	608,405	646,003
Fund Balance	A-1	<u>3,014,510</u>	<u>2,683,633</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 7,244,925</u>	<u>\$ 6,431,007</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,490,000	\$ 1,250,000
Miscellaneous Revenues Anticipated	3,014,629	2,533,858
Receipts from Delinquent Taxes	527,133	456,463
Receipts from Current Taxes	61,540,694	60,181,857
Non-Budget Revenues	187,767	162,860
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	508,045	837,269
Cancellations	17,140	14,741
Other Receivables Returned	14,005	73,718
Statutory Excess - Animal Control Fund	<u>3,082</u>	<u>3,464</u>
 Total Revenues	 <u>67,302,495</u>	 <u>65,514,230</u>
 EXPENDITURES		
Municipal Budget	22,765,661	21,582,979
County Taxes	5,052,259	4,912,316
Local District School Taxes	37,659,115	36,942,190
Refund of Prior Year Revenues	7,219	11,184
Prior Year Adjustment - POAA		168
Library Advance		14,005
Interfund Advance	<u>3,082</u>	<u>3,464</u>
 Total Expenditures	 <u>65,487,336</u>	 <u>63,466,306</u>
 Excess in Revenues	 1,815,159	 2,047,924
 Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>5,718</u>	<u>9,395</u>
 Statutory Excess to Fund Balance	 1,820,877	 2,057,319
 Fund Balance, January 1	 <u>2,683,633</u>	 <u>1,876,314</u>
	4,504,510	3,933,633
Decreased by:		
Utilization as Anticipated Revenue	<u>1,490,000</u>	<u>1,250,000</u>
 Fund Balance, December 31	 <u>\$ 3,014,510</u>	 <u>\$ 2,683,633</u>

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

	<u>Budget</u>	<u>NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Utilized	\$ 1,490,000	-	\$ 1,490,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	14,000		15,097	\$ 1,097
Other	5,000		5,407	407
Fees and Permits				
Construction Code Official	300,000		440,809	140,809
Other	50,000		114,901	64,901
Fines and Costs - Municipal Court	112,000		77,955	(34,045)
Interest on Costs on Taxes	88,000		100,482	12,482
Interest on Investments and Deposits	15,000		73,692	58,692
Fire Inspections	15,000		15,000	-
Energy Receipts Tax	1,355,252		1,355,252	
Recycling Tonnage Grant	20,000		20,000	
Clean Communities Grant	29,455		29,455	
Distracted Driving Grant	5,703		5,703	
Bergen County ADA Handicap Ramp Grant		\$ 340,207	340,207	
Police Outside Services - Admin. Fees	130,000		130,000	
General Capital Fund Balance	25,000		25,000	
Life Hazard Use Fees	7,000		6,685	(315)
PILOT - Senior Citizen Club	15,000		15,000	-
Cable Television Franchise Fees	225,000	-	243,984	18,984
	<u>2,411,410</u>	<u>340,207</u>	<u>3,014,629</u>	<u>263,012</u>
Total Miscellaneous Revenues				
Receipts from Delinquent Taxes	475,000	-	527,133	52,133
Amount to be Raised by Taxes for Support of				
Municipal Budget	18,594,666		19,372,245	777,579
Free Public Library	689,075	-	689,075	-
	<u>19,283,741</u>	<u>-</u>	<u>20,061,320</u>	<u>777,579</u>
Total General Revenues	<u>\$ 23,660,151</u>	<u>\$ 340,207</u>	<u>25,093,082</u>	<u>\$ 1,092,724</u>
Non-Budget Revenues			187,767	
			<u>\$ 25,280,849</u>	

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Analysis of Realized Revenues	
Allocation of Current Tax Collections	
Revenues from Collections	\$ 61,540,694
Less: Allocation to School and County Taxes	<u>42,711,374</u>
	18,829,320
Balance for Support of Municipal Budget Appropriation	
Add Appropriation - "Reserve for Uncollected Taxes"	<u>1,232,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 20,061,320</u>
Licenses-Other	
Borough Clerk	\$ 5,146
Board of Health	<u>261</u>
	<u>\$ 5,407</u>
Fees and Permits-Other	
Borough Clerk	\$ 13,222
Police	2,751
Construction Code	40,628
Planning and Zoning	1,700
Fire Prevention	36,865
Board of Health	<u>19,735</u>
	<u>\$ 114,901</u>

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Analysis of Non-Budget Revenue	
Metro PCS Monopole Rental	\$ 26,932
Library Reimbursements	39,635
Sewer Connection Fee	5,000
Admin Fee - Senior Citizens And Veterans	2,335
FEMA	18,519
6% Tax Penalty	17,539
Sale of Recyclables	5,661
Recycling Cans	912
Unison Revenue Sharing	18,043
Miscellaneous	<u>53,191</u>
	<u>\$ 187,767</u>

BOROUGH OF DUMONT
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>Expended Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	\$ 340,294	\$ 340,294	\$ 333,447	\$ 6,847		
Other Expenses	146,000	146,000	133,316	12,684		
Postage	20,000	21,000	20,842	158		
Elections						
Other Expenses	16,000	16,000	13,278	2,722		
Financial Administration						
Salaries and Wages	99,460	99,460	95,647	3,813		
Other Expenses	161,000	176,000	169,247	6,753		
Assessment of Taxes						
Salaries and Wages	23,448	23,448	23,448	-		
Other Expenses	15,500	15,500	9,379	6,121		
Collection of Taxes						
Salaries and Wages	80,833	83,833	83,030	803		
Other Expenses	15,000	15,000	13,183	1,817		
Legal Services and Costs						
Borough Attorney - Other Expenses	100,000	100,000	48,291	51,709		
Special Counsel - Other Expenses	100,000	100,000	65,789	34,211		
Engineering						
Other Expenses	70,000	70,000	41,962	28,038		
Planning Board/Zoning Board						
Salaries and Wages	2,400	2,400	-	2,400		
Other Expenses	20,600	20,600	8,551	12,049		
Affordable Housing (COAH)						
Salaries and Wages	3,000	6,500		6,500		
Other Expenses	5,000	7,000	12,718			\$ 5,718
Insurance						
Unemployment Insurance	10,000	10,000	10,000	-		
General Liability	360,000	360,000	360,000	-		
Workers Compensation	346,639	346,639	346,488	151		
Employee Group Health	1,750,000	1,696,499	1,656,710	39,789		
Health Benefit Waiver	25,000	26,000	25,712	288		
Rent Leveling Board						
Salaries and Wages	1,080	1,080	-	1,080		
Other Expenses	140	140	79	61		
PUBLIC SAFETY						
Fire Department						
Salaries and Wages	3,483	3,483	3,483	-		
Other Expenses	129,650	129,650	122,185	7,465		
Life Hazard Use Fees						
Salaries and Wages	16,795	28,795	28,763	32		
Other Expenses	7,000	7,000	5,581	1,419		
Aid to Volunteer Fire Companies	42,000	49,000	49,000	-		
Rental of Fire Houses	36,400	36,400	36,400	-		
Fire Hydrant Services	180,000	180,000	158,780	21,220		

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
PUBLIC SAFETY (Continued)						
Police Department						
Salaries and Wages	\$ 5,404,773	\$ 5,389,773	\$ 5,290,004	\$ 99,769		
Other Expenses	155,236	145,236	139,436	5,800		
Police Reserve - Other Expenses	4,250	4,250	-	4,250		
Emergency Management						
Salaries and Wages	3,000	3,000	1,683	1,317		
Other Expenses	4,500	4,500	-	4,500		
Volunteer Ambulance Corp.						
Other Expenses	34,000	36,000	35,548	452		
Municipal Prosecutor						
Salaries and Wages	8,446	8,447	8,446	1		
PUBLIC WORKS						
Streets and Road Maintenance						
Salaries and Wages	1,942,346	1,942,346	1,927,350	14,996		
Other Expenses	227,400	227,400	223,491	3,909		
Recycling						
Salaries and Wages	4,180	4,180	4,180	-		
Garbage and Trash Removal						
Other Expenses	1,660,000	1,660,000	1,593,063	66,937		
Sewer System						
Other Expenses	12,000	15,000	14,937	63		
Public Building and Grounds						
Salaries and Wages	164,970	144,970	124,577	20,393		
Other Expenses	30,500	30,500	23,497	7,003		
Shade Tree						
Other Expenses	12,000	15,000	14,821	179		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	15,242	15,242	15,242	-		
Other Expenses	70,000	70,000	65,787	4,213		
Other Expenses-Contractual (Animal Shelter)	25,000	25,500	25,345	155		
Environmental Commission						
Other Expenses	5,000	6,000	5,940	60		
Administration of Public Assistance						
Salaries and Wages	4,000	4,000	4,000	-		
Aid to Community Center for Mental Health	8,000	8,000	8,000	-		
PARKS AND RECREATION						
Senior Citizens						
Salaries and Wages	85,246	85,246	83,644	1,602		
Other Expenses	25,000	25,000	15,104	9,896		
Parks and Playgrounds						
Salaries and Wages	115,000	128,000	127,545	455		
Other Expenses	44,900	47,900	47,405	495		

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events						
Other Expenses	\$ 70,000	\$ 70,000	\$ 46,985	\$ 23,015		
MUNICIPAL COURT						
Salaries and Wages	120,916	120,916	103,055	17,861		
Other Expenses	10,500	10,500	10,392	108		
Public Defender						
Salaries and Wages	6,278	15,278	5,277	10,001		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY DEDICATED						
REVENUES (N.J.A.C. 5:23-4-17)						
CODE ENFORCEMENT AND ADMINISTRATION						
Salaries and Wages	238,681	238,681	237,705	976		
Other Expenses	16,150	18,150	17,807	343		
UNCLASSIFIED						
Utilities						
Gasoline	125,000	125,000	82,921	42,079		
Electricity	200,000	200,000	125,941	74,059		
Telephone	100,000	80,000	56,148	23,852		
Street Lighting	140,000	140,000	117,362	22,638		
Water	35,000	35,000	16,887	18,113	-	-
Total Operations Within "CAPS"	15,254,236	15,216,736	14,494,834	727,620	-	\$ 5,718
Detail:						
Salaries and Wages	8,683,871	8,689,372	8,500,526	188,846	-	-
Other Expenses	6,570,365	6,527,364	5,994,308	538,774	-	5,718
DEFERRED CHARGES AND REGULATORY						
EXPENDITURES-MUNICIPAL-WITHIN "CAPS"						
Deferred Charges:						
Overexpenditure of Appropriations	9,395	9,395	9,395			
Overexpenditure of Capital Ordinance	5,811	5,811	5,811			
Statutory Expenditures:						
Contribution to:						
Social Security System	375,000	407,000	390,730	16,270		
Public Employees' Retirement System	443,785	449,285	449,017	268		
Police and Firemen's Retirement Fund of NJ	1,153,876	1,153,876	1,153,876	-		
Defined Contribution Retirement Plan (DCRP)	3,500	3,500	3,065	435	-	-
Total Deferred Charges and Statutory						
Expenditures - Within "CAPS"	1,991,367	2,028,867	2,011,894	16,973	-	-
Total General Appropriations for						
Municipal Purposes within "CAPS"	17,245,603	17,245,603	16,506,728	744,593	-	5,718

BOROUGH OF DUMONT
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>Expended Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
UTILITY EXPENSES AND BULK PURCHASES						
Bergen County Utilities Authority-Operations	\$ 1,504,269	\$ 1,504,269	\$ 1,504,268	\$ 1		
Bergen County Utilities Authority-Debt Service	500,273	500,273	500,273			
EDUCATION FUNCTIONS						
Maintenance of Free Public Library	698,075	698,075	698,075			
PUBLIC SAFETY						
Length of Service Awards Program (LOSAP)	50,000	50,000	50,000	-	-	-
Total Other Operations - Excluded from "CAPS"	2,752,617	2,752,617	2,752,616	1	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES FEDERAL AND STATE GRANTS						
Recycling Tonnage Grant						
State Share	20,000	20,000	-	20,000		
Distracted Driving						
Other Expenses	5,703	5,703	5,703	-		
Clean Communities						
Other Expenses	29,455	29,455	23,185	6,270	-	-
ADA to Curb Ramps						
Other Expenses	-	340,207	340,207	-	-	-
Total Public and Private Programs Offset by Revenues	55,158	395,365	369,095	26,270	-	-
Total Operations Excluded from "CAPS"	2,807,775	3,147,982	3,121,711	26,271	-	-
Detail:						
Other Expenses	2,807,775	3,147,982	3,121,711	26,271	-	-
CAPITAL IMPROVEMENTS -						
Capital Improvement Fund	235,000	235,000	235,000			
Acquisition of Power Cot for Ambulance	28,629	28,629	28,629	-	-	-
Total Capital Improvements	263,629	263,629	263,629	-	-	-
MUNICIPAL DEBT SERVICE -						
Payment of Bond Principal	\$ 1,070,000	\$ 1,070,000	\$ 1,070,000			
Payment of Bond Anticipation Note Principal						
Interest on Bonds	370,182	370,182	370,181		\$ 1	
Interest on Notes	83,000	83,000	75,000		8,000	
Green Trust						
Loan Repayments for Principal and Interest	12,437	12,437	12,437			
Bergen County Improvement Authority -						
Loan Repayment	101,584	101,584	101,583		1	
NJEIT Loan Principal	360,770	360,770	360,769		1	
NJEIT Loan Interest	67,030	67,030	66,618	-	412	-
Total Municipal Debt Service	2,065,003	2,065,003	2,056,588	-	8,415	-

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over-</u> <u>Expenditures</u>
DEFERRED CHARGES EXCLUDED FROM "CAPS"						
Deferred Charges Unfunded - Cancelled Grants	\$ 46,141	\$ 46,141	\$ 46,141	-	-	-
 Total General Appropriations for Municipal Purposes Excluded from "CAPS"	 5,182,548	 5,522,755	 5,488,069	 \$ 26,271	 \$ 8,415	 -
Subtotal General Appropriations	22,428,151	22,768,358	21,994,797	770,864	8,415	\$ 5,718
 RESERVE FOR UNCOLLECTED TAXES	 1,232,000	 1,232,000	 1,232,000	 -	 -	 -
 Total General Appropriations	 \$ 23,660,151	 \$ 24,000,358	 \$ 23,226,797	 \$ 770,864	 \$ 8,415	 \$ 5,718
 Budget as Adopted		\$ 23,660,151				
Add by NJSA 40A:4-87		340,207				
		<u>\$ 24,000,358</u>				
 Cash Disbursements			\$ 20,422,404			
Accounts Payable			896,850			
Transferred to Appropriated Grant Reserves			340,207			
Due to General Capital Fund						
Capital Improvement Fund			235,000			
Deferred Charges			51,952			
Current Fund Expenditures Paid by General Capital Fund			28,989			
Due to Unemployment Insurance Trust Fund			10,000			
Deferred Charges			9,395			
Reserve for Uncollected Taxes			<u>1,232,000</u>			
			<u>\$ 23,226,797</u>			

BOROUGH OF DUMONT
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-1	\$ 16,467	\$ 13,522
OTHER TRUST FUND			
Cash	B-1	1,152,412	1,127,409
Due from Current Fund	B-7	<u>197,987</u>	<u>62,487</u>
		<u>1,350,399</u>	<u>1,189,896</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	40,780	16,546
Due from Payroll Service Provider	B-11	<u>791</u>	<u>678</u>
		<u>41,571</u>	<u>17,224</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investment	B	1,471,378	1,250,083
Contribution Receivable	B	<u>38,400</u>	<u>40,750</u>
		<u>1,509,778</u>	<u>1,290,833</u>
Total Assets		<u>\$ 2,918,215</u>	<u>\$ 2,511,475</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Reserve for Animal Control Expenditures	B-2	\$ 5,551	\$ 6,196
Due to State of New Jersey	B-3	157	149
Other Liabilities	B	500	
Due to Current Fund	B-4	<u>10,259</u>	<u>7,177</u>
		<u>16,467</u>	<u>13,522</u>
OTHER TRUST FUND			
Reserve for Developers Escrow	B-5	75,380	80,989
Miscellaneous Reserves	B-8	1,211,964	1,045,852
Payroll Deductions Payable	B-9	<u>63,055</u>	<u>63,055</u>
		<u>1,350,399</u>	<u>1,189,896</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-10	3,704	825
Reserve for Unemployment Insurance Expenditures	B-6	<u>37,867</u>	<u>16,399</u>
		<u>41,571</u>	<u>17,224</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for Length of Service Awards Program	B	<u>1,509,778</u>	<u>1,290,833</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,918,215</u>	<u>\$ 2,511,475</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2, C-3	\$ 7,980,761	\$ 979,831
Grants Receivable	C-6	475,773	487,713
Deferred Charges to Future Taxation			
Funded	C-4	15,032,309	16,560,425
Unfunded	C-5	24,696,313	18,032,813
Cancelled Grant Receivable	C-7	94,000	140,141
Overexpenditure of Ordinance	C-19		5,811
Due from Current Fund	C-8	<u>353,570</u>	<u>196,771</u>
 Total Assets		 <u>\$ 48,632,726</u>	 <u>\$ 36,403,505</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 10,950,000	\$ 12,020,000
Pension Obligation Lease Payable	C-11	449,000	536,000
Bond Anticipation Notes	C-12	15,500,000	3,000,000
Green Trust Fund Loan Payable	C-15	96,771	107,117
Environmental Infrastructure Trust Loan Payable	C-16	3,536,538	3,897,308
Improvement Authorizations			
Funded	C-13	368,253	873,750
Unfunded	C-13	4,621,506	14,863,632
Contracts Payable	C-14	12,773,716	735,042
Reserve for Grants Receivable	C-6	31,913	43,853
Reserve for Preliminary Costs	C-9	-	10,000
Capital Improvement Fund	C-17	24,147	115,647
Fund Balance	C-1	<u>280,882</u>	<u>201,156</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 48,632,726</u>	 <u>\$ 36,403,505</u>

There were bonds and notes authorized but not issued of \$9,295,313 and \$15,032,813 at December 31, 2019 and 2018, respectively (Exhibit C-18).

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

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 201,156	\$ 203,985
Increased by:		
Funded Improvement Authorizations Cancelled	423,876	
Excess Grant Proceeds	11,940	
Premium on Sale of Bond Anticipation Notes	<u>18,910</u>	<u>22,171</u>
	<u>655,882</u>	<u>226,156</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations	350,000	
Anticipated as Revenue in Current Fund Budget	<u>25,000</u>	<u>25,000</u>
	<u>375,000</u>	<u>25,000</u>
Balance, December 31	<u>\$ 280,882</u>	<u>\$ 201,156</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	D-1	\$ <u>455</u>	\$ <u>100</u>
		<u>\$ 455</u>	<u>\$ 100</u>
LIABILITIES			
Reserve for Goodwill	D-2	\$ <u>455</u>	\$ <u>100</u>
		<u>\$ 455</u>	<u>\$ 100</u>

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Land and Site Improvements	\$ 4,701,079	\$ 4,235,916
Buildings and Building Improvements	4,840,406	4,840,406
Construction in Progress	4,758,978	559,875
Machinery and Equipment	<u>9,297,988</u>	<u>8,932,452</u>
	<u>\$ 23,598,451</u>	<u>\$ 18,568,649</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 23,598,451</u>	<u>\$ 18,568,649</u>

{THIS PAGE INTENTIONALLY LEFT BLANK}

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer first aid 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 Dumont 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 DUMONT
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.

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

General Fixed Assets purchased after December 31, 2008 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2008 are stated as follows:

Land and Land Improvements	Estimated Historical Cost
Building and Building Improvements	Assessed Value and/or Cost
Machinery and Equipment	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.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund
Public Assistance Fund

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 the Borough Council increased the original budget by \$340,207. The 2019 increase was funded by additional aid allotted to the Borough. The 2018 budget was not increased. In addition, the governing body approved several budget transfers during 2019 and 2018.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>2019</u>			
Current Fund			
Affordable Housing (COAH)			
Other Expenses	\$ 7,000	\$ 12,718	\$ 5,718
	<u>\$ 7,000</u>	<u>\$ 12,718</u>	<u>\$ 5,718</u>
<u>2018</u>			
Current Fund			
Insurance			
General Liability	\$ 327,700	\$ 329,697	\$ 1,997
Life Hazard Use Fees			
Salaries and Wages	35,857	43,055	7,198
Municipal Prosecutor			
Salaries and Wages	<u>9,240</u>	<u>9,440</u>	<u>200</u>
	<u>\$ 372,797</u>	<u>\$ 382,192</u>	<u>\$ 9,395</u>

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each, failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$15,472,313 and \$7,905,360 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,015,797 and \$8,486,140, 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	\$ 16,007,770	\$ 8,478,289
Uninsured and Collateralized	<u>8,027</u>	<u>7,851</u>
	<u>\$ 16,015,797</u>	<u>\$ 8,486,140</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Borough's bank balances of \$8,027 and \$7,851 were exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Collateral Held by Borough's Agent in the Borough's Name	<u>\$ 8,027</u>	<u>\$ 7,851</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

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

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

	<u>2019</u>	<u>Fair Value</u>	<u>2018</u>
Investment in Lincoln Financial (LOSAP-Unaudited)	\$ 1,471,378		\$ 1,250,083

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$1,471,378 and \$1,250,083 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust		
department but not in the Borough's name (LOSAP - Unaudited)	\$ 1,471,378	\$ 1,250,083

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough's investment in Lincoln Financial Group was rated Baa1 by Moody's Investor Services.

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

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

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

NOTE 4 TAXES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 504,843	\$ 531,494
Tax Title Liens	<u>8,268</u>	<u>7,883</u>
	<u>\$ 513,111</u>	<u>\$ 539,377</u>

In 2019 and 2018, the Borough collected \$527,133 and \$456,463 from delinquent taxes, which represented 98% of the prior years delinquent taxes receivable balance.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, 2019 and 2018 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	\$ 10,259	\$ 551,557	\$ 7,177	\$ 259,258
Trust Fund				
Other Trust Fund	197,987		62,487	
Animal Control Fund		10,259		7,177
General Capital Fund	<u>353,570</u>	<u>-</u>	<u>196,771</u>	<u>-</u>
	<u>\$ 561,816</u>	<u>\$ 561,816</u>	<u>\$ 266,435</u>	<u>\$ 266,435</u>

The above balances are the result of expenditures being paid by one fund on behalf of another, revenues earned in one fund but owed to another fund and receipts deposited in one fund but owed 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, 2019 and 2018 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			
Overexpenditure of Appropriation	<u>\$ 5,718</u>	<u>\$ 5,718</u>	<u>-</u>
General Capital Fund			
Cancelled Grant Receivables	<u>\$ 94,000</u>	<u>\$ 39,812</u>	<u>\$ 54,188</u>
<u>2018</u>			
Current Fund			
Overexpenditure of Appropriation	<u>\$ 9,395</u>	<u>\$ 9,395</u>	<u>-</u>
General Capital Fund			
Overexpenditure of Ordinance	<u>\$ 5,811</u>	<u>\$ 5,811</u>	
Cancelled Grant Receivables	<u>140,141</u>	<u>46,141</u>	<u>\$ 94,000</u>
	<u>\$ 145,952</u>	<u>\$ 51,952</u>	<u>\$ 94,000</u>

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

	2019		2018	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,659,428	\$ 1,500,000	\$ 2,666,581	\$ 1,490,000
Non-Cash Surplus	<u>355,082</u>	<u>-</u>	<u>17,052</u>	<u>-</u>
	<u>\$ 3,014,510</u>	<u>\$ 1,500,000</u>	<u>\$ 2,683,633</u>	<u>\$ 1,490,000</u>

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.

	<u>Balance, December 31, 2018</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, December 31, 2019</u>
Land and Site Improvements	\$ 4,235,916	\$ 465,163		\$ 4,701,079
Buildings and Building Improvements	4,840,406			4,840,406
Construction in Progress	559,875	4,199,103		4,758,978
Machinery and Equipment	<u>8,932,452</u>	<u>522,347</u>	<u>\$ 156,811</u>	<u>9,297,988</u>
	<u>\$ 18,568,649</u>	<u>\$ 5,186,613</u>	<u>\$ 156,811</u>	<u>\$ 23,598,451</u>
	<u>Balance, December 31, 2017</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, December 31, 2018</u>
Land and Site Improvements	\$ 3,319,093	\$ 916,823		\$ 4,235,916
Buildings and Building Improvements	4,822,120	18,286		4,840,406
Construction in Progress		559,875		559,875
Machinery and Equipment	<u>8,542,949</u>	<u>588,253</u>	<u>\$ 198,750</u>	<u>8,932,452</u>
	<u>\$ 16,684,162</u>	<u>\$ 2,083,237</u>	<u>\$ 198,750</u>	<u>\$ 18,568,649</u>

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes, Leases and Loans	\$ 30,532,309	\$ 19,560,425
Less Funds Temporarily Held to		
Pay Bonds and Notes	<u>99,000</u>	<u>-</u>
Net Debt Issued	30,433,309	19,560,425
Authorized But Not Issued		
General		
Bonds and Notes	<u>9,295,313</u>	<u>15,032,813</u>
Net Bonds and Notes Issued and Authorized		
But Not Issued	<u>\$ 39,728,622</u>	<u>\$ 34,593,238</u>

Statutory Net Debt

The statement of debt condition that follows indicates a statutory net debt of 1.90% and 1.70% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 39,827,622	\$ 548,000	\$ 39,279,622
School Debt	<u>7,965,000</u>	<u>7,965,000</u>	<u>-</u>
Total	<u>\$ 47,792,622</u>	<u>\$ 8,513,000</u>	<u>\$ 39,279,622</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 34,593,238	\$ 536,000	\$ 34,057,238
School Debt	<u>9,310,000</u>	<u>9,310,000</u>	<u>-</u>
Total	<u>\$ 43,903,238</u>	<u>\$ 9,846,000</u>	<u>\$ 34,057,238</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 72,511,899	\$ 70,464,136
Net Debt	<u>39,279,622</u>	<u>34,057,238</u>
Remaining Borrowing Power	<u>\$ 33,232,277</u>	<u>\$ 36,406,898</u>

A. Long-Term Debt

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

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
\$8,530,000, 2010 Bonds, due in annual installment of \$800,000 on July 15, 2019		\$ 800,000
\$5,430,000, 2016 Refunding Bonds, due in annual installments of \$795,000 to \$1,060,000 through July 2025, interest at 3.00% to 4.00%	\$ 5,410,000	5,410,000
\$6,075,000, 2017 Bonds, due in annual installments of \$275,000 to \$445,000 through May 2035, interest at 2.25% to 3.00%	<u>5,540,000</u>	<u>5,810,000</u>
	<u>\$ 10,950,000</u>	<u>\$ 12,020,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the New Jersey Green Trust and the Environmental Infrastructure Trust Funds. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Green Trust Fund		
\$200,000, Bonds, due in semi-annual installments of \$5,251 to \$6,157 through 2028, interest at 2%	\$ 96,771	\$ 107,117
Total Green Trust Fund	<u>\$ 96,771</u>	<u>\$ 107,117</u>
 Environmental Infrastructure Trust		
\$1,675,000 Trust Loan, due in annual installments of \$82,000 to \$112,000 through 2027, interest at 5.0%	\$ 770,000	\$ 847,000
\$1,572,000 Fund Loan, due in semi-annual installments of \$1,681 to \$80,765 through 2027 interest free	669,753	753,844
\$965,000 Trust Loan, due in annual installments of \$47,000 to \$67,000 through 2029, interest at 3.0% to 5.0%	570,000	617,000
\$2,850,000 Fund Loan, due in semi-annual installments of \$50,893 and \$101,786 through 2029, interest free	<u>1,526,785</u>	<u>1,679,464</u>
Total Environmental Infrastructure Trust	<u>3,536,538</u>	<u>3,897,308</u>
Total Intergovernmental Loans	<u>\$ 3,633,309</u>	<u>\$ 4,004,425</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Pension Obligation Lease Agreement

The Borough has entered into an agreement with the Bergen County Improvement Authority ("BCIA") for the retirement of the Borough's outstanding unfunded pension liability for the early retirement incentive program of 2003. The original amount financed totaled \$958,000. The Borough issued refunding revenue bonds totaling \$882,000 through the BCIA during 2012. The following is the schedule of the future minimum lease payments and the present value of the net minimum lease payment at December 31, 2019:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 109,268
2021	115,410
2022	123,023
2023	<u>131,102</u>
Total. Minimum Lease Payments	478,803
Less: Amounts Representing Interest	<u>29,803</u>
Present Value of Net Minimum Lease Payments	<u>\$ 449,000</u>

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

<u>Calendar</u> <u>Year</u>	<u>General Bonds</u>		<u>Intergovernmental Loans</u>				<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Environmental Infrastructure</u> <u>Principal</u>	<u>Interest</u>	<u>Green Trust</u> <u>Principal</u>	<u>Interest</u>	
2020	\$ 1,070,000	\$ 342,219	\$ 366,656	\$ 61,300	\$ 10,554	\$ 1,883	\$ 1,852,612
2021	1,090,000	311,775	372,415	55,320	10,765	1,672	1,841,947
2022	1,140,000	280,350	374,251	49,090	10,983	1,454	1,856,128
2023	1,150,000	247,538	386,415	42,660	11,203	1,234	1,839,050
2024	1,345,000	205,838	389,457	35,780	11,429	1,008	1,988,512
2025-2029	2,725,000	527,613	1,647,344	71,400	41,837	1,691	5,014,885
2030-2034	1,985,000	220,125					2,205,125
2035	<u>445,000</u>	<u>6,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,675</u>
Total	<u>\$ 10,950,000</u>	<u>\$ 2,142,133</u>	<u>\$ 3,536,538</u>	<u>\$ 315,550</u>	<u>\$ 96,771</u>	<u>\$ 8,942</u>	<u>\$ 17,049,934</u>

BOROUGH OF DUMONT
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

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 12,020,000		\$ 1,070,000	\$ 10,950,000	\$ 1,070,000
Intergovernmental Loans Payable	4,004,425		371,116	3,633,309	377,210
Pension Obligation Lease	<u>536,000</u>	<u>-</u>	<u>87,000</u>	<u>449,000</u>	<u>97,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 16,560,425</u>	<u>\$ -</u>	<u>\$ 1,528,116</u>	<u>\$ 15,032,309</u>	<u>\$ 1,544,210</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 13,060,000		\$ 1,040,000	\$ 12,020,000	\$ 1,070,000
Intergovernmental Loans Payable	4,368,862		364,437	4,004,425	371,116
Pension Obligation Lease	<u>615,000</u>	<u>-</u>	<u>79,000</u>	<u>536,000</u>	<u>87,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 14,663,405</u>	<u>\$ -</u>	<u>\$ 1,483,437</u>	<u>\$ 16,560,425</u>	<u>\$ 1,528,116</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

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

Ord. No.	Improvement Description	Interest Rate	Date of Maturity	Balance, December 31, 2018	Increased	Decreased	Balance, December 31, 2019
1481/1496	Relocation of Borough Offices	2.50%	3/14/2019	\$ 320,888		\$ 320,888	
		2.25%	2/20/2020		\$ 320,888		\$ 320,888
1498/1518	Various Improvements	2.50%	3/14/2019	148,800		148,800	
		2.25%	2/20/2020		148,800		148,800
1501	Various Improvements	2.50%	3/14/2019	176,000		176,000	
		2.25%	2/20/2020		176,000		176,000
1504	Various Storm Water Sewer Improvements	2.50%	3/14/2019	43,500		43,500	
		2.25%	2/20/2020		43,500		43,500
1517	Roadway Improvements	2.50%	3/14/2019	213,000		213,000	
		2.25%	2/20/2020		213,000		213,000
1519/1550	Various Improvements	2.50%	3/14/2019	2,021,812		2,021,812	
1556/1558		2.25%	2/20/2020		2,521,812		2,521,812
		1.50%	5/11/2020		12,000,000		12,000,000
1523	Sewer System Improvements	2.50%	3/14/2019	76,000		76,000	
		2.25%	2/20/2020	-	76,000	-	76,000
				<u>\$ 3,000,000</u>	<u>\$ 15,500,000</u>	<u>\$ 3,000,000</u>	<u>\$ 15,500,000</u>

BOROUGH OF DUMONT
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)

Ord. No.	Improvement Description	Interest Rate	Date of Maturity	Balance, December 31, 2017	Increased	Decreased	Balance, December 31, 2018
1481/1496	Relocation of Borough Offices	2.50%	3/14/2019		\$ 320,888		\$ 320,888
1498/1518	Various Improvements	2.50%	3/14/2019		148,800		148,800
1501	Various Improvements	2.50%	3/14/2019		176,000		176,000
1504	Various Storm Water Sewer Improvements	2.50%	3/14/2019		43,500		43,500
1517	Roadway Improvements	2.50%	3/14/2019		213,000		213,000
1519	Various Improvements	2.50%	3/14/2019		2,021,812		2,021,812
1523	Sewer System Improvements	2.50%	3/14/2019	-	76,000	-	76,000
				<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>

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

**BOROUGH OF DUMONT
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)

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.

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2019 and 2018 the Borough had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Estimated Date of Completion</u>
<u>2019</u>		
Municipal Complex	\$ 11,439,818	2020
Remediation Improvements - DPW	41,147	2020
Acquisition of Fire Truck	670,672	2020
Acquisition of Vehicles and Equipment	266,102	2020
Roadway Improvements	332,036	2020
<u>2018</u>		
Municipal Complex	\$ 459,125	2020
Remediation Improvements - DPW	68,000	2019

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement. In addition, members of the police department are eligible to receive terminal leave as a retirement benefit. Bargaining unit agreements and a local ordinance establish the maximum number of accumulated days an employee can be compensated for.

It is estimated that the current cost of such unpaid compensation and salary related payments would be approximately \$4,053,469 and \$4,303,947 at December 31, 2019 and 2018, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability. As of December 31, 2019 and 2018, the Borough has reserved in the Other Trust Fund \$75,226 to fund compensated absences in accordance with NJSA 40A:4-39.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 4,303,947		\$ 250,478	\$ 4,053,469	\$ 119,000
Net OPEB Liability	9,984,179		1,626,253	8,357,926	
Net Pension Liability					
PERS	8,761,507		690,098	8,071,409	
PFRS	15,970,835	-	1,153,125	14,817,710	-
	<u>\$ 39,020,468</u>	<u>\$ -</u>	<u>\$ 3,719,954</u>	<u>\$ 35,300,514</u>	<u>\$ 119,000</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 4,118,185	\$ 315,850	\$ 130,088	\$ 4,303,947	\$ 115,000
Net OPEB Liability	13,232,085		3,247,906	9,984,179	
Net Pension Liability					
PERS	10,180,858		1,419,351	8,761,507	
PFRS	19,946,351	-	3,975,516	15,970,835	-
	<u>\$ 47,477,479</u>	<u>\$ 315,850</u>	<u>\$ 8,772,861</u>	<u>\$ 39,020,468</u>	<u>\$ 115,000</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.us/treasury/doinvest.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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 Ending</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 1,153,876	\$ 442,615	\$ 3,065
2018	1,143,465	405,160	2,997
2017	1,063,771	447,307	1,750

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,170, \$1,073 and \$775, respectively for PERS.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 \$8,071,409 and \$8,761,507, 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 a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .04480 percent, which was an increase of .00031 percent from its proportionate share measured as of June 30, 2018 of .04449 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$109,407 and \$207,994, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$442,615 and \$405,160, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 144,871	\$ 35,656	\$ 167,083	\$ 45,177
Changes of Assumptions	805,960	2,801,561	1,443,751	2,801,464
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		127,410		82,183
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	184,832	777,744	205,457	1,130,396
Total	\$ 1,135,663	\$ 3,742,371	\$ 1,816,291	\$ 4,059,220

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

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	\$ (484,420)
2021	(1,052,962)
2022	(771,369)
2023	(269,478)
2024	(28,479)
Thereafter	-
	<u>\$ (2,606,708)</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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 DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

	<u>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:

	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (7.28%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 10,195,501</u>	<u>\$ 8,071,409</u>	<u>\$ 6,281,560</u>
	<u>1% Decrease (4.66%)</u>	<u>Current Discount Rate (5.66%)</u>	<u>1% Increase (6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,016,586</u>	<u>\$ 8,761,507</u>	<u>\$ 6,869,640</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 DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$14,817,710 and \$15,970,835, 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 .12108 percent, which was an increase of .0031 percent from its proportionate share measured as of June 30, 2018 of .11803 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$1,124,875 and \$958,070, respectively, for PFRS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$1,153,876 and \$1,143,465, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 125,081	\$ 93,814	\$ 162,482	\$ 66,091
Changes of Assumptions	507,735	4,788,948	1,370,881	4,093,049
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		200,775		87,375
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	443,177	1,278,082	129,114	1,646,643
Total	\$ 1,075,993	\$ 6,361,619	\$ 1,662,477	\$ 5,893,158

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 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:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (995,881)
2021	(1,948,873)
2022	(1,403,788)
2023	(689,702)
2024	(247,382)
Thereafter	-
	<u>\$ (5,285,626)</u>

Actuarial Assumptions

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

	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years	2026
	3.25%-15.25%	2.10%-8.98%
	Based on Years	Based on Age
	of Service	
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 DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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 DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

	<u>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>1% Decrease (5.85%)</u>	<u>Current Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 20,028,144	\$ 14,817,710	\$ 10,505,325
	<u>1% Decrease (5.51%)</u>	<u>Current Discount Rate (6.51%)</u>	<u>1% Increase (7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 21,374,981	\$ 15,970,835	\$ 11,513,399

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation

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

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,339,744 and \$2,169,374, 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 \$271,859 and \$256,959, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$157,650 and \$128,479, 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 .12108 percent, which was an increase of .0031 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .11803 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 DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

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

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

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

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

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

- Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

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

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough'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 \$249,345, \$388,023 and \$396,487, 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 \$14,548, \$9,636 and \$9,352, respectively.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

At December 31, 2019 and 2018, the Borough reported a liability of \$8,357,926 and \$9,984,179, 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 .06170 percent, which was a decrease of .00203 percent from its proportionate share measured as of June 30, 2018 of .06373 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough's OPEB expense (benefit) to be \$(121,977) and \$402,004, respectively, based on the actuarial valuations which are less than and more than the actual contributions reported in the Borough's financial statements of \$249,345 and \$388,023, 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		\$ 2,444,183		\$ 2,027,144
Changes of Assumptions		2,961,863		2,532,618
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 6,885		\$ 5,276	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	219,865	590,811	263,489	215,632
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 226,750</u>	<u>\$ 5,996,857</u>	<u>\$ 268,765</u>	<u>\$ 4,775,394</u>

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2020	\$ (927,795)
2021	(927,795)
2022	(928,363)
2023	(929,258)
2024	(930,024)
Thereafter	<u>(1,126,872)</u>
	<u>\$ (5,770,107)</u>

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 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:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
<u>2019</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 9,663,889</u>	<u>\$ 8,357,926</u>	<u>\$ 7,296,659</u>
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 11,714,082</u>	<u>\$ 9,984,179</u>	<u>\$ 8,602,378</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.

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2019</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 7,053,060</u>	<u>\$ 8,357,926</u>	<u>\$ 10,022,503</u>
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 8,328,406</u>	<u>\$ 9,984,179</u>	<u>\$ 12,126,995</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.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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 of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$8,711,572 and \$10,059,034, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$115,474 and \$304,499 respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .15766 percent, which was a decrease of .0042 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .16188 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

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 14 RISK MANAGEMENT

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

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

NOTE 14 RISK MANAGEMENT (Continued)

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Appropriations</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 28,000	\$ 11,282	\$ 32,602	\$ 37,867
2018		21,299	25,879	16,399
2017		10,697	32,814	20,979

NOTE 15 CONTINGENT LIABILITIES

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

Pending Litigation – The Borough has one matter before the Superior Court of New Jersey, Bergen County. This litigation stems from Administrative disciplinary charges against four Borough employees (the "Plaintiff's").

The plaintiffs allege the Borough violated their civil rights by targeting and disciplining them for exercising their First Amendment Rights to not participate in political activity in the Borough. The plaintiffs seek back pay, compensatory and punitive damages, and attorney's fees and costs. The plaintiffs have not provided a formal demand at this time. The parties have exchanged written discovery in the case, and the time to complete virtual/video depositions has been extended by the Court to September 15, 2020.

The matter is still in discovery and it is not possible to determine at this time whether management will seek an out-of-court settlement or will vigorously contest through trial.

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

NOTE 15 CONTINGENT LIABILITIES (Continued)

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 \$188,052 and \$188,052, 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 16 FEDERAL ARBITRAGE REGULATIONS

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

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

The Borough of Dumont Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 17, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Dumont approved the adoption of the Plan at the general election held on November 2, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Dumont has contributed \$38,400 and \$40,750 for 2019 and 2018, respectively, for eligible volunteer fire department and volunteer ambulance corp. members into the Plan.

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

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

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include 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 \$536,511 and \$525,543, respectively, under the NJHMFA program. The Borough received \$26,932 and \$45,240 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

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

NOTE 18 TAX ABATEMENTS (Continued)

Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly, developed, erected and owed by a non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly construction senior housing. The process beings when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$7,041 and \$6,897, respectively, under this law. The Borough received \$15,000 and \$15,000 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

The Borough had entered into an agreement with Landmark Dumont I Urban Renewal Corporate ("Landmark") authorizing the execution of a long-term tax exemption and payment in lieu of taxes (PILOT) agreement pursuant to N.J.S.A. 40A:20.1 et. seq. Landmark will construct 146 multi-family housing units, consisting of 124 market rate housing units and 22 affordable housing units.

The PILOT Agreement shall have a term which shall expire at the earlier of; (a) the passage of twenty-seven (27) years from the execution of the Financial Agreement executed, and delivered, pursuant to this application or (b) the expiration of twenty-five (25) years from the completion of the Project, whichever first occurs.

For the Market Rate Project, the Annual Service Charge shall be in the amount equal to the greater of two percent (2%) of gross construction costs; ten percent (10%) of Gross Annual Revenue for the Market Rate Project; or for the years 1 through 15 of the Agreement, \$3,500 per Market Unit per year and for the years 16 through 25 of the Agreement, \$3,750 per Market Unit per year. It is estimated that the total Annual Service Charge for the Markey Rate Project will equal \$434,000 per year for years 1 through 15 of the Agreement, increasing to \$465,000 per year for years 16 through 25 of the Agreement, totaling \$11,160,000 over the twenty-five (25) year term of the Agreement for the Market Rate Project.

For the Affordable Project, the Annual Service Charge shall, be in the amount equal to the greater of two percent (2%) of Gross Annual Revenue of the Affordable Project; or for the years 1 through 15 of the Agreement, \$350 per Affordable Unit per year and for the years 16 through 25 of the Agreement, \$375 per Affordable Unit per year for the Affordable Project. It is estimated that the total Annual Service Charge for the Affordable Project will equal \$7,700 per year for years 1 through 15 of the Agreement, totaling \$198,000 over the twenty-five (25) year term of Agreement for the Affordable Project.

It is anticipated that the project will be completed by the Spring 2021. PILTO billing will commence approximately October 2020.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 19, 2020 the Borough issued bond anticipation notes in the amount of \$3,500,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Mariners Bank at an interest rate of 1.75%. These notes dated February 19, 2020 will mature on May 20, 2020

On June 4, 2020 the Borough issued bond anticipation notes in the amount of \$9,075,000 to temporarily finance expenditures related to various capital projects of the Borough. The Borough has awarded the sale of said notes to BNY Mellon Capital Markets, LLC at an interest rate of 2.00%. These notes dated June 4, 2020 will mature on June 4, 2021.

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

NOTE 19 SUBSEQUENT EVENTS (Continued)

Bond Anticipation Notes (Continued)

On September 23, 2020 the Borough issued bond anticipation notes in the amount of 3,239,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Amboy Bank at an interest rate of .56%. These notes dated September 23, 2020 will mature on June 4, 2021.

Serial Bonds

On April 7, 2020 the Borough adopted a resolution for the issuance of \$15,500,000 General Obligation Bonds for the purpose of funding various capital improvements of the Borough. On April 22, 2020 the Borough awarded the sale of said bonds to Roosevelt and Cross, Inc. at an interest rate of 2.5% to 3.0%. These bonds dated May 8, 2020 will mature over 25 years with the first maturity due May 1, 2021.

Debt Authorized

On July 14, 2020 the Borough adopted a bond ordinance authorizing the issuance of \$3,330,000 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.

On July 14, 2020 the Borough adopted a bond ordinance authorizing the issuance of \$739,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

NOTE 20 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

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

**BOROUGH OF DUMONT
STATEMENT OF CASH**

Balance, December 31, 2018		\$ 5,767,302
Increased by Receipts:		
Taxes Receivable	\$ 61,681,247	
Revenue Accounts Receivable	2,464,264	
Non Budget Revenue	187,767	
Prepaid Taxes	271,535	
Receipts from Other Trust Fund	265,500	
Receipts from General Capital Fund	25,000	
Unappropriated Reserves for Grants	60,727	
Miscellaneous Reserves	1,026,162	
Tax Overpayments	12,841	
Senior Citizens' and Veterans' Deductions	116,750	
Receipts from Library	<u>432,854</u>	
		<u>66,544,647</u>
		72,311,949
Decreased by Disbursements:		
Budget Appropriations	20,422,404	
Appropriation Reserves	322,175	
Accounts Payable	600,880	
Tax Overpayments	14,885	
County Taxes	5,058,025	
Local District School Taxes	37,659,115	
Miscellaneous Reserves	1,264,609	
Payments Made On Behalf Of Library	418,849	
Payments to General Capital Fund	235,000	
Payments to Unemployment Insurance Trust Fund	28,000	
Refund of Prior Year Revenue	<u>7,219</u>	
		<u>66,031,161</u>
Balance, December 31, 2019		<u>\$ 6,280,788</u>

**BOROUGH OF DUMONT
STATEMENT OF PETTY CASH FUNDS**

<u>Office</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</u>
Finance Department	\$ <u>400</u>	\$ <u>400</u>

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31 <u>2018</u>	Grant <u>Award</u>	<u>Receipts</u>	Balance, December 31, <u>2019</u>
Bergen County ADA Handicap Ramp Grant	\$ <u>-</u>	\$ <u>340,207</u>	\$ <u>-</u>	\$ <u>340,207</u>

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

Balance, December 31, 2018	\$	7,657
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billing	\$	119,000
Deductions Allowed by Tax Collector		<u>1,250</u>
		<u>120,250</u>
		127,907
Decreased by:		
Deductions Disallowed by Tax Collector		2,000
Cash Receipts		<u>116,750</u>
		<u>118,750</u>
Balance, December 31, 2019	\$	<u>9,157</u>

BOROUGH OF DUMONT
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, December 31, 2018	Levy	Senior Citizens' and Veterans' Deductions Disallowed	Senior Citizens' and Veterans' Deductions Allowed	2019 Collections	2019	Cancelled	Tax Overpayments Applied	Transferred to Tax Title Lien	Balance, December 31, 2019
2018	\$ 531,494	\$ 62,099,911	\$ 2,000	\$ 251,201	\$ 527,133	\$ 61,154,114	\$ 4,361	\$ 53,989	\$ 17,129	\$ 504,843
2019	-	\$ 62,099,911	\$ 2,000	\$ 251,201	\$ 61,681,247	\$ 120,250	\$ 58,350	\$ 17,129	\$ 385	\$ 504,843

Analysis of Property Tax Levy

TAX YIELD		
General Property Tax	\$ 61,997,368	
Real Property Tax	102,543	
Added Taxes (54:4-63.1 et seq.)	<u>\$ 62,099,911</u>	
TAX LEVY		
Local School Tax (Abstract)	\$ 37,659,115	
County Taxes (Abstract)	4,836,883	
County Open Space (Abstract)	207,050	
Due County for Added Taxes (54:4-63.1)	<u>8,326</u>	42,711,374
Local Tax for Municipal Purposes	18,594,666	
Local Tax For Free Public Library	689,075	
Add Additional Tax Levied	<u>104,796</u>	
	19,388,537	
	<u>\$ 62,099,911</u>	

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

Balance, December 31, 2018	\$ 7,883
Increased by:	
Transferred from Taxes Receivable	<u>385</u>
Balance, December 31, 2019	<u>\$ 8,268</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2018	<u>\$ 79,526</u>
Balance, December 31, 2019	<u>\$ 79,526</u>

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2018</u>	Increase in <u>2019</u>	Budget <u>Appropriation</u>	Balance, December 31, <u>2019</u>
Overexpenditure of Appropriations	<u>\$ 9,395</u>	<u>\$ 5,718</u>	<u>\$ 9,395</u>	<u>\$ 5,718</u>

BOROUGH OF DUMONT
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2019</u>
Licenses				
Alcoholic Beverages		\$ 15,097	\$ 15,097	
Board of Health		5,146	5,146	
Borough Clerk		261	261	
Fees and Permits				
Construction Code Official		40,628	40,628	
Board of Health		19,735	19,735	
Borough Clerk		13,222	13,222	
Fire Prevention		36,865	36,865	
Planning and Zoning		1,700	1,700	
Police		2,751	2,751	
Construction Code		440,809	440,809	
Fines and Costs - Municipal Court	\$ 5,918	77,546	77,955	\$ 5,509
Interest and Cost on Taxes		100,482	100,482	
Interest on Investments and Deposits		73,692	73,692	
Energy Receipts Tax		1,355,252	1,355,252	
Life Hazard Use Fees		6,685	6,685	
Fire Inspections		15,000	15,000	
PILOT - Senior Citizens Club		15,000	15,000	
Cable Television Franchise Fees	-	243,984	243,984	-
	<u>\$ 5,918</u>	<u>\$ 2,463,855</u>	<u>\$ 2,464,264</u>	<u>\$ 5,509</u>

BOROUGH OF DUMONT
STATEMENT OF APPROPRIATION RESERVES

	Balance December 31, <u>2018</u>	Encumbrances Restored to Appropriation <u>Reserves</u>	<u>Transfers</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages						
General Administration / Mayor / Clerk	\$ 8,537			\$ 8,537		\$ 8,537
Financial Administration	30,283			30,283		30,283
Collection of Taxes	10,333			10,333		10,333
Planning Board/Zoning Board	1,500			1,500		1,500
Affordable Housing	3,000			3,000		3,000
Rent Leveling Board	1,080			1,080		1,080
Police Department	65,743		\$ (29,200)	36,543	\$ 12,289	24,254
Emergency Management	3,000			3,000		3,000
Streets and Roads	16,344			16,344		16,344
Public Buildings and Grounds	36,706			36,706		36,706
Board of Health	230			230		230
Administration of Public Assistance	100			100		100
Senior Citizens	8,020			8,020		8,020
Parks and Playgrounds	1,742			1,742		1,742
Municipal Court	738			738		738
Code Enforcement & Administration	20,668	-	(10,000)	10,668	-	10,668
	<u>208,024</u>	<u>-</u>	<u>(39,200)</u>	<u>168,824</u>	<u>12,289</u>	<u>156,535</u>
Other Expenses						
General Administration / Mayor / Clerk						
Other Expenses	44,152			44,152	17,303	26,849
Postage	1,209	\$ 1,000		2,209		2,209
Elections	371			371		371
Financial Administration / Audit	53,676		2,200	55,876	52,924	2,952
Assessment of Taxes	1,302		-	1,302		1,302
Collection of Taxes	1,240			1,240	50	1,190
Legal Services and Costs						
Borough Attorney	19,395		11,000	30,395	29,886	509
Special Counsel	31,347		(11,000)	20,347	2,875	17,472
Engineering	8,634			8,634	7,000	1,634
Planning Board/Zoning Board	16,281			16,281	17	16,264
Affordable Housing	5,000			5,000		5,000
Rent Leveling Board	140			140		140
Fire Department						
Other Expenses	16,844	255		17,099		17,099
Life Hazard Use Fees	3,002			3,002		3,002
Fire Hydrant Services	7,783			7,783		7,783
Rental of Fire Houses	300		3,200	3,500	3,500	-
Police	12,487			12,487	7,554	4,933
Police Reserves	3,572			3,572		3,572
Emergency Management	3,444			3,444		3,444
Streets and Roads	23,428			23,428	8,263	15,165
Garbage and Trash Removal	130,422			130,422	74,751	55,671
Sewer System	1,110			1,110	876	234
Shade Tree	4,438			4,438	181	4,257
Public Buildings and Grounds	6,185	2,220		8,405	-	8,405
Board of Health	11,791	-		11,791	337	11,454
Animal Shelter	1,818			1,818		1,818

BOROUGH OF DUMONT
STATEMENT OF APPROPRIATION RESERVES

	Balance December 31, 2018	Encumbrances Restored to Appropriation Reserves	Transfers	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Other Expenses (Continued)						
Environmental Commission	\$ 300			\$ 300		\$ 300
Senior Citizens	7,203	\$ 750		7,953		7,953
Parks and Playgrounds	1,642	4,047		5,689		5,689
Celebration of Public Events	1,289			1,289		1,289
Utilities						
Electricity	50,743			50,743	\$ 10,340	40,403
Street Lighting	25,331			25,331	14,492	10,839
Telephone	15,094			15,094	393	14,701
Gasoline	2,278		\$ 13,100	15,378	15,324	54
Water	669		2,000	2,669	2,574	95
Municipal Court	583			583	516	67
Public Defender	1,000			1,000	-	1,000
Code Enforcement & Administration	576		200	776	656	120
Insurance						
Unemployment Insurance	18,000			18,000	18,000	-
General Liability	-		18,500	18,500	18,493	7
Workers Compensation	18			18	18	-
Employee Group Health	21,561	6,909		28,470		28,470
Health Benefit Waiver	5,477			5,477		5,477
Statutory Expenditures						
Social Security System (O.A.S.I.)	61			61		61
Police and Firemen's Retirement System	5,000			5,000		5,000
DCRP	3			3		3
Bergen County Utilities Authority	8,003			8,003	-	8,003
LOSAP	50,000			50,000	40,750	9,250
Distracted Driving	5,500			5,500	5,500	-
Recycling Tonnage Grant	4,647			4,647	4,647	-
Police Body Armor	2,322			2,322	2,322	-
	<u>636,671</u>	<u>15,181</u>	<u>39,200</u>	<u>691,052</u>	<u>339,542</u>	<u>351,510</u>
	<u>\$ 844,695</u>	<u>\$ 15,181</u>	<u>\$ -</u>	<u>\$ 859,876</u>	<u>\$ 351,831</u>	<u>\$ 508,045</u>

Cash Disbursements	\$ 322,175
Due to Unemployment Trust Fund	18,000
Transfer to Accounts Payable	2,548
Transfer to Appropriated Grants	
Distracted Driving	5,500
Recycling Tonnage Grant	1,286
Police Body Armor	<u>2,322</u>
	<u>\$ 351,831</u>

**BOROUGH OF DUMONT
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2018		\$ 669,120
Increased by:		
Transfer from 2019 Budget Appropriations	\$ 896,850	
Transfer from 2018 Appropriations Reserves	2,548	
Transfer from Appropriated Grant Reserves	<u>261,445</u>	
		<u>1,160,843</u>
		1,829,963
Decreased by:		
Cash Disbursements	600,880	
Cancelled Encumbrances Restored to Appropriated Reserves	<u>15,181</u>	
		<u>616,061</u>
Balance, December 31, 2019		<u>\$ 1,213,902</u>

EXHIBIT A-15

STATEMENT OF DUE FROM DUMONT FREE PUBLIC LIBRARY

Balance, December 31, 2018	\$ 14,005
Increased by:	
Library Expenditures Paid by Current Fund	<u>418,849</u>
	432,854
Decreased by:	
Receipts from Library	<u>432,854</u>
Balance, December 31, 2019	<u>\$ -</u>

**BOROUGH OF DUMONT
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	<u>Disbursed</u>	<u>Cancellations</u>	Balance, December 31, <u>2019</u>
Tax Sale Premium	\$ 710,000	\$ 462,300	\$ 698,700	\$ 7,800	\$ 465,800
Redemption of Tax Sale Certificates		542,344	542,344		
Tax Appeals	188,052				188,052
Master Plan	6,955			6,955	
DCA Fees	5,724	18,918	21,240		3,402
Marriage Licenses	550	2,600	2,325	175	650
Homestead Rebate	<u>1,771</u>	<u>-</u>	<u>-</u>	<u>1,771</u>	<u>-</u>
	<u>\$ 913,052</u>	<u>\$ 1,026,162</u>	<u>\$ 1,264,609</u>	<u>\$ 16,701</u>	<u>\$ 657,904</u>

EXHIBIT A-17

STATEMENT OF PREPAID TAXES

Balance, December 31, 2018	\$ 251,201
Increased by:	
Collection of 2020 Taxes	<u>271,535</u>
	522,736
Decreased by:	
Application to 2019 Taxes Receivable	<u>251,201</u>
Balance, December 31, 2019	<u>\$ 271,535</u>

EXHIBIT A-18

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2018	\$ 65,580
Increased by:	
Cash Receipts	<u>12,841</u>
	78,421
Decreased by:	
Applied to Taxes Receivable	\$ 17,129
Cash Disbursements	<u>14,885</u>
	<u>32,014</u>
Balance, December 31, 2019	<u>\$ 46,407</u>

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

Increased by:	
Levy - Calendar Year	\$ 37,659,115
Decreased by:	
Payments	<u>\$ 37,659,115</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2018	\$ 6,205
Increased by:	
2019 Levy	\$ 4,836,883
2019 County Open Space	207,050
Added Taxes	<u>8,326</u>
	<u>5,052,259</u>
	5,058,464
Decreased by:	
Payments	5,058,025
Cancellation	<u>439</u>
	<u>\$ 5,058,464</u>

SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance, December 31, <u>2018</u>	Transfer from Budget <u>Appropriations</u>	<u>Expended</u>	Balance, December 31, <u>2019</u>
Clean Communities Grant	\$ 23,539			\$ 23,539
Alcohol Education and Rehabilitation Fund	3,076			3,076
Distracted Driving		\$ 5,500		5,500
Police Body Armor		2,322		2,322
Bergen County - ADA Ramps		340,207	\$ 337,303	2,904
Recycling Tonnage Grant	<u>10,487</u>	<u>1,286</u>	<u>-</u>	<u>11,773</u>
	<u>\$ 37,102</u>	<u>\$ 349,315</u>	<u>\$ 337,303</u>	<u>\$ 49,114</u>
2018 Appropriation Reserves		\$ 9,108		
2019 Budget Appropriations		<u>340,207</u>		
		<u>\$ 349,315</u>		
Due to General Capital Fund		\$ 75,858		
Accounts Payable		<u>261,445</u>		
		<u>\$ 337,303</u>		

BOROUGH OF DUMONT
STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2019</u>
Recycling Tonnage	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Police Body Armor Fund		4,535		4,535
Equitable Sharing Program (DEA)		3,320		3,320
Clean Communities Grant	29,455	32,872	29,455	32,872
Distracted Driving	<u>5,703</u>	<u>-</u>	<u>5,703</u>	<u>-</u>
	<u>\$ 55,158</u>	<u>\$ 60,727</u>	<u>\$ 55,158</u>	<u>\$ 60,727</u>

{THIS PAGE INTENTIONALLY LEFT BLANK}

TRUST FUNDS

**BOROUGH OF DUMONT
STATEMENT OF TRUST CASH**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2018	\$ 13,522	\$ 1,127,409	\$ 16,546
Increased by Receipts:			
Escrow Deposits		\$ 75,054	
Miscellaneous Reserves		1,144,561	
License Fees Collected	\$ 3,250		\$ 28,000
Receipts from Current Fund			25,957
Receipts from Payroll Service Provider			
Due to State of New Jersey	618		
Bank Error	500		
Payroll and Payroll Deductions	-	10,013,093	-
	<u>4,368</u>	<u>11,232,708</u>	<u>53,957</u>
	17,890	12,360,117	70,503
Decreased by Disbursements:			
Expenditures Under R.S. 4:19-15.11	813		
Escrow Deposits		80,663	
Payments to State of NJ	610		29,723
Payments to Current Fund		265,500	
Payroll and Payroll Deductions Payable		10,013,093	
Miscellaneous Reserves		848,449	
Due from Current Fund	-	-	-
	<u>1,423</u>	<u>11,207,705</u>	<u>29,723</u>
Balance, December 31, 2019	\$ 16,467	\$ 1,152,412	\$ 40,780

BOROUGH OF DUMONT
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2018		\$ 6,196
Increased by:		
Animal Control Fees		<u>3,250</u>
		9,446
Decreased by:		
Cash Disbursements	\$ 813	
Statutory Excess Due to Current Fund	<u>3,082</u>	
		<u>3,895</u>
Balance, December 31, 2019		<u>\$ 5,551</u>

EXHIBIT B-3

STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES

Balance, December 31, 2018		\$ 149
Increased by:		
Registration Fees - Due State of New Jersey		<u>618</u>
		767
Decreased by:		
Payments		<u>610</u>
Balance, December 31, 2019		<u>\$ 157</u>

EXHIBIT B-4

STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND

Balance, December 31, 2018		\$ 7,177
Increased by:		
Statutory Excess		<u>3,082</u>
Balance, December 31, 2019		<u>\$ 10,259</u>

**BOROUGH OF DUMONT
STATEMENT OF ESCROW DEPOSITS**

Balance, December 31, 2018	\$ 80,989
Increased by:	
Cash Receipts	<u>75,054</u>
	156,043
Decreased by:	
Cash Disbursements	<u>80,663</u>
Balance, December 31, 2019	<u>\$ 75,380</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE EXPENDITURES

Balance, December 31, 2018	\$ 16,399
Increased by:	
Payroll Deductions	\$ 11,282
Refund of Overpayment	14,788
Budget Appropriations	
2018 Appropriation Reserves	18,000
Current Budget	<u>10,000</u>
	<u>54,070</u>
	70,469
Decreased by:	
Unemployment Insurance Claims	28,898
Due to State of New Jersey	<u>3,704</u>
	<u>32,602</u>
Balance, December 31, 2019	<u>\$ 37,867</u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2018	\$ 62,487
Increased by:	
Payments to Current Fund	<u>265,500</u>
	327,987
Decreased by:	
Anticipated as Revenue in Current Fund Budget	
Police Outside Services	<u>130,000</u>
Balance, December 31, 2019	<u>\$ 197,987</u>

**BOROUGH OF DUMONT
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2018</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
Fire Prevention Fees	\$ 1,109			\$ 1,109
Recreation Commission	233,621	\$ 295,517	\$ 288,637	240,501
Tax Sale Premiums	200			200
Street Openings	15,113	2,750	500	17,363
Maintenance Bond	11,155			11,155
POAA	7,845	416		8,261
Affordable Housing (COAH)	35,626			35,626
Drug and Alcohol	12,704	9,083	9,767	12,020
Police Outside Services	595,052	830,030	679,520	745,562
Police Donations	676			676
Shade Tree	14,848	6,765	25	21,588
Accumulated Leave	75,226			75,226
Storm Emergency	<u>42,677</u>	<u>-</u>	<u>-</u>	<u>42,677</u>
	<u>\$ 1,045,852</u>	<u>\$ 1,144,561</u>	<u>\$ 978,449</u>	<u>\$ 1,211,964</u>
Cash Receipts		\$ 1,144,561		
Cash Disbursements			\$ 848,449	
Due To Current Fund		<u>-</u>	<u>130,000</u>	
		<u>\$ 1,144,561</u>	<u>\$ 978,449</u>	

STATEMENT OF ACCRUED SALARIES/WAGES AND PAYROLL DEDUCTIONS PAYABLE

Balance, December 31, 2018	\$ 63,055
Increased by:	
Cash Receipts	<u>10,013,093</u>
	10,076,148
Decreased by:	
Cash Disbursements	<u>10,013,093</u>
Balance, December 31, 2019	<u>\$ 63,055</u>

BOROUGH OF DUMONT
STATEMENT OF DUE TO STATE OF NEW JERSEY UNEMPLOYMENT INSURANCE FUND

Balance, December 31, 2018	\$ 825
Increased by:	
Unemployment Claims Due to State of New Jersey	<u>28,898</u>
	29,723
Decreased by:	
Unemployment Insurance Claims Payments	<u>29,723</u>
Balance, December 31, 2019	<u>\$ -</u>

EXHIBIT B-11

STATEMENT OF DUE FROM PAYROLL SERVICE PROVIDER

Balance, December 31, 2018	\$ 678
Increased by:	
Payroll Deductions Transferred to	
Payroll Service Provider	\$ 11,282
Refund of Overpayment	<u>14,788</u>
	<u>26,070</u>
	26,748
Decreased by:	
Receipts from Payroll Service Provider	<u>25,957</u>
Balance, December 31, 2019	<u>\$ 791</u>

{THIS PAGE INTENTIONALLY LEFT BLANK}

GENERAL CAPITAL FUND

**BOROUGH OF DUMONT
STATEMENT OF GENERAL CAPITAL CASH**

Balance, December 31, 2018		\$ 979,831
Increased by Receipts:		
Bond Anticipation Notes Issued	\$ 12,500,000	
Premium on Sale of Bond Anticipation Notes	18,910	
Grant Receipts	11,940	
Receipts from Current Fund	<u>235,000</u>	
		<u>12,765,850</u>
		13,745,681
Decreased by:		
Improvement Authorizations	5,049,872	
Contracts Payable	585,201	
Current Fund Expenditures Paid by General Capital Fund	104,847	
Payments to Current Fund	<u>25,000</u>	
		<u>5,764,920</u>
Balance, December 31, 2019		<u><u>\$ 7,980,761</u></u>

**BOROUGH OF DUMONT
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2019**

Fund Balance	\$ 280,882
Contracts Payable	12,773,716
Grants Receivable	(443,860)
Due From Current Fund	(353,570)
Deferred Charges - Cancelled Grant Receivable	(94,000)
Capital Improvement Fund	24,147
Reserve for Payment of Notes	99,000

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
1250	Impvts of Various Parks and Acq. of Equipment	(4,908)
1275	Unfunded Pension Liability	(2,280)
1380	Park Improvements	231,454
1393	Various General Capital Improvements	(191,425)
1407/1466	Various Storm Sewer Improvements	85,262
1434/1486	Various Capital Improvements	36,209
1481/1496	Temporary Relocation of Borough Offices	(21,112)
1498/1518	Various Capital Improvements	16,930
1501	Various Capital Improvements	84,075
1508	Purchase and Installation of Computer Server	152
1517	Thompson Street and Schrallenburgh Way Road Improvements	64,072
1519/1550/1556/1558	Various Capital Improvements	(3,101,738)
1523	Sewerage System Improvements	8,485
1526	Various Equipment and Improvements	11,788
1527	Various Equipment and Improvements	3,388
1549	Various Capital Improvements	(449,470)
1567	Various Capital Improvements	(1,076,436)
		<u>\$ 7,980,761</u>

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

Balance, December 31, 2018		\$ 16,560,425
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,070,000	
Green Trust Loans	10,346	
NJEIT Loan Payable	360,770	
Pension Obligation Lease	<u>87,000</u>	
		<u>1,528,116</u>
Balance, December 31, 2019		<u>\$ 15,032,309</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2018	2019 Authorizations	Grant Receipts	Balance, December 31, 2019	Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
1250	Impmts of Various Parks and Acq. Of Equip.	\$ 4,908			\$ 4,908		\$ 4,908	
1275	Refund Unfunded Pension Liab	2,280			2,280		2,280	
1393	Various General Improvements	191,425			191,425		191,425	
1481/1496	Temporary Relocation of Borough Offices	342,000			342,000	\$ 320,888	21,112	
1498/1518	Various Capital Improvements	148,800			148,800	148,800		
1501	Various Capital Improvements	176,000			176,000	176,000		
1436/1504	Various Storm Water Sewer Improvements	43,500			43,500	43,500		
1517	Thompson Street and Schraalenburgh Way Road Impmts	114,000			114,000	114,000		
1519/1550/								
1556/1558	Various Capital Improvements	15,075,000	\$ 4,761,500		19,836,500	14,521,812	3,101,738	\$ 2,212,950
1523	Sewerage System Improvements	76,000			76,000	76,000		
1549	Various Capital Improvements	1,858,900			1,858,900		449,470	1,409,430
1567	Various Capital Improvements	-	1,902,000	-	1,902,000	-	1,076,436	825,564
		<u>\$ 18,032,813</u>	<u>\$ 6,663,500</u>	<u>\$ -</u>	<u>\$ 24,696,313</u>	<u>\$ 15,401,000</u>	<u>\$ 4,847,369</u>	<u>\$ 4,447,944</u>
		Bond Anticipation Notes						
						\$ 15,500,000		
						<u>99,000</u>		
						<u>\$ 15,401,000</u>		
		Improvement Authorizations - Unfunded						
		Less: Unexpended Proceeds on Bond Anticipation Notes Issued						
						\$	16,930	
							84,075	
							64,072	
							<u>8,485</u>	<u>173,562</u>
								<u>\$ 4,447,944</u>

**BOROUGH OF DUMONT
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2018</u>	<u>Grant Awards</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2019</u>
Community Development				
Ord. No. 1493 Various Improvements to Locust Avenue and Brook Street	\$ 31,913			\$ 31,913
Historic Preservation Trust Fund				
Ord. No. 1465 Library Window and Exterior Restoration	11,940		\$ 11,940	-
Department of Transportation				
Ord. No. 1498 Improvements to Johnson Avenue	36,274			36,274
Housing and Urban Development				
Ord. No. 1549 Various Capital Improvements	250,861			250,861
Bergen County Open Space Trust Fund				
Ord. No. 1549 Various Capital Improvements	<u>156,725</u>	<u>-</u>	<u>-</u>	<u>156,725</u>
	<u>\$ 487,713</u>	<u>\$ -</u>	<u>\$ 11,940</u>	<u>\$ 475,773</u>

Reserve for Receivable	\$ 31,913
Pledged to Ordinance	<u>443,860</u>
	<u>\$ 475,773</u>

EXHIBIT C-7

STATEMENT OF DEFERRED CHARGES UNFUNDED - CANCELLED GRANT RECEIVABLES

Balance, December 31, 2018	\$ 140,141
Decreased by Budget Appropriation	<u>46,141</u>
Balance, December 31, 2019	<u>\$ 94,000</u>

**BOROUGH OF DUMONT
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2018		\$ 196,771
Increased by:		
Current Fund Expenditures Paid by General Capital Fund	\$ 104,847	
Payment to Current Fund	25,000	
Current Fund Budget Appropriation		
Deferred Charges	51,952	
Capital Improvement Fund	<u>235,000</u>	
		<u>416,799</u>
		613,570
Decreased by:		
Anticipated as Revenue in Current Fund		
General Capital Surplus	25,000	
Receipts from Current Fund	<u>235,000</u>	
		<u>260,000</u>
Balance, December 31, 2019		<u>\$ 353,570</u>

EXHIBIT C-9

STATEMENT OF RESERVE FOR PRELIMINARY COSTS

Balance, December 31, 2018	\$ 10,000
Cancelled	<u>\$ 10,000</u>

BOROUGH OF DUMONT
STATEMENT OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2019	Interest Rate	Balance, December 31, 2018	Increased	Decreased	Balance, December 31, 2019
			Date					
General Improvements	7/15/2010	\$ 8,530,000			\$ 800,000		\$ 800,000	
	7/15/2016	5,430,000	7/15/2020	3.00%				
2016 Refunding Bonds			7/15/2021	3.00%				
			7/15/2022	3.00%				
			7/15/2023	4.00%				
			7/15/2024	4.00%				
			7/15/2025	4.00%	5,410,000			\$ 5,410,000
General Obligation Bonds			5/15/2020	2.25%				
	5/23/2017	6,075,000	5/15/2021	2.50%				
			5/15/2022	2.50%				
			5/15/2023	2.50%				
			5/15/2024	2.50%				
			5/15/2025	2.50%				
			5/15/2026	2.50%				
			5/15/2027	2.50%				
			5/15/2028	3.00%				
			5/15/2029	3.00%				
			5/15/2030	3.00%				
			5/15/2031	3.00%				
			5/15/2032	3.00%				
			5/15/2033	3.00%				
			5/15/2034	3.00%				
			5/15/2035	3.00%				
					5,810,000	\$ -	270,000	5,540,000
					\$ 12,020,000	\$ -	\$ 1,070,000	\$ 10,950,000

BOROUGH OF DUMONT
SCHEDULE OF PENSION OBLIGATION LEASE PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Leases Outstanding</u>	<u>December 31, 2018</u>				
			<u>Date</u>	<u>Amount</u>				
Refunding - Unfunded Pension Obligation	3/15/2012	\$ 882,000	3/15/2020	\$ 97,000	2.66%			
			3/15/2021	106,000	2.96%			
			3/15/2022	117,000	3.11%			
			3/15/2023	129,000	3.26%	\$ 536,000	\$ 87,000	\$ 449,000
						<u>\$ 536,000</u>	<u>\$ 87,000</u>	<u>\$ 449,000</u>

**BOROUGH OF DUMONT
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2018	Increased	Decreased	Balance, December 31, 2019
1481/1496	Relocation of Borough Offices	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	\$ 320,888	\$ 320,888	\$ 320,888	\$ 320,888
1498/1518	Various Capital Improvements	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	148,800	148,800	148,800	148,800
1501	Various Capital Improvements	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	176,000	176,000	176,000	176,000
1504	Various Storm Water Sewer Improvements	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	43,500	43,500	43,500	43,500
1517	Roadway Improvements	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	213,000	213,000	213,000	213,000
1519	Various Capital Improvements	3/14/2018 3/13/2019 12/10/2019	3/14/2018 3/13/2019 12/10/2019	3/14/2019 2/20/2020 5/11/2020	2.50% 2.25% 2.25% 1.50%	2,021,812	2,021,812 500,000 12,000,000	2,021,812	2,021,812 500,000 12,000,000
1523	Sewer System Improvements	3/14/2018	3/14/2018 3/13/2019	3/14/2019 2/20/2020	2.50% 2.25%	76,000	76,000	76,000	76,000
						\$ 3,000,000	\$ 15,500,000	\$ 3,000,000	\$ 15,500,000
						Renewals			
						Bond Anticipation Notes Issued			
						\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	
							12,500,000	-	
						\$ 15,500,000	\$ 3,000,000	\$ 3,000,000	

91

**BOROUGH OF DUMONT
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2018		\$ 735,042
Increased by:		
Charges to Improvement Authorizations		<u>12,632,360</u>
		13,367,402
Decreased by:		
Payments	\$ 585,201	
Cancellations	<u>8,485</u>	
		<u>593,686</u>
Balance, December 31, 2019		<u>\$ 12,773,716</u>

STATEMENT OF GREEN TRUST FUND LOAN PAYABLE

Balance, December 31, 2018		\$ 107,117
Decreased by:		
Budget Appropriation		<u>10,346</u>
Balance, December 31, 2019		<u>\$ 96,771</u>

**STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE
TRUST LOAN PAYABLE**

Balance, December 31, 2018		\$ 3,897,308
Decreased by:		
Budget Appropriation		<u>360,770</u>
Balance, December 31, 2019		<u>\$ 3,536,538</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018		\$ 115,647
Increased by:		
Current Fund Budget Appropriation	\$ 235,000	
Cancelled Preliminary Cost Reserve	<u>10,000</u>	
		<u>245,000</u>
		360,647
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>336,500</u>
Balance, December 31, 2019		<u>\$ 24,147</u>

BOROUGH OF DUMONT
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance, December 31, 2018	Improvement Authorizations	Adjustment	Bond Anticipation Notes Issued	Balance, December 31, 2019
1250	Impvts of Various Parks and Acq. of Equip	\$ 4,908				\$ 4,908
1275	Refund Unfunded Pension Liab	2,280				2,280
1393	Various General Capital Improvements	191,425				191,425
1481/1496	Relocation of Borough Offices	342,000		\$ (320,888)		21,112
1498	Various Capital Improvements	91,800		(91,800)		
1501	Various Capital Improvements	176,000		(176,000)		
1436/1504	Various Storm Water Sewer Improvements	43,500		(43,500)		
1517	Thompson Street and Schraffenburgh Way Road Improvements	114,000		(114,000)		
1518	Purchase of Additional Sports Utility Vehicle	57,000		(57,000)		
1519/1550/						
1556/1558	Various Capital Improvements	12,075,000	\$ 4,761,500	978,188	\$ 12,500,000	5,314,688
1523	Sewerage System Improvements	76,000		(76,000)		
1549	Various Capital Improvements	1,858,900				1,858,900
1567	Various Capital Improvements	-	1,902,000	-	-	1,902,000
		<u>\$ 15,032,813</u>	<u>\$ 6,663,500</u>	<u>\$ 99,000</u>	<u>\$ 12,500,000</u>	<u>\$ 9,295,313</u>

EXHIBIT C-19

STATEMENT OF DEFERRED CHARGES
OVEREXPENDITURE OF APPROPRIATIONS

	Balance, December 31, 2018	Increase in 2019	Budget Appropriation	Balance, December 31, 2019
Overexpenditure of Appropriations	<u>\$ 5,811</u>	<u>\$ -</u>	<u>\$ 5,811</u>	<u>\$ -</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF DUMONT
STATEMENT OF PUBLIC ASSISTANCE CASH**

Balance, December 31, 2018	\$ 100
Increased by:	
Donations	<u>934</u>
	1,034
Decreased by:	
Expenditures	<u>579</u>
Balance, December 31, 2019	<u>\$ 455</u>

EXHIBIT D-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2018	\$ 100
Increased by:	
Revenues	<u>934</u>
	1,034
Decreased by:	
Expenditures	<u>579</u>
Balance, December 31, 2019	<u>\$ 455</u>

EXHIBIT D-3

STATEMENT OF PUBLIC ASSISTANCE REVENUES

Revenues/Receipts	
Donations	<u>\$ 934</u>

EXHIBIT D-4

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Expenditures/Disbursements	
Non-Reimbursable Expenditures	<u>\$ 579</u>

{THIS PAGE INTENTIONALLY LEFT BLANK}

PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Dumont
Dumont, 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 Dumont 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 September 30, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Dumont'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 Dumont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Dumont'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 Dumont'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 Dumont 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 Dumont'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 Dumont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
September 30, 2020

SCHEDULE A

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

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, December 31, 2018</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
United States Department of Homeland Security Federal Emergency Management Agency Public Assistance Grant Severe Winter Storm and Snow Storm Quinn	97.036	\$ 18,519	\$ 18,519		\$ 18,519	\$ 18,519	\$	18,519
United States Department of Housing and Urban Development Passed Thru Bergen County Community Development Roadway Improvements - Columbia Avenue Roadway Improvements - Columbia Avenue	14.218 14.218		86,883 163,978					
United States Department of Justice Equitable Sharing Program (Asset Forfeiture)	16.922	3,320	3,320					
United States Department of Transportation Division of Highway Traffic Safety Distracted Driving Incentive	20.616		5,703 5,500	\$ 5,500	5,703	5,703	\$ 5,500	5,703
				\$ 5,500	\$ 24,222	\$ 24,222	\$ 5,500	\$ 24,222

This schedule is not subject to a single audit as defined by U.S. Uniform Guidance

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF DUMONT
SCHEDULE 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 Receipts</u>	<u>Balance, December 31, 2018</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
Division of Criminal Justice								
Body Armor	1020-718-066-1020-001-YCJS-6120	2019	\$ 3,412					
Body Armor	1020-718-066-1020-001-YCJS-6120	2018	1,123					
Body Armor	1020-718-066-1020-001-YCJS-6120	2017		\$ 2,322			\$ 2,322	\$ 749
Department of Environmental Protection								
Clean Communities Program	4900-765-178910-60	2019	32,872		\$ 29,455	\$ 23,185	6,270	23,185
Clean Communities Program	4900-765-178910-60	2018		20,186			20,186	1,945
Clean Communities Program	4900-765-178910-60	2017		3,353			3,353	
Clean Communities Program	4900-765-178910-60	2016						
State Recycling Fund	*	2019	20,000					
State Recycling Fund	*	2018			20,000		20,000	
State Recycling Fund	*	2017		4,647		3,361	1,286	21,174
State Recycling Fund	*	2016		555			555	7,627
State Recycling Fund	*	2015		9,932			9,932	775
Administrative Offices of the Courts								
Alcohol Education and Rehabilitation	9735-760-060000-60	2015		118			118	
Alcohol Education and Rehabilitation	9735-760-060000-60	2014		354			354	
Alcohol Education and Rehabilitation	9735-760-060000-60	2013		475			475	
Alcohol Education and Rehabilitation	9735-760-060000-60	2012		270			270	
Alcohol Education and Rehabilitation	9735-760-060000-60	2007		395			395	
Alcohol Education and Rehabilitation	9735-760-060000-60	2006		205			205	
Alcohol Education and Rehabilitation	9735-760-060000-60	2005		250			250	
Alcohol Education and Rehabilitation	9735-760-060000-60	2002		434			434	
Alcohol Education and Rehabilitation	9735-760-060000-60	1998		575	-	-	575	-
Total State Financial Assistance				\$ 44,071	\$ 49,455	\$ 26,546	\$ 66,980	\$ 55,455

* Not Available

This schedule is not subject to a single audit in accordance with NJ Circular 15-08

BOROUGH OF DUMONT
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 Dumont. 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	\$ 24,222	\$ 49,455	\$ 73,677
General Capital Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Awards	<u>\$ 24,222</u>	<u>\$ 49,455</u>	<u>\$ 73,677</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2019, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

Loan Program

Green Trust Fund	
Park Improvements	\$ 96,771
NJ Environmental Infrastructure Trust	
Trust Loan - 2007	770,000
Fund Loan - 2007	669,753
Trust Loan - 2010	570,000
Fund Loan - 2010	<u>1,526,785</u>
	<u>\$ 3,633,309</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

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

**BOROUGH OF DUMONT
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, Presentation of Unaudited LOSAP Fund</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 DUMONT
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part II – Schedule of Financial Statement Findings

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

There are none.

**BOROUGH OF DUMONT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

{THIS PAGE INTENTIONALLY LEFT BLANK}

PART III
SUPPORTING DATA
AND
LETTER OF COMMENTS AND RECOMMENDATIONS

**BOROUGH OF DUMONT
SUPPORTING DATA**

Comparative Schedule Of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$3.669	\$3.594	\$3.525

Apportionment of Tax Rate

Municipal	1.101	1.077	1.046
County	.298	.290	.294
Local School	2.229	2.188	2.146
Library	.041	.039	.039

Assessed Valuation

2019	<u>\$1,689,761,940</u>	
2018		<u>\$1,688,924,840</u>
2017		<u>\$1,688,580,640</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 62,099,911	\$ 61,540,694	99.09%
2018	60,771,424	60,181,857	99.03%
2017	59,568,799	59,042,921	99.12%

BOROUGH OF DUMONT
SUPPORTING DATA

Delinquent Taxes And Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Lien</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2019	\$ 504,843	\$ 8,268	\$ 513,111	0.83%
2018	531,494	7,883	539,377	0.89%
2017	456,499	7,497	463,996	0.78%

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	\$79,526
2018	79,526
2017	79,526

Comparative Schedule Of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$3,014,510	\$1,500,000
	2018	2,683,633	1,490,000
	2017	1,876,314	1,250,000

**BOROUGH OF DUMONT
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
James J. Kelly	Mayor
Jimmy Chae	Councilman
Damon Englese	Councilman
Andrew LaBruno	Councilman
Carl Manna	Councilman
Lisa Rossillo	Councilwoman
Carole Stewart	Councilwoman
Tom Richards	Administrator
Sercan Zoklu	Chief Financial Officer
Frank Berardo	Qualified Purchasing Agency, Tax Collector
Susan Connelly	Borough Clerk
Kaufman, Semeraro & Liebman	Attorney
Remington Vernick Arango	Engineers
Donald Holdsworth	Magistrate
Glenda Hickey	Court Administrator
James Anzevino	Tax Assessor

The Bergen County Municipal Joint Insurance Fund and Hartford Fire Insurance Company provide a blanket position bond in the amount of \$1,000,000.

BOROUGH OF DUMONT

GENERAL COMMENTS

Prior Year Unresolved

Certain municipal departments ordered goods or materials prior to the issuance of a purchase order. It is recommended that the encumbrance system be enhanced to ensure that materials be ordered only after a purchase order has been executed.

Our audit revealed that a purchase order is encumbered for the full amount of the construction contract, however additional purchase orders are also created upon receipt of an invoice from the vendor for the same contract. It is recommended that only one purchase order be created and utilized for a construction contract and subsequent payments to the vendor.

Our audit of the recreation department revealed that the receipts reported by the department were not in agreement with the finance office records. It is recommended that the recreation department implement procedures to ensure that the department revenues are in agreement with the finance office records.

Our audit noted that certain balances in the General Capital Improvement Authorization ledger and the Trust Escrow ledgers were not in agreement with audited balances. It is recommended that the General Capital improvement authorization balances and Trust Escrow balances be reviewed and adjusted to bring the accounts in agreement with the audited balances. In addition, procedures be implemented to reconcile the subsidiary ledgers with the general ledger on a monthly basis.

Our audit noted that annual reports for the Council on Affordable Housing (COAH) was not filed. It is recommended that the Borough complete and file the annual COAH report, by the required due date.

Our audit noted that the Borough's fixed asset accounting records are updated by an independent appraisal company and are not reconciled with the Borough's accounting records. There were unrecorded additions and unrecorded deletions. It is recommended that the Borough's fixed asset accounting records be integrated with the purchasing system. Furthermore, procedures be implemented to reconcile the fixed assets with the Borough's accounting records.

Current Year

Our audit noted that a payroll agency ledger by deduction is not maintained by the Borough. In addition, net payroll and payroll agency transactions were not recorded in the Borough's Trust Fund accounting system. It is recommended that all payroll and payroll agency transactions be recorded in the Borough's accounting system and that a payroll agency ledger by deduction be implemented, maintained and be reconciled with the monthly bank reconciliations.

Our audit of expenditures noted that contracts are not always encumbered when awarded by the Governing Body. It is recommended that all contracts be encumbered when awarded by the Governing Body.

Our audit revealed that the Borough did not have certain payroll withholding reports or copies of IRS Form 1099 on file at Borough Hall. It is recommended that all payroll and tax reporting documents filed on behalf of the Borough be retained at Borough Hall.

BOROUGH OF DUMONT

GENERAL COMMENTS

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

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 (without a Qualified Purchasing Agent) and \$40,000 (With a Qualified Purchasing Agent) except by contract or agreement.

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500. The Borough has adopted a resolution increasing the threshold to \$40,000 and has appointed an individual as the qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

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

The minutes indicated that bids were received for the Construction of the New Municipal Complex, the Columbia Avenue Road Project, Vegetative Waste and Disposal/Recycling Services.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures revealed instances where the accumulation of expenditures exceeded the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

BOROUGH OF DUMONT

GENERAL COMMENTS

Collection Of Interest On Delinquent Taxes And Assessments

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

The Governing Body on January 5, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 authorizes the Borough to fix a rate of interest to be charged for delinquent taxes; and

WHEREAS, N.J.S.A. 54:4-67, as amended by Section 29 of P.L. 1991, c. 75, authorizes the Borough to fix a penalty of 6% to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay the delinquency prior to the end of the calendar year.

WHEREAS, the Council has decided to charge the maximum interest and penalty allowed by law on delinquent taxes.

RESOLVED, by the Council of the Borough of Dumont, as follows:

1. For the year 2019 the rate of interest for delinquent taxes and Borough charges shall be 8% per annum for the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500 except that, for any quarter if the taxes are paid during the first ten (10) days following February 1st, May 1st, August 1st, and November 1st there shall be no interest. If the office of the Tax Collector is closed on the 10th day of February, May, August or November this shall be extended to include the first business day thereafter.

2. For the year 2019 any taxpayer with a tax delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year shall be charged a penalty of 6% of the amount of the delinquency.

3. The Tax Collector is hereby authorized to cancel any overpayment of taxes or tax delinquency which is less than \$10.

Suggestions to Management

- Consider inputting "walk in/mail in" cash receipts into the Community Pass registration system.
- Interfunds be cleared of record.
- The Borough adopt a formal written policy for the use of store credit cards.

BOROUGH OF DUMONT SUPPORTING DATA

RECOMMENDATIONS

It is recommended that:

- * 1. The encumbrance system be enhanced to ensure that materials be ordered only after a purchase order has been executed.
- * 2. The Recreation Department implement procedures to ensure that the department revenues are in agreement with the finance office records.
- 3. All payroll and payroll agency transactions be recorded in the Borough's accounting system and that the payroll agency ledger by deduction be implemented, maintained and be reconciled with the monthly bank reconciliations.
- * 4. Only one purchase order be created and utilized for construction contract and subsequent payments to the vendor. Furthermore, contracts be encumbered when awarded by the Governing Body.
- * 5. The General Capital improvement authorizations and Trust Escrow balances be reviewed and adjusted to bring the accounts in agreement with the audited balances. In addition, procedures be implemented to reconcile the subsidiary ledgers with the general ledger on a monthly basis.
- * 6. The Borough complete and file the annual Council on Affordable Housing (COAH) report by the required due date.
- 7. The Borough's fixed asset accounting records be integrated with the purchasing system. Furthermore procedures be implemented to reconcile the fixed assets with the Borough's accounting records.
- 8. All payroll and tax reporting documents filed on behalf of the Borough be retained at Borough Hall.

Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all, except for those recommendations denoted with an asterisk (*).

