

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF MONTVALE

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

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2018**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Montvale
Montvale, 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 Montvale, as of December 31, 2018 and 2017, 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 various funds for the year ended December 31, 2018, 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 Montvale 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 Montvale as of December 31, 2018 and 2017, 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, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 13.4 percent and 12.7 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018 and 2017.

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 Montvale as of December 31, 2018 and 2017, 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 various funds for the year ended December 31, 2018 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 Montvale 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 Montvale.

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 July 12, 2019 on our consideration of the Borough of Montvale'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 Montvale'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 Montvale's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants



Jeffery C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey
July 12, 2019

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	A-4	\$ 9,266,186	\$ 13,456,154
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>218,000</u>	<u>770,551</u>
		<u>9,484,586</u>	<u>14,227,105</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	241,187	487,708
Tax Title Liens Receivable	A-10	20,196	18,945
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	62,471	74,434
Due from Animal Control Fund	B-6	3,017	5,240
Due from Other Trust Fund	B-9	<u>27,052</u>	<u>7,836</u>
		<u>383,323</u>	<u>623,563</u>
Deferred Charges			
Emergency Authorizations	A-13	<u>33,000</u>	<u>425,000</u>
		<u>33,000</u>	<u>425,000</u>
Total Assets		<u>\$ 9,900,909</u>	<u>\$ 15,275,668</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 1,070,083	\$ 1,021,984
Encumbrances Payable	A-15	922,522	1,075,608
Accounts Payable	A-16	246,052	85,016
Due to Length of Service Award Program Fund	B	27,000	27,000
Fees Payable	A-24	6,816	10,205
Prepaid Taxes	A-17	432,277	4,437,192
Tax Overpayments	A-18		136,015
County Taxes Payable - Added and Omitted Taxes	A-22	16,905	82,969
Prepaid Revenues- Sewer Fees	A-25	26,772	61,939
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	7,775	6,525
Reserve for Tax Appeals	A-26	951,875	882,629
Miscellaneous Reserves	A-27	384,292	384,292
Reserve for Grants:			
Unappropriated	A-28	19,912	13,098
Appropriated	A-29	<u>48,055</u>	<u>659,113</u>
		<u>4,160,336</u>	<u>8,883,585</u>
Reserve for Receivables	A	383,323	623,563
Fund Balance	A-1	<u>5,357,250</u>	<u>5,768,520</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,900,909</u>	<u>\$ 15,275,668</u>

The accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 4,175,000	\$ 4,075,000
Miscellaneous Revenue Anticipated	A-2	3,130,082	4,195,902
Receipts from Delinquent Tax	A-2	623,961	451,620
Receipts from Current Taxes	A-2	48,040,440	47,391,306
Non-Budget Revenue	A-2	1,111,619	848,147
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	719,522	602,121
Outstanding Checks Voided	A-1		964
Statutory Excess in Animal Control Fund	B-6	3,017	5,240
Accounts Payable Cancelled	A-16	20,568	3,293
Appropriated Grant Reserves Cancelled	A-29	150,577	39,376
Prior Year Interfunds Returned	A	<u>13,076</u>	<u>8,365</u>
Total Income		<u>57,987,862</u>	<u>57,621,334</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,261,073	5,119,859
Other Expenses	A-3	9,181,307	9,637,154
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,532,691	1,024,512
Capital Improvements	A-3	553,000	1,461,539
Municipal Debt Service	A-3	1,901,900	1,867,950
County Taxes Payable	A-21	5,688,893	5,525,896
Due County for Added Taxes	A-22	16,905	82,969
Local District School Taxes Payable	A-19	16,349,965	15,740,203
Regional High School Tax Payable	A-20	13,637,934	13,387,934
Municipal Open Space Taxes	A-23	103,295	103,913
Prior Year Senior Citizen Deduction Disallowed	A-8	100	1,067
Interfund Advances Originating	A	<u>30,069</u>	<u>13,076</u>
Total Expenditures		<u>54,257,132</u>	<u>53,966,072</u>
Excess in Revenue		3,730,730	3,655,262
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-13	<u>33,000</u>	<u>425,000</u>
Statutory Excess to Fund Balance		3,763,730	4,080,262
Fund Balance, January 1	A	<u>5,768,520</u>	<u>5,763,258</u>
		9,532,250	9,843,520
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>4,175,000</u>	<u>4,075,000</u>
Fund Balance, December 31	A	<u>\$ 5,357,250</u>	<u>\$ 5,768,520</u>

The accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 4,175,000	-	\$ 4,175,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	17,000		17,590	\$ 590
Other	A-2	45,000		44,220	(780)
Fees and Permits	A-2	155,000		213,115	58,115
Fines and Costs - Municipal Court	A-12	175,000		183,988	8,988
Interest and Costs on Taxes	A-12	67,500		74,510	7,010
Interest on Investments and Deposits	A-12	500		11,282	10,782
Uniform Fire Safety Act Local Enforcement					
Fees	A-12	110,000		118,373	8,373
Uniform Construction Code Fees	A-12	650,000		260,626	(389,374)
Energy Receipts Tax	A-12	1,262,378		1,262,378	
Municipal Court Shared Service	A-12	194,891		185,417	(9,474)
Uniform Fire Safety Act - LEA Rebate	A-12	10,000		15,313	5,313
Cable TV Franchise Fees	A-12	120,000		134,103	14,103
Sewer Agreement - Marriott Corporation	A-12	61,939		61,939	
Pasack Valley - Special Police Shared Service	A-12	95,300	\$ 16,188	111,330	(158)
Hotel/Motel Tax	A-12	190,000		196,043	6,043
Public and Private Revenues Offset With					
Appropriations					
Municipal Alliance on Alcoholism and					
Drug Abuse	A-7	9,876		3,804	(6,072)
NJ DOT - Various Streets	A-7	218,000		218,000	
Police Donation - Wegmans	A-7		1,615	1,615	
Senior Citizens Activities	A-7	3,338		3,338	
Alcohol Education and Rehabilitation	A-28	772		772	
Body Armor Grant - State Share	A-28	2,428		2,428	
Recycling Tonnage Grant	A-28	9,898	-	9,898	-
Total Miscellaneous Revenues	A-1	3,398,820	17,803	3,130,082	(286,541)
Receipts from Delinquent Taxes	A-1,A-2	215,000	-	623,961	408,961
Sub-Total General Revenues		7,788,820	17,803	7,929,043	122,420
Amount to be Raised by Taxes for Support					
of Municipal Budget					
Local Tax for Municipal Purposes		11,522,622		13,162,506	1,639,884
Minimum Library Tax		763,851	-	763,851	-
Total Amount to be Raised by Taxes	A-2	12,286,473	-	13,926,357	1,639,884
Total General Revenues	A-3	\$ 20,075,293	\$ 17,803	21,855,400	\$ 1,762,304
Non-Budget Revenue	A-1,A-2			1,111,619	
				\$ 22,967,019	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Reference

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenue from Current Taxes	A-1, A-9	\$ 48,040,440
Allocated to School, County and Municipal		
Open Space Taxes	A-19,A-20,A-21,A-22,A-23	<u>35,796,992</u>
Balance for Support of Municipal Budget Appropriation		12,243,448
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,682,909</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 13,926,357</u>
Licenses - Other		
Board of Health	A-12	<u>\$ 44,220</u>
	A-2	<u>\$ 44,220</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,670
Registrar of Vital Statistics	A-12	595
Planning Board	A-12	97,484
Police	A-12	2,830
Tax Collector	A-12	415
Recreation	A-12	3,405
Construction Code Official -Zoning	A-12	<u>103,716</u>
	A-2	<u>\$ 213,115</u>

**BOROUGH OF MONTVALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Reference

ANALYSIS OF NON-BUDGET REVENUE

Excess Sewer Fees	\$ 307,042
Traffic Control Reimbursements - PY	254,557
Insurance Dividends	177,502
Miscellaneous	32,898
Sewer Fees - Interlocal Agreements	97,143
Police Outside Duty Administration Fee	47,918
FEMA Reimbursement	43,060
Cell Tower Fees	35,435
Police Outside Duty Vehicle Fee	28,465
Rental of Borough Property	24,000
LOSAP Refund - Resignations	20,550
Police Testing Fees	13,100
PILOT - Montvale Commons	8,600
Distracted Driver Grant Reimbursement	6,600
Click it or Ticket Grant Reimbursement	5,500
Animal Control Statutory Excess	5,240
Sewer Connection Fees	2,643
Recycling Fees	<u>1,366</u>

A-2 \$ 1,111,619

Cash Receipts	A-4	\$ 804,577
Revenue Accounts Receivable	A-12	<u>307,042</u>

A-2 \$ 1,111,619

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 223,500	\$ 223,500	\$ 221,049	\$ 2,451	
Other Expenses	164,517	207,517	194,099	13,418	
Mayor and Council					
Salaries and Wages	47,900	47,900	47,889	11	
Other Expenses	19,800	19,800	15,388	4,412	
Borough Clerk					
Salaries and Wages	143,500	143,500	142,236	1,264	
Other Expenses	20,550	20,550	13,980	6,570	
Elections					
Salaries and Wages	2,500	2,500	901	1,599	
Other Expenses	12,800	12,800	8,370	4,430	
Financial Administration					
Salaries and Wages	249,100	249,100	229,757	19,343	
Other Expenses	27,400	27,400	19,385	8,015	
Audit Services					
Other Expenses	41,600	41,600		41,600	
Assessment of Taxes					
Salaries and Wages	35,600	35,600	32,211	3,389	
Other Expenses	35,600	35,600	6,474	29,126	
Collection of Taxes					
Salaries and Wages	63,200	63,200	63,138	62	
Other Expenses	19,800	19,800	13,732	6,068	
Legal Services and Costs					
Other Expenses	325,000	325,000	321,362	3,638	
Engineering Services and Costs					
Other Expenses	147,000	182,000	165,337	16,663	
Cable TV Committee					
Salaries and Wages	3,700	3,700	977	2,723	
Other Expenses	5,000	5,000	2,762	2,238	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT FUNCTIONS (Continued)					
Historic Preservation Commission					
Other Expenses	\$ 1,000	\$ 1,000		\$ 1,000	
Historian					
Other Expenses	100	100		100	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	90,600	92,600	\$ 90,182	2,418	
Other Expenses	267,350	182,350	73,960	108,390	
Zoning Official					
Salaries and Wages	9,150	9,150	9,129	21	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,350	3,350	3,325	25	
Insurance					
Life Insurance	2,900	2,900	2,632	268	
General Liability	211,100	211,100	206,967	4,133	
Workers Compensation	167,500	167,500	166,623	877	
Employee Group Health	900,500	900,500	819,305	81,195	
Employee Group Health -Waiver	35,000	35,000	25,000	10,000	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	144,750	162,750	150,707	12,043	
Fire Hydrant Service	215,000	215,000	186,973	28,027	
Police					
Salaries and Wages	3,579,500	3,579,500	3,515,966	63,534	
Other Expenses	158,620	158,620	146,273	12,347	
Purchase of Police Vehicles	80,000	100,000	88,939	11,061	
Police Dispatch					
Other Expenses	40,000	40,000	28,697	11,303	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 21,205	\$ 12,795	
Emergency Management					
Salaries and Wages	9,605	9,605	8,475	1,130	
Other Expenses	38,900	38,900	30,542	8,358	
Uniform Fire Safety Act					
Salaries and Wages	47,900	54,900	53,237	1,663	
Other Expenses	10,700	10,700	6,529	4,171	
Prosecutor					
Other Expenses	12,960	12,960	12,960	-	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	115,000	115,000	68,990	46,010	
Sewer System					
Other Expenses	50,000	50,000	24,775	25,225	
Garbage and Trash Removal					
Other Expenses	600,000	600,000	565,316	34,684	
Recycling					
Other Expenses	5,000	5,000	1,680	3,320	
Public Buildings and Grounds					
Salaries and Wages	27,700	27,700	27,662	38	
Other Expenses	120,900	120,900	94,234	26,666	
Maintenance of All Vehicles					
Other Expenses	45,000	27,000	14,554	12,446	
Municipal Services Act					
Other Expenses	17,500	17,500	16,645	855	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 3,000	\$ 3,000	\$ 2,343	\$ 657	
Other Expenses	93,410	93,410	67,950	25,460	
Environmental Commission					
Salaries and Wages	1,500	1,500	670	830	
Other Expenses	25,800	25,800	25,094	706	
Animal Regulation					
Other Expenses	13,500	13,500	10,535	2,965	
Administration of Public Assistance					
Salaries and Wages	6,780	6,780	6,767	13	
Other Expenses	350	350	327	23	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Other Expenses	1,000	1,000		1,000	
Recreation Services and Programs					
Salaries and Wages	54,300	54,300	54,250	50	
Other Expenses	29,700	29,700	16,820	12,880	
Senior Citizen Van					
Salaries and Wages	24,000	24,000	14,640	9,360	
Senior Citizens					
Other Expenses	22,655	22,655	14,070	8,585	
Celebration of Public Events					
Other Expenses	27,500	27,500	27,500	-	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	10,000	1,000		1,000	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	99,910	99,910	96,658	3,252	
Other Expenses	11,668	11,668	9,298	2,370	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,600	\$ 3,600	\$ 3,600		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	173,200	193,200	185,462	\$ 7,738	
Other Expenses	84,200	84,200	49,998	34,202	
Building Subcode Official					
Salaries and Wages	41,300	41,300	41,283	17	
Plumbing Subcode Official					
Salaries and Wages	26,800	26,800	26,727	73	
Fire Subcode Official					
Salaries and Wages	15,950	15,950	15,930	20	
Electrical Subcode Official					
Salaries and Wages	41,600	41,600	41,516	84	
Elevator Subcode Official					
Other Expenses	32,000	32,000	32,000	-	
UNCLASSIFIED					
Utilities					
Gasoline	60,000	60,000	46,028	13,972	
Electricity	164,950	164,950	130,469	34,481	
Telephone	42,000	42,000	41,091	909	
Natural Gas	59,750	59,750	30,113	29,637	
Street Lighting	125,000	125,000	102,688	22,312	-
Total Operations Within "CAPS"	9,927,075	9,960,075	9,054,356	905,719	-
Contingent	1,000	1,000	-	1,000	-
Total Operations including Contingent - Within "CAPS"	9,928,075	9,961,075	9,054,356	906,719	-
Detail:					
Salaries and Wages	5,035,145	5,055,145	4,932,380	122,765	-
Other Expenses	4,892,930	4,905,930	4,121,976	783,954	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 204,000	\$ 204,000	\$ 173,055	\$ 30,945	
Defined Contribution Retirement Plan (DCRP)	14,350	14,350	10,782	3,568	
Public Employees Retirement System	164,067	164,067	164,067	-	
Police and Fireman's Retirement System	<u>725,274</u>	<u>725,274</u>	<u>725,274</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>1,107,691</u>	<u>1,107,691</u>	<u>1,073,178</u>	<u>34,513</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,035,766</u>	<u>11,068,766</u>	<u>10,127,534</u>	<u>941,232</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Chap. 82, 541 P.L. 85-Minimum	763,851	763,851	748,599	15,252	
Chap. 82, 541 P.L. 85- Addition	42,443	42,443	42,443	-	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	886,500	886,500	886,276	224	
Reserve for Tax Appeals	600,000	600,000	600,000		
Recycling Tax	10,000	10,000	5,087	4,913	
Length of Service Award Program (LOSAP)	52,500	52,500	27,000	25,500	
Police Dispatch/911					
Other Expenses	192,800	192,800	192,800	-	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 108,240	\$ 108,240	\$ 104,713	\$ 3,527	
Other Expenses	68,711	68,711	55,533	13,178	
Prosecutor					
Other Expenses	14,040	14,040	14,040	-	
Public Defender					
Other Expenses	3,900	3,900	3,900	-	
Pascack Valley Regional School District					
Special Police					
Salaries and Wages	83,500	97,688	97,572	116	
Other Expenses	11,800	13,800	13,758	42	
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	1,609,650	1,609,650	1,609,628	22	-
Total Other Operations Excluded from "CAPS"	4,447,935	4,464,123	4,401,349	62,774	-
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant	9,898	9,898		9,898	
CDBG-Senior Citizen Activities	3,338	3,338			\$ 3,338
Clean Communities Grant					
Municipal Alliance Program					
County Share	9,876	9,876			9,876
Local Share	2,469	2,469		2,469	
Alcohol Education and Rehab. Grant	772	772		772	
Body Armor Grant-State Share	2,428	2,428	1,580	848	-
Police Donations - Wegmans	-	1,615	1,615	-	-
Total Public and Private Programs Offset by Revenues	28,781	30,396	3,195	13,987	13,214
Total Operations Excluded from "CAPS"	4,476,716	4,494,519	4,404,544	76,761	13,214
Detail:					
Salaries and Wages	191,740	205,928	202,285	3,643	
Other Expenses	4,284,976	4,288,591	4,202,259	73,118	13,214

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED					
FROM "CAPS"					
Capital Improvement Fund	\$ 43,000	\$ 43,000	\$ 43,000		
Acquisition of Equipment - Police Department	22,000	22,000	22,000		
Acquisition of Vehicles and Equipment - Fire Depart.	60,000	60,000	55,883	\$ 4,117	
Various Improvements - Buildings and Grounds	60,000	60,000	57,790	2,210	
Varous Improvements - Cable Television	150,000	150,000	150,000		
NJDOT - Improvements to Various Streets	218,000	218,000	172,237	45,763	-
Total Capital Improvements Excluded from "CAPS"	553,000	553,000	500,910	52,090	-
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,625,000	1,625,000	1,625,000		
Interest on Bonds	105,901	105,901	105,900		\$ 1
Interest on Notes	171,001	171,001	171,000	-	1
Total Municipal Debt Service Excluded from "CAPS"	1,901,902	1,901,902	1,901,900	-	2
DEFERRED CHARGES - MUNICIPAL -					
EXCLUDED FROM "CAPS"					
Emergency Authorization	425,000	425,000	425,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	425,000	425,000	425,000	-	-
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	7,356,618	7,374,421	7,232,354	128,851	13,216
Subtotal General Appropriations	18,392,384	18,443,187	17,359,888	1,070,083	13,216
Reserve for Uncollected Taxes	1,682,909	1,682,909	1,682,909	-	-
Total General Appropriations	\$ 20,075,293	\$ 20,126,096	\$ 19,042,797	\$ 1,070,083	\$ 13,216
	<u>Reference</u>	A-2	A-3	A-1	A,A-1

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

		<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>
Budget as Adopted	A-3	\$ 20,075,293	
Appropriation by 40A:4-87	A-2	17,803	
Emergency Appropriation	A-13	<u>33,000</u>	
		<u>\$ 20,126,096</u>	
Cash Disbursed	A-4		\$ 15,319,644
Encumbrances Payable	A-15		922,522
Due to LOSAP Trust Fund	B		27,000
Due to General Capital Fund	C-4		65,722
Deferred Charges			
Special Emergency Authorization	A-13		425,000
Reserve for Tax Appeals	A-26		600,000
Reserve for Uncollected Taxes	A-2		<u>1,682,909</u>
			<u>\$ 19,042,797</u>

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 16,284	\$ 17,577
OTHER TRUST FUND			
Cash	B-3	3,374,660	3,788,308
UNEMPLOYMENT INSURANCE FUND			
Cash	B-3	275,161	272,804
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	116,262	336,437
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	560,595	617,568
Due from Current Fund	A	27,000	27,000
		587,595	644,568
Total Assets		\$ 4,369,962	\$ 5,059,694

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL FUND			
Due to State of NJ - Fees Payable	B-4	\$ 18	\$ 18
Due to Current Fund	B-6	3,017	5,240
Reserve for Animal Control Expenditures	B-5	<u>13,249</u>	<u>12,319</u>
		<u>16,284</u>	<u>17,577</u>
OTHER TRUST FUND			
Due to Current Fund	B-9	27,052	7,836
Escrow Deposits	B-10	1,724,531	2,187,742
Payroll Deductions Payable	B-11	57,313	48,788
Miscellaneous Reserves and Deposits	B-12	<u>1,565,764</u>	<u>1,543,942</u>
		<u>3,374,660</u>	<u>3,788,308</u>
UNEMPLOYMENT INSURANCE FUND			
Due to State of NJ - Claims Payable	B-7	5	417
Reserve for Unemployment Compensation Insurance Claims	B-8	<u>275,156</u>	<u>272,387</u>
		<u>275,161</u>	<u>272,804</u>
OPEN SPACE PRESERVATION TRUST FUND			
Encumbrances Payable	B-16	2,230	227,270
Reserve for Open Space Preservation	B-15	<u>114,032</u>	<u>109,167</u>
		<u>116,262</u>	<u>336,437</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>587,595</u>	<u>644,568</u>
Total Liabilities and Reserves		<u>\$ 4,369,962</u>	<u>\$ 5,059,694</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

		<u>Anticipated</u>		
	Budget	Budget After		Excess or
	(Memo)	Modifications	Realized	(Deficit)
		(Memo)		
Amount to be Raised by Taxation	\$ 102,988	\$ 102,988	\$ 103,295	\$ 307
	<u>\$ 102,988</u>	<u>\$ 102,988</u>	<u>\$ 103,295</u>	<u>\$ 307</u>
<u>Reference</u>	B-2	B-2	B-15	

STATEMENT OF EXPENDITURES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

		<u>Appropriated</u>		<u>Expended</u>
	Budget	Budget After	Paid or	
	(Memo)	Modification	Charged	Reserved
		(Memo)		
Development of Land for Recreation and Conservation				
Other Expenses		\$ 73,671	\$ 73,671	
Maintenance of Land for Recreation and Conservation				
Other Expenses		24,759	24,759	
Reserve for Future Use	<u>\$ 102,988</u>	<u>4,558</u>	<u>-</u>	<u>\$ 4,558</u>
	<u>\$ 102,988</u>	<u>\$ 102,988</u>	<u>\$ 98,430</u>	<u>\$ 4,558</u>
<u>Reference</u>	B-1	B-1	B-15	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	C-2,C-3	\$ 3,372,649	\$ 3,590,536
Deferred Charges to Future Taxation			
Funded	C-5	11,035,000	3,355,000
Unfunded	C-6	<u>-</u>	<u>8,084,317</u>
 Total Assets		 <u>\$ 14,407,649</u>	 <u>\$ 15,029,853</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 11,035,000	\$ 3,355,000
Bond Anticipation Notes	C-14		7,600,000
Encumbrances Payable	C-8	1,150,910	1,993,591
Improvement Authorizations			
Funded	C-7	1,791,889	1,250
Unfunded	C-7		1,656,712
Capital Improvement Fund	C-9	63,941	107,741
Reserve for Payment of Debt	C-10	109,480	74,797
Reserve for Improvement of Fields	C-11	106,645	90,945
Reserve for Preliminary Expenses	C-12		700
Fund Balance	C-1	<u>149,784</u>	<u>149,117</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,407,649</u>	 <u>\$ 15,029,853</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$0 and \$507,500, respectively. (Exhibit C-15)

BOROUGH OF MONTVALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1	C	\$ 149,117	\$ 64,149
Increased by:			
Premiums on Bonds and Notes Issued	C-2	<u>667</u>	<u>84,968</u>
Balance, December 31	C	<u>\$ 149,784</u>	<u>\$ 149,117</u>

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	D-1	\$ 6,362	\$ 6,362
Total Assets		<u>\$ 6,362</u>	<u>\$ 6,362</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ 6,362	\$ 6,362
Total Liabilities and Reserves		<u>\$ 6,362</u>	<u>\$ 6,362</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Land and Land Improvements	\$ 19,058,038	\$ 17,854,914
Buildings and Building Improvements	15,389,598	13,557,931
Machinery and Equipment	<u>8,980,023</u>	<u>8,539,645</u>
	<u>\$ 43,427,659</u>	<u>\$ 39,952,490</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 43,427,659</u>	<u>\$ 39,952,490</u>

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Montvale (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, recreation and parks 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 and volunteer fire department 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 Montvale 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 MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

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

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.

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

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, 2017 balances to conform to the December 31, 2018 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 Montvale 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 MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 Montvale 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, 1995 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, 1995 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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 (Except Open Space Preservation Trust Fund)
General Capital Fund
Public Assistance Fund

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

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 2018 and 2017 the Borough Council increased the original budget by \$50,803 and \$1,084,319. The increases in 2018 were funded by additional aid allotted to the Borough in the amount of \$17,803 and emergency appropriations of \$33,000 for administrative expenses. The increase in 2017 was funded by additional aid allotted to the Borough in the amount of \$659,319 and emergency appropriations of \$175,000 for police salaries and \$250,000 for a general liability settlement agreement. In addition, the governing body approved several budget transfers during 2018 and 2017.

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, 2018 and 2017, the book value of the Borough's deposits were \$16,427,964 and \$21,468,578 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,716,146 and \$21,764,985, 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>2018</u>	<u>2017</u>
Insured	\$ 16,716,146	\$ 21,764,985
	<u>\$ 16,716,146</u>	<u>\$ 21,764,985</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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, 2018 and 2017 none of the Borough’s bank balances were exposed to custodial credit risk.

B. Investments

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

As of December 31, 2018 and 2017, the Borough had the following investments:

	<u>2018</u>	<u>2017</u>
	Fair Value (LOSAP)	
Investment:		
Lincoln Financial Group LOSAP		
Investment Fund (Unaudited)	\$ 560,595	\$ 617,568

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2018 and 2017, \$560,595 and \$617,568 of the Borough's investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 560,595	\$ 617,568

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, 2018 and 2017, the Borough's investment in Lincoln Financial Group a subsidiary of Lincoln National Life Insurance Company was rated Baa1 by Moody's Investor Service.

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 was based on information provided by Lincoln Financial Group.

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, 2018 and 2017 consisted of the following:

<u>Current</u>	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 241,187	\$ 487,708
Tax Title Liens	20,196	18,945
	<u>\$ 261,383</u>	<u>\$ 506,653</u>

In 2018 and 2017, the Borough collected \$623,961 and \$451,620 from delinquent taxes, which represented 123% and 63%, respectively of the prior year delinquent taxes receivable balance.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2018</u>		<u>2017</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	\$ 30,069	\$ 27,000	\$ 13,076	\$ 27,000
Trust Funds				
Animal Control		3,017		5,240
Other Trust		27,052		7,836
LOSAP Fund	<u>27,000</u>	<u>-</u>	<u>27,000</u>	<u>-</u>
Total	<u>\$ 57,069</u>	<u>\$ 57,069</u>	<u>\$ 40,076</u>	<u>\$ 40,076</u>

The above balances are the result of revenues earned in one fund on behalf of another and appropriations raised in one fund which are due to another fund.

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2018</u>			
Current Fund			
Emergency Authorizations	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>-</u>
<u>2017</u>			
Current Fund			
Emergency Authorizations	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>-</u>

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

NOTE 7 FUND BALANCES APPROPRIATED

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

	2018		2017	
	<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	\$ 5,106,250	\$ 4,250,000	\$ 4,572,969	\$ 4,175,000
Non-Cash Surplus	<u>251,000</u>	<u>-</u>	<u>1,195,551</u>	<u>-</u>
	<u>\$ 5,357,250</u>	<u>\$ 4,250,000</u>	<u>\$ 5,768,520</u>	<u>\$ 4,175,000</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, 2018 and 2017.

	<u>Balance December 31, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2018</u>
2018				
Land and Land Improvements	\$ 17,854,914	\$ 1,209,498	\$ (6,374)	\$ 19,058,038
Buildings and Building Improvements	13,557,931	1,832,864	(1,197)	15,389,598
Machinery and Equipment	<u>8,539,645</u>	<u>443,247</u>	<u>(2,869)</u>	<u>8,980,023</u>
	<u>\$ 39,952,490</u>	<u>\$ 3,485,609</u>	<u>\$ (10,440)</u>	<u>\$ 43,427,659</u>
	<u>Balance December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2017</u>
2017				
Land and Land Improvements	\$ 17,755,602	\$ 197,844	\$ (98,532)	\$ 17,854,914
Buildings and Building Improvements	13,305,961	251,970	-	13,557,931
Machinery and Equipment	<u>8,141,920</u>	<u>397,725</u>	<u>-</u>	<u>8,539,645</u>
	<u>\$ 39,203,483</u>	<u>\$ 847,539</u>	<u>\$ (98,532)</u>	<u>\$ 39,952,490</u>

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

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>2018</u>	<u>2017</u>
Issued		
General		
Bonds and Notes	\$ 11,035,000	\$ 10,955,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>109,480</u>	<u>97,980</u>
Net Debt Issued	10,925,520	10,857,020
Authorized But Not Issued		
General		
Bonds and Notes	<u>-</u>	<u>507,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 10,925,520</u>	<u>\$ 11,364,520</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .478% and .504% at December 31, 2018 and 2017, respectively.

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 11,035,000	\$ 109,480	\$ 10,925,520
School Debt	<u>7,105,495</u>	<u>7,105,495</u>	<u>-</u>
Total	<u>\$ 18,140,495</u>	<u>\$ 7,214,975</u>	<u>\$ 10,925,520</u>
 <u>2017</u>	 <u>Gross Debt</u>	 <u>Deductions</u>	 <u>Net Debt</u>
General Debt	\$ 11,462,500	\$ 97,980	\$ 11,364,520
School Debt	<u>7,949,538</u>	<u>7,949,538</u>	<u>-</u>
Total	<u>\$ 19,412,038</u>	<u>\$ 8,047,518</u>	<u>\$ 11,364,520</u>

Statutory Borrowing Power

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	<u>\$ 79,950,911</u> <u>10,925,520</u>	<u>\$ 78,864,882</u> <u>11,364,520</u>
Remaining Borrowing Power	<u>\$ 69,025,391</u>	<u>\$ 67,500,362</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2018</u>	<u>2017</u>
\$3,775,000, 2010 Refunding Bonds, due in annual installments of \$450,000 to \$455,000 through August, 2019, interest at 2.75% to 4.375%	\$ 450,000	\$ 905,000
\$3,695,000, 2011 Bonds, due in annual installments of \$425,000 to \$430,000 through December, 2021, interest at 2.50%	1,280,000	1,705,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$745,000 through October, 2018, interest at 4.00%		745,000
\$9,305,000, 2018 Bonds, due in annual installments of \$540,000 to \$905,000 through August, 2030, interest at 3.00% to 5.00%	9,305,000	-
	<u>\$ 11,035,000</u>	<u>\$ 3,355,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Calendar Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,415,000	\$ 361,820	\$ 1,776,820
2020	1,270,000	322,525	1,592,525
2021	1,275,000	286,550	1,561,550
2022	905,000	250,450	1,155,450
2023	760,000	223,300	983,300
2024-28	3,840,000	651,050	4,491,050
2029-30	1,570,000	70,950	1,640,950
	<u>\$ 11,035,000</u>	<u>\$ 2,166,645</u>	<u>\$ 13,201,645</u>

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

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, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within One Year
<u>2018</u>					
General Capital Fund					
Bonds Payable	<u>\$ 3,355,000</u>	<u>\$ 9,305,000</u>	<u>\$ 1,625,000</u>	<u>\$ 11,035,000</u>	<u>\$ 1,415,000</u>
	Balance, December 31, <u>2016</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within Year
<u>2017</u>					
General Capital Fund					
Bonds Payable	<u>\$ 4,985,000</u>	<u>\$ -</u>	<u>\$ 1,630,000</u>	<u>\$ 3,355,000</u>	<u>\$ 1,625,000</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2017</u>	<u>Renewals/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2018</u>
<u>2018</u>						
<u>General Capital Fund</u>						
Construction of New Firehouse	2.25%	8/24/2018	\$ 4,400,000		\$ 4,400,000	
Various Capital Improvements	2.25%	8/24/2018	2,535,000		2,535,000	
Acquisition of Property	2.25%	8/24/2018	<u>665,000</u>	<u>-</u>	<u>665,000</u>	<u>-</u>
			<u>\$ 7,600,000</u>	<u>\$ -</u>	<u>\$ 7,600,000</u>	<u>\$ -</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, December 31, <u>2016</u>	<u>Renewals/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
Construction of New Firehouse	2.25%	8/24/2018	\$ 4,300,000	\$ 4,400,000	\$ 4,300,000	\$ 4,400,000
Various Capital Improvements	2.25%	8/24/2018	1,400,000	2,535,000	1,400,000	2,535,000
Acquisition of Property	2.25%	8/24/2018	-	665,000	-	665,000
			<u>\$ 5,700,000</u>	<u>\$ 7,600,000</u>	<u>\$ 5,700,000</u>	<u>\$ 7,600,000</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.

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, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
<u>2018</u>		
Various Road Improvements	\$ 1,246,322	2019
Municipal Complex	46,150	2019
Fieldstone Turf Replacement and Improvements	10,446	2019
New Firehouse Construction	65,864	2019
<u>2017</u>		
Intersection Improvements	\$ 905,824	2018
Various Road Improvements	430,018	2018
Fieldstone Turf Replacement and Improvements	977,271	2019
New Firehouse Construction	962,579	2019

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

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences and Terminal Leave

Under the existing policies and labor agreements of the Borough certain employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement.

In addition, the Borough entered into a severance agreement with the Chief of Police and agreed to pay to the Chief six (6) months of terminal leave time upon retirement. The terminal leave payment is equal to six (6) months of pay calculated at the rate of pay upon retirement and is payable over five years. The Chief retired effective December 31, 2018.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$760,624 and \$596,393 at December 31, 2018 and 2017, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences/Terminal Leave	\$ 596,393	\$ 212,385	\$ 48,154	\$ 760,624	\$ 51,918
Net Pension Liability - PERS	5,761,045		\$ 1,127,422	4,633,623	
Net Pension Liability - PFRS	12,651,520	-	868,718	11,782,802	-
Other Long-Term Liabilities	<u>\$ 19,008,958</u>	<u>\$ 212,385</u>	<u>\$ 2,044,294</u>	<u>\$ 17,177,049</u>	<u>\$ 51,918</u>

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 590,906	\$ 5,487		\$ 596,393	\$ -
Net Pension Liability - PERS	7,166,968		\$ 1,405,923	5,761,045	
Net Pension Liability - PFRS	15,150,341	-	2,498,821	12,651,520	-
Other Long-Term Liabilities	<u>\$ 22,908,215</u>	<u>\$ 5,487</u>	<u>\$ 3,904,744</u>	<u>\$ 19,008,958</u>	<u>\$ -</u>

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

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.

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 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 2018 and 2017 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.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

For the years ended December 31, 2018 and 2017 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 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2018	\$ 725,274	\$ 229,268	\$ 10,782
2017	646,651	214,978	11,423
2016	630,625	191,063	5,887

(1) Includes Municipal Library's portion of contribution for the year.

In addition for the years ended December 31, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,054 and \$504, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$4,633,623 and \$5,761,045, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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 .02353 percent, which was a decrease of .00122 percent from its proportionate share measured as of June 30, 2017 of .02475 percent.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$35,844 and \$243,186, respectively, for PERS based on the actuarial valuations which are less for 2018 and more for 2017 than the actual contributions reported in the Borough's financial statements of \$229,268 and \$214,978, respectively. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 88,364	\$ 23,892	\$ 135,653	
Changes of Assumptions	763,544	1,481,586	1,160,652	\$ 1,156,397
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		43,464	39,229	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>266,490</u>	<u>691,746</u>	<u>365,298</u>	<u>737,542</u>
Total	<u>\$ 1,118,398</u>	<u>\$ 2,240,688</u>	<u>\$ 1,700,832</u>	<u>\$ 1,893,939</u>

At December 31, 2018 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>
2019	\$ (176,752)
2020	(196,335)
2021	(308,286)
2022	(321,011)
2023	<u>(119,906)</u>
	<u>\$ (1,122,290)</u>

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 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. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65%-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

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>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, 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 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,826,247	\$ 4,633,623	\$ 3,633,088
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 7,146,967	\$ 5,761,045	\$ 4,606,400

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, the Borough reported a liability of \$11,782,802 and \$12,651,520, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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 .08708 percent, which was an increase of .00513 percent from its proportionate share measured as of June 30, 2017 of .08195 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$1,401,529 and \$1,493,458, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$725,274 and \$646,651, respectively. At December 31, 2018 and 2017, 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:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 119,875	\$ 48,760	\$ 82,076	\$ 74,254
Changes of Assumptions	1,011,395	3,019,729	1,560,073	2,071,949
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		64,463	241,421	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	1,340,306	-	1,018,966	-
Total	<u>\$ 2,471,576</u>	<u>\$ 3,132,952</u>	<u>\$ 2,902,536</u>	<u>\$ 2,146,203</u>

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

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, 2018 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>
2019	\$ 549,065
2020	(47,962)
2021	(655,865)
2022	(409,062)
2023	<u>(97,552)</u>
	<u>\$ (661,376)</u>

Actuarial Assumptions

The Borough's 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. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10%-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</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	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, 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 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>15,769,818</u>	\$ <u>11,782,802</u>	\$ <u>8,494,240</u>
	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>16,669,419</u>	\$ <u>12,651,520</u>	\$ <u>9,350,359</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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 – PFRS

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,600,499 and \$1,417,077, respectively. For the years ended December 31, 2018 and 2017, 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 \$189,577 and \$173,340, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$98,788 and \$70,860, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .08708 percent, which was an increase of .00513 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .08195%. 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 MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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 certain eligible former Borough employees and/or their dependents under a special funding situation.

Plan Description and Benefits Provided

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

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

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.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

Actuarial Methods and Assumptions

In the June 30, 2017 and 2016 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.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

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

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

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

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

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

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 (Continued)

At December 31, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$7,872,257 and \$10,933,699, respectively. For the years ended December 31, 2018 and 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$238,302 and \$782,482, respectively. At December 31, 2018, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the Borough was .12669 percent, which was an increase of .00095 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .12574 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.

Actuarial Assumptions

The Borough's 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. The total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	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	1.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

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

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 (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.

For the June 30, 2017 measurement date, healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 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.

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 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

Discount Rate

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

Calendar

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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

OPEB Plan Fiduciary Net Position

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

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

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.

The Borough of Montvale is a member of the Bergen County Municipal Joint Insurance Fund (BJIF), Municipal Excess Liability Joint Insurance Fund (MEL) and the Bergen Municipal Employees Fund (BMED). 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 (BJIF and MEL) and Employee Health Benefits (BMED). The Funds are risk-sharing public entity pools. The BJIF, MEL and BMED coverage amounts are on file with the Borough.

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Claims</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	None	\$ 6,598	\$ 3,829	\$ 275,156
2017	None	6,607	2,346	272,387
2016	None	6,165	4,566	268,126

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

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 Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. 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, 2018 and 2017, the Borough reserved \$951,875 and \$882,629, 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, 2018 and 2017, 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, 2018 and 2017, 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 Montvale Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 10, 1999, pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Montvale approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

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

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

The Borough of Montvale has contributed \$1,350 for 2018 and 2017, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The Borough also contributed \$27,000 and \$27,000 for 2018 and 2017, respectively.

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

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

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.

Interlocal Services Agreement

The Boroughs of Park Ridge, Woodcliff Lake and Montvale entered into an interlocal service agreement for the purposes of reimbursing the Borough of Park Ridge as sponsoring agency for a length of service awards program for the Tri-Borough Volunteer Ambulance Corps., a volunteer organization which services each of the Boroughs.

The contributions are made in accordance with the plan established by the Borough of Park Ridge pursuant to N.J.S.A.40A:14-183 et seq. Montvale's share of the Tri-Borough Volunteer Ambulance Corps. LOSAP contributions for the year ended December 31, 2018 and 2017 were \$9,744 and \$12,924, respectfully.

Since the Borough of Park Ridge is the sponsoring agency, all contributions and financial transactions related to the Tri-Borough Volunteer Ambulance Corps. are reported on the financial statements of the Borough of Park Ridge's length of Service Awards Program and are not included in this report.

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

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through certain programs authorized under State statutes. This program includes 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, 2018 and 2017 the Borough abated property taxes totaling \$71,887 and \$70,932, respectively, under the NJHMFA program. The Borough received \$8,600 and \$10,884 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

On May 28, 2019, the Borough adopted a bond ordinance authorizing the issuance of \$2,351,250 in bonds or bond anticipation notes to fund various capital improvements. As of the date of this report, the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF MONTVALE
STATEMENT OF CASH - COLLECTOR - TREASURER

Balance, December 31, 2017		\$ 13,456,154
Increased by:		
Taxes Receivable	\$ 44,048,704	
Nonbudget Revenue	804,577	
Prepaid Revenues	26,772	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	43,650	
Revenue Accounts Receivable	3,133,480	
Grants Receivable	280,427	
Receipts from Other Trust Fund	71,800	
Receipts from Animal Control Fund	5,630	
Fees Payable	24,575	
Tax Overpayments	52,460	
Prepaid Taxes	432,277	
Reserve for Grants - Unappropriated	19,912	
Petty Cash	800	
		<u>48,945,064</u>
		62,401,218
Decreased by Disbursements:		
2018 Budget Appropriations	15,319,644	
2017 Appropriation Reserves	80,173	
County Taxes Payable	5,688,893	
Due to County for Added and Omitted Taxes	82,969	
Local School District Tax Payable	16,349,965	
Regional High School Taxes Payable	13,637,934	
Payments to Open Space Preservation Trust Fund	103,295	
Payments to General Capital Fund	65,722	
Accounts Payable	8,449	
Encumbrances Payable	1,068,824	
Petty Cash	800	
Reserve for Grants - Appropriated	620	
Payments to Animal Control Fund	390	
Payments to Other Trust	89,166	
Payments to LOSAP Fund	27,000	
Tax Overpayments Refunded	52,470	
Fees Payable	27,964	
Tax Appeal Refunds	530,754	
		<u>53,135,032</u>
Balance, December 31, 2018		<u>\$ 9,266,186</u>

**BOROUGH OF MONTVALE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2018</u>
Tax Collector/Borough Clerk	\$ 100	\$ 100
Dog/Cat License Registrar	50	50
Municipal Court	200	200
Police Department	<u>50</u>	<u>50</u>
	<u>\$ 400</u>	<u>\$ 400</u>

STATEMENT OF PETTY CASH FUND

<u>Office</u>	Received From <u>Treasurer</u>	Returned To <u>Treasurer</u>
Borough Clerk	<u>\$ 800</u>	<u>\$ 800</u>

**BOROUGH OF MONTVALE
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2017</u>	Revenue <u>Realized</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2018</u>
NJ Department of Transportation - Safe Routes to School	\$ 450,000			\$ 450,000	
NJ Department of Transportation - Various Streets		\$ 218,000			\$ 218,000
FEMA - Gabion Walls	199,458		\$ 150,577	48,881	
FEMA - Generator	100,000		100,000		
County of Bergen - Huff Park	21,093		21,093		
Municipal Alliance Program		3,804	3,804		
Police Donations - Wegmans		1,615	1,615		
CDBG-Senior Citizen Activities	-	3,338	3,338	-	-
	<u>\$ 770,551</u>	<u>\$ 226,757</u>	<u>\$ 280,427</u>	<u>\$ 498,881</u>	<u>\$ 218,000</u>
Reserve for Grants-Appropriated				<u>\$ 498,881</u>	

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

Balance, December 31, 2017	\$ 6,525
Increased by:	
Payment from State of New Jersey	\$ 43,650
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2017	100
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2018	<u>1,750</u>
	<u>45,500</u>
	52,025
Decreased by:	
Senior Citizens' Deductions Per Tax Billings	2,000
Veterans' Deductions Per Tax Billings	41,500
Veterans' Deductions Allowed by Tax Collector-2018	<u>750</u>
	<u>44,250</u>
Balance, December 31, 2018	<u>\$ 7,775</u>

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

<u>Year</u>	Balance, December 31, <u>2017</u>	2018 <u>Levy</u>	Added <u>Taxes</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	Cash <u>Collections</u>	Over- Payments <u>Applied</u>	Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Transferred to Tax Title <u>Liens</u>	Balance, December 31, <u>2018</u>
2015			\$ 15,071			\$ 15,071				
2016	\$ 236,404	-	112,204		236,562	112,046				
2017	251,304	-	8,888	100	-	251,394	8,888	-	\$ 10	-
	487,708	-	136,163	100	-	487,956	136,005	-	10	-
2018	-	\$ 48,310,658	-	1,750	\$ 4,437,192	43,560,748	-	\$ 44,250	27,780	\$ 1,251
	<u>\$ 487,708</u>	<u>\$ 48,310,658</u>	<u>\$ 136,163</u>	<u>\$ 1,850</u>	<u>\$ 4,437,192</u>	<u>\$ 44,048,704</u>	<u>\$ 136,005</u>	<u>\$ 44,250</u>	<u>\$ 27,790</u>	<u>\$ 1,251</u>
										<u>\$ 241,187</u>

Analysis of 2018 Property Tax Levy

ANALYSIS OF 2018 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax	\$ 48,074,832
Added Taxes (54:4-63.1 et. seq.)	<u>235,826</u>
	<u>\$ 48,310,658</u>

TAX LEVY

Local District School Tax	\$ 16,349,965
Regional High School Tax	13,637,934
County Taxes:	
County Taxes	\$ 5,456,789
County Open Space	232,104
Due County for Added Taxes (54:4-63.1 et. seq.)	<u>16,905</u>
	5,705,798
Municipal Open Space Tax	102,988
Municipal Open Space Added Taxes	<u>307</u>
	103,295
Local Tax for Municipal Purposes	11,522,622
Minimum Library Tax	763,851
Additional Tax Levied	<u>227,193</u>
	<u>12,513,666</u>
	<u>\$ 48,310,658</u>

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

Balance, December 31, 2017	\$ 18,945
Increased by:	
Transfers from Taxes Receivable - 2018	<u>1,251</u>
Balance, December 31, 2018	<u>\$ 20,196</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, December 31, 2017	<u>\$ 29,400</u>
Balance, December 31, 2018	<u>\$ 29,400</u>

BOROUGH OF MONTVALE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2017</u>	Accrued in <u>2018</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 17,590	\$ 17,590	
Fees and Permits - Parking Permits		4,670	4,670	
Board of Health				
Licenses		44,220	44,220	
Register of Vital Statistics				
Fees and Permits		595	595	
Construction Code Official				
Uniform Construction Code Fees		260,626	260,626	
Fees and Permits - Other		103,716	103,716	
Police				
Fees and Permits		2,830	2,830	
Tax Collector				
Fees and Permits - Tax Search Fees		415	415	
Planning Board				
Fees and Permits		97,484	97,484	
Interest and Costs on Taxes	\$ 4,641	74,931	74,510	\$ 5,062
Interest on Investments and Deposits		11,282	11,282	
Recreation				
Fees and Permits		3,405	3,405	
Municipal Court				
Fines and Costs	12,935	181,573	183,988	10,520
Municipal Court Shared Service	47,317	178,186	185,417	40,086
Pascack Valley Regional School District				
Special Police Shared Service		111,330	111,330	
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		134,103	134,103	
Sewer Agreement - Marriott		61,939	61,939	
Hotel/Motel Tax		196,043	196,043	
Uniform Fire Safety Act:				
Local Enforcement Fees		118,373	118,373	
LEA Rebate		15,313	15,313	-
Excess Sewer User Fees (MRNA)	<u>9,541</u>	<u>304,304</u>	<u>307,042</u>	<u>6,803</u>
	<u>\$ 74,434</u>	<u>\$ 3,185,306</u>	<u>\$ 3,197,269</u>	<u>\$ 62,471</u>
Cash Received			\$ 3,133,480	
Due from Other Trust			1,850	
Prepaid Revenues Applied			<u>61,939</u>	
			<u>\$ 3,197,269</u>	

**BOROUGH OF MONTVALE
STATEMENT OF DEFERRED CHARGES**

	Balance December 31, <u>2017</u>	Added in <u>2018</u>	Raised in 2018 <u>Budget</u>	Balance, December 31, <u>2018</u>
Emergency Authorization (40A:4-47)	\$ 425,000	\$ 33,000	\$ 425,000	\$ 33,000
	<u>\$ 425,000</u>	<u>\$ 33,000</u>	<u>\$ 425,000</u>	<u>\$ 33,000</u>

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2017	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers/ Cancellations	Balance Lapsed
SALARIES AND WAGES						
Administrative and Executive	\$ 9,581		\$ 9,581			\$ 9,581
Mayor and Council	3		3			3
Borough Clerk	532		532			532
Elections	1,595		1,595			1,595
Financial Administration	9,248		9,248			9,248
Assessment of Taxes	23		23			23
Collection of Taxes	50		50			50
Cable TV Committee	2,849		2,849			2,849
Planning Board	1,529		1,529			1,529
Zoning Official	25		25			25
Code Enforcement and Administration Property Maint	15		15			15
Police	18,649		18,649	\$ 15,077		3,572
Emergency Management	228		228			228
Uniform Fire Safety Act	2,642		2,642			2,642
Public Buildings and Grounds	5		5			5
Public Health Services	850		850			850
Environmental Commission	390		390			390
Public Assistance	16		16			16
Parks and Playgrounds	26		26			26
Recreation Services and Programs	4,450		4,450			4,450
Senior Citizen Van	528		528			528
Municipal Court	2,759		2,759			2,759
Municipal Court - Shared Services	2,993	1	2,994			2,994
Construction Code Official	12,700		12,700			12,700
Building Subcode Official	2,026		2,026			2,026
Plumbing Subcode Official	26,997		26,997			26,997
Fire Subcode Official	2,007		2,007			2,007
Electrical Subcode Official	2,298	-	2,298	-	-	2,298
	<u>105,014</u>	<u>1</u>	<u>105,015</u>	<u>15,077</u>	<u>-</u>	<u>89,938</u>
OTHER EXPENSES						
Administrative and Executive	\$ 16,322		\$ 16,322	\$ 4,393		11,929
Mayor and Council	2,870	50	2,920			2,920
Borough Clerk	9,900	75	9,975			9,975
Elections	1,424	80	1,504			1,504
Financial Administration	8,377		8,377	2,631		5,746
Audit Services	41,500		41,500	38,800		2,700
Assessment of Taxes	19,562		19,562			19,562
Collection of Taxes	5,606		5,606			5,606
Legal Services and Costs	30,609		30,609	3,004		27,605
Engineering Services & Costs	9,559		9,559	361		9,198
Cable TV Commission	5,945	18	5,963			5,963
Historic Preservation Commission	953		953			953
Historian	100		100			100
Planning Board	29,860		29,860	21,911		7,949
Fire	27,140		27,140	55		27,085
Fire Hydrant Service	18,047		18,047			18,047
Police	5,311		5,311	3,710		1,601
Purchase of Police Vehicles	1,603		1,603			1,603
Police Dispatch	8,916		8,916	773		8,143
Police Dispatch/911	-	77	77			77
First Aid Organization	11,809		11,809	8,292		3,517
Emergency Management	2,472		2,472			2,472
Uniform Fire Safety Act	2,669		2,669			2,669
Road Repair and Maintenance	5,818		5,818			5,818
Sewer System	20,000	221	20,221			20,221

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Transfers/ <u>Cancellations</u>	Balance <u>Lapsed</u>
OTHER EXPENSES (Continued)						
Garbage and Trash Removal	\$ 23,938		\$ 23,938	\$ 18,389		\$ 5,549
Recycling Tax	3,610	\$ 2,357	5,967			5,967
Recycling	5,000		5,000			5,000
Public Buildings and Grounds	25,856		25,856	1,080		24,776
Maintenance of All Vehicles	23,995		23,995	107		23,888
Municipal Services Act	2,120	3	2,123			2,123
Public Health Services	24,245		24,245	9,748		14,497
Environmental Commission	431		431	57		374
Administration of Public Assistance	59		59			59
Animal Regulation	-	1,705	1,705			1,705
Parks and Playgrounds	1,000		1,000			1,000
Recreation Services and Programs	8,789	242	9,031			9,031
Senior Citizens	7,175		7,175	4,747		2,428
Celebration of Public Events	2,548		2,548			2,548
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	20,214		20,214	4,644		15,570
Electricity	32,728		32,728	16,023		16,705
Telephone	13,319		13,319	2,828		10,491
Natural Gas	23,595		23,595	9,603		13,992
Street Lighting	22,059		22,059	10,550		11,509
Contingent	1,000		1,000			1,000
Social Security System	25,691		25,691			25,691
Defined Contribution Retirement Plan	577	1,390	1,967			1,967
Construction Code	33,913		33,913	9,533		24,380
Elevator Sub-Code	9,000		9,000	8,395		605
Maintenance of Free Public Library	8,563		8,563	8,563		-
Sewerage Processing and Disposal	2,687		2,687			2,687
Insurance						
Life Insurance	363	168	531			531
General Liability	13,284		13,284			13,284
Workers Compensation	767		767	1		766
Employee Group Health	109,374		109,374	50,000		59,374
Employee Group Health -Waiver	10,000		10,000			10,000
Length of Service Award Program	25,500		25,500	12,821		12,679
Municipal Court	5,190		5,190	2		5,188
Municipal Court - Shared Services	8,205		8,205	3		8,202
Department of Public Works	6		6			6
Municipal Alliance						
Local Share	1,669		1,669			1,669
Clean Communities	17,689		17,689		\$ 17,689	
Alcohol Education	1,251		1,251	162		1,089
Recycling Tonnage	2,562		2,562			2,562
Donation Police	17,680		17,680			17,680
Road Improvement Fund	5	1	6			6
Acquisition of Equipment - Police	5,013	396	5,409			5,409
Acquisition of Vehicles & Equipment - UCC	21,320		21,320	3,963		17,357
Various Office Improvements - UCC	66,608		66,608			66,608
	-	-	-	-	-	-
	<u>916,970</u>	<u>6,783</u>	<u>923,753</u>	<u>255,149</u>	<u>39,020</u>	<u>629,584</u>
	<u>\$ 1,021,984</u>	<u>\$ 6,784</u>	<u>\$ 1,028,768</u>	<u>\$ 270,226</u>	<u>\$ 39,020</u>	<u>\$ 719,522</u>
Cash Disbursed				\$ 80,173		
Accounts Payable				190,053		
Transfer To Appropriated Grant Reserves				-	\$ 39,020	
Total				<u>\$ 270,226</u>	<u>\$ 39,020</u>	

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2017		\$ 1,075,608
Increased by:		
Charges to 2018 Budget Appropriations		<u>922,522</u>
		1,998,130
Decreased by:		
Cash Payments	\$ 1,068,824	
Cancellation Restored to Appropriation Reserves	<u>6,784</u>	
		<u>1,075,608</u>
Balance, December 31, 2018		<u><u>\$ 922,522</u></u>

EXHIBIT A-16

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2017		\$ 85,016
Increased by:		
Transferred from Appropriation Reserves		<u>190,053</u>
		275,069
Decreased by:		
Payments	\$ 8,449	
Cancelled to Operations	<u>20,568</u>	
		<u>29,017</u>
Balance, December 31, 2018		<u><u>\$ 246,052</u></u>

EXHIBIT A-17

STATEMENT OF PREPAID TAXES

Balance, December 31, 2017		\$ 4,437,192
Increased by:		
2019 Prepaid Taxes Received		<u>432,277</u>
		4,869,469
Decreased by:		
Application to 2018 Taxes Receivable		<u>4,437,192</u>
Balance, December 31, 2018		<u><u>\$ 432,277</u></u>

EXHIBIT A-18

**BOROUGH OF MONTVALE
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2017		\$ 136,015
Increased by:		
Overpayments in 2018		<u>52,460</u>
		188,475
Decreased by:		
Ovepayment Applied to Taxes Receivable	\$ 136,005	
Refunded	<u>52,470</u>	
		<u>\$ 188,475</u>

EXHIBIT A-19

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
2018 Levy		\$ 16,349,965
Decreased by:		
Payments		<u>\$ 16,349,965</u>

EXHIBIT A-20

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
2018 Levy		\$ 13,637,934
Decreased by:		
Payments		<u>\$ 13,637,934</u>

EXHIBIT A-21

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2018 Levy:		
General County Tax	\$ 5,456,789	
County Open Space Tax	<u>232,104</u>	
		\$ 5,688,893
Decreased by:		
Payments		<u>\$ 5,688,893</u>

**BOROUGH OF MONTVALE
STATEMENT OF DUE COUNTY FOR ADDED AND OMITTED TAXES**

Balance, December 31, 2017	\$ 82,969
Increased by:	
2018 Added Tax Levy	<u>16,905</u>
	99,874
Decreased by:	
Payments	<u>82,969</u>
Balance, December 31, 2018	<u><u>\$ 16,905</u></u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES

Increased by:		
2018 Levy	\$ 102,988	
2018 Added Levy	<u>307</u>	
		\$ 103,295
Decreased by:		
Due to Open Space Preservation Trust Fund		<u><u>\$ 103,295</u></u>

STATEMENT OF FEES PAYABLE

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2018</u>
Marriage Licenses	\$ 25	\$ 625	\$ 500	\$ 150
BOCA Fees	<u>10,180</u>	<u>23,950</u>	<u>27,464</u>	<u>6,666</u>
	<u><u>\$ 10,205</u></u>	<u><u>\$ 24,575</u></u>	<u><u>\$ 27,964</u></u>	<u><u>\$ 6,816</u></u>

**BOROUGH OF MONTVALE
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2018</u>
Sewer Fees - Marriott	\$ 61,939	\$ 26,772	\$ 61,939	\$ 26,772
	<u>\$ 61,939</u>	<u>\$ 26,772</u>	<u>\$ 61,939</u>	<u>\$ 26,772</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2017	\$ 882,629
Increased by:	
Charges to 2018 Budget Appropriations	<u>600,000</u>
	1,482,629
Decreased by:	
Tax Appeal Refunds	<u>530,754</u>
Balance, December 31, 2018	<u>\$ 951,875</u>

**BOROUGH OF MONTVALE
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2018</u>
Arbitrage Rebate	\$ 60,000	\$ 60,000
Sale of Municipal Assets	20,326	20,326
Sale of Property - Affordable Housing (CDBG)	300,000	300,000
Security Deposit	<u>3,966</u>	<u>3,966</u>
	<u>\$ 384,292</u>	<u>\$ 384,292</u>

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2017</u>	<u>Received</u>	Realized as Budgeted <u>Revenue</u>	Balance, December 31, <u>2018</u>
Alcohol Education and Rehab	\$ 772	\$ 1,391	\$ 772	\$ 1,391
Body Armor Fund-State	2,428		2,428	
Clean Communities Grant		16,921		16,921
Federal DOJ - Police Bulletproof Vest Program		1,600		1,600
Recycling Tonnage Grant	<u>9,898</u>	<u>-</u>	<u>9,898</u>	<u>-</u>
	<u>\$ 13,098</u>	<u>\$ 19,912</u>	<u>\$ 13,098</u>	<u>\$ 19,912</u>

BOROUGH OF MONTVALE
STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2017</u>	Transfer from Appropriation <u>Reserves</u>	Cash <u>Disbursements</u>	<u>Cancelled</u>	Balance, December 31, <u>2018</u>
Drunk Driving Enforcement Fund	\$ 4,804		\$ 179		\$ 4,625
Alcohol Education and Rehab.	3,244	\$ 1,089	441		3,892
Clean Communities Grant	1,607	17,689			19,296
Donation Police - KPMG		10,000			10,000
Donation Police - Wegmans		7,680			7,680
FEMA - Gabion Walls	199,458			\$ 199,458	
NJDOT Safe Route to Schools	450,000			450,000	
Recycling Tonnage	-	2,562	-	-	2,562
	<u>\$ 659,113</u>	<u>\$ 39,020</u>	<u>\$ 620</u>	<u>\$ 649,458</u>	<u>\$ 48,055</u>

Grants Receivable Cancellation	\$ 498,881
Credit to Operations	<u>150,577</u>
	<u>\$ 649,458</u>

TRUST FUNDS

BOROUGH OF MONTVALE
STATEMENT OF TRUST CASH - TREASURER

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Unemployment Insurance <u>Fund</u>	Open Space Preservation Trust <u>Fund</u>
Balance, December 31, 2017	\$ 17,577	\$ 3,788,308	\$ 272,804	\$ 336,437
Increased by Receipts:				
State Dog License Fees	\$ 698			
Borough Dog License Fees	6,528			
Borough Cat License Fees	1,008			
Late Fees	196			
Interest Earned on Deposits		\$ 4,634		
Escrow Deposits		890,749		
Miscellaneous Reserves and Deposits		1,006,361		
Payroll Deductions Payable		3,193,702		
Net Payroll Deposits		3,937,307		
Receipts from Current Fund	390	89,166		\$ 103,295
Employee Contributions-Unemployment	-	-	\$ 6,598	-
	<u>8,820</u>	<u>9,121,919</u>	<u>6,598</u>	<u>103,295</u>
	26,397	12,910,227	279,402	439,732
Decreased by Disbursements:				
Animal Control Expenditures Under				
R.S. 4:19-15.11	3,785			
Payments to State for Dog License Fees	698			
Payments to State for Unemployment Claims			4,241	
Payments to Current Fund	5,630	71,800		
Escrow Deposits		1,356,744		
Miscellaneous Reserves and Deposits		984,539		
Reserve for Open Space Preservation				96,200
Encumbrances Payable				227,270
Payroll Deductions Payable		3,185,177		
Net Payroll	-	3,937,307	-	-
	<u>10,113</u>	<u>9,535,567</u>	<u>4,241</u>	<u>323,470</u>
Balance, December 31, 2018	<u>\$ 16,284</u>	<u>\$ 3,374,660</u>	<u>\$ 275,161</u>	<u>\$ 116,262</u>

**BOROUGH OF MONTVALE
STATEMENT OF DUE TO STATE OF NEW JERSEY - FEES PAYABLE
ANIMAL CONTROL FUND**

Balance, December 31, 2017	\$ 18
Increased by:	
State Fees Collected	<u>698</u>
	716
Decreased by:	
Payments	<u>698</u>
Balance, December 31, 2018	<u>\$ 18</u>

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL FUND**

Balance, December 31, 2017	\$ 12,319
Increased by:	
Dog License Fees Collected	\$ 6,528
Cat License Fees Collected	1,008
Late Fees	<u>196</u>
	<u>7,732</u>
	20,051
Decreased by:	
Expenditures Under R.S.4:19-15.11	
Cash Disbursements	3,785
Statutory Excess Due Current Fund	<u>3,017</u>
	<u>6,802</u>
Balance, December 31, 2018	<u>\$ 13,249</u>

**BOROUGH OF MONTVALE
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Balance, December 31, 2017		\$	5,240
Increased by:			
Statutory Excess in Reserve for Animal Control Expenditures	\$	3,017	
Receipts from Current Fund		<u>390</u>	
			<u>3,407</u>
			8,647
Decreased by:			
Payments to Current Fund			<u>5,630</u>
Balance, December 31, 2018		\$	<u>3,017</u>

BOROUGH OF MONTVALE
STATEMENT OF DUE TO STATE OF NEW JERSEY - CLAIMS PAYABLE
UNEMPLOYMENT INSURANCE FUND

Balance, December 31, 2017	\$ 417
Increased by:	
Unemployment Claims Charged to Reserve	<u>3,829</u>
	4,246
Decreased by:	
Cash Disbursements	<u>4,241</u>
Balance, December 31, 2018	<u>\$ 5</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE
UNEMPLOYMENT INSURANCE FUND

Balance, December 31, 2017	\$ 272,387
Increased by:	
Employee Contributions	<u>6,598</u>
	278,985
Decreased by:	
Unemployment Claims Due to State	<u>3,829</u>
Balance, December 31, 2018	<u>\$ 275,156</u>

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

Balance, December 31, 2017	\$ 7,836
Increased by:	
Receipts from Current Fund	\$ 89,166
Interest on Deposits	<u>1,850</u>
	<u>91,016</u>
	98,852
Decreased by:	
Payments to Current Fund	<u>71,800</u>
Balance, December 31, 2018	<u>\$ 27,052</u>

Analysis of Balance

Due to Current Fund - Developers' Accutrak Trust Account-Interest	\$ 132
Due to Current Fund - Recreation	1,920
Due to Current Fund - Payroll	20,000
Due to Current Fund - Flex Spending Account	<u>5,000</u>
	<u>\$ 27,052</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2017	\$ 2,187,742
Increased by:	
Developers' Deposits	\$ 890,749
Developers' Interest Earned	<u>2,784</u>
	<u>893,533</u>
	3,081,275
Decreased by:	
Cash Disbursements	<u>1,356,744</u>
Balance, December 31, 2018	<u>\$ 1,724,531</u>

**BOROUGH OF MONTVALE
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2017	\$ 48,788
Increased by:	
Deposits:	
Payroll Deductions	<u>3,193,702</u>
	3,242,490
Decreased by:	
Disbursements:	
Payroll Deductions	<u>3,185,177</u>
Balance, December 31, 2018	<u>\$ 57,313</u>

EXHIBIT B-12

**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2018</u>
Engineering Fee Deposits	\$ 26,064	\$ 6,040	\$ 5,173	\$ 26,931
Planning Board Deposits	20,944			20,944
Affordable Housing Trust Fees	1,090,763	90,217	122,195	1,058,785
POAA Fees	643	308	472	479
Special Police Outside Duty Fees	194,216	530,163	631,006	93,373
Tax Title Lien Premiums	100,000	177,958	109,358	168,600
Celebration of Public Events Donations	783	1,020	1,720	83
Public Defender Fees	643	225		868
Performance Bond Deposits	39,162	5,397	2,400	42,159
DARE Program Donations	1,202			1,202
Uniform Fire Safety Act Penalty Monies	18,726			18,726
Fire Training/Equipment UFSA Penalty Monies	3,863			3,863
Historic Preservation Donations	1,621			1,621
Flex Spending Account Deposits	2,972	9,585	9,456	3,101
Vision Benefit Deposits	3,081	9,725	7,104	5,702
Retirement Dinner Deposits	172	949		1,121
Recreation	26,220	124,774	95,655	55,339
Self Insurance - Employee Health Ins. Deductables		50,000		50,000
North/South Park-Improvement Donations	<u>12,867</u>	<u>-</u>	<u>-</u>	<u>12,867</u>
	<u>\$ 1,543,942</u>	<u>\$ 1,006,361</u>	<u>\$ 984,539</u>	<u>\$ 1,565,764</u>

**BOROUGH OF MONTVALE
STATEMENT OF NET PAYROLL PAYABLE
OTHER TRUST FUND**

Increased by:	
Net Payroll Deposits	\$ 3,937,307
Decreased by:	
Disbursements - Net Payroll	<u>\$ 3,937,307</u>

**STATEMENT OF DUE FROM CURRENT FUND
OPEN SPACE PRESERVATION TRUST FUND**

Increased by:	
2018 Levy	\$ 102,988
2018 Added Levy	<u>307</u>
	\$ 103,295
Decreased by:	
Receipts from Current Fund	<u>\$ 103,295</u>

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

Balance, December 31, 2017	\$ 109,167
Increased by:	
Due from Current Fund	
2018 Levy	\$ 102,988
2018 Added Levy	<u>307</u>
	<u>103,295</u>
	212,462
Decreased by:	
Cash Disbursements for Expenditures	96,200
Encumbrances Payable	<u>2,230</u>
	<u>98,430</u>
Balance, December 31, 2018	<u>\$ 114,032</u>

BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE
OPEN SPACE PRESERVATION TRUST FUND

Balance, December 31, 2017	\$ 227,270
Increased by:	
Charges to Reserve for Open Space Preservation	<u>2,230</u>
	229,500
Decreased by:	
Cash Disbursements	<u>227,270</u>
Balance, December 31, 2018	<u><u>\$ 2,230</u></u>

GENERAL CAPITAL FUND

BOROUGH OF MONTVALE
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2017		\$ 3,590,536
Increased by:		
Reserve for Improvement of Field	\$ 15,900	
Premium on Serial Bonds Issued	465,667	
Serial Bonds Issued	9,305,000	
Reserve for Payment of Debt	11,500	
Receipts from Current Fund	<u>65,722</u>	
		<u>9,863,789</u>
		13,454,325
Decreased by Disbursements:		
Encumbrances Payable	1,993,591	
Bond Anticipation Notes	7,600,000	
Improvement Authorizations	465,163	
Reserve for Improvement of Field	200	
Expenditures Paid for Current Fund	<u>22,722</u>	
		<u>10,081,676</u>
Balance, December 31, 2018		<u><u>\$ 3,372,649</u></u>

**BOROUGH OF MONTVALE
ANALYSIS OF GENERAL CAPITAL CASH**

Fund Balance	\$ 149,784
Encumbrances Payable	1,150,910
Capital Improvement Fund	63,941
Reserve for Payment of Debt	109,480
Reserve for Improvement of Fields	106,645

Ord.

<u>No.</u>	<u>Improvement Description</u>	
1405/1409	Construction of New Fire House	34,459
1413	Various Capital Improvements - 2016	187,016
1425	Various Capital Improvements - 2017	92,118
1430	Acquisition of Property	613,986
1447	Various Capital Improvements - 2018	<u>864,310</u>
		<u>\$ 3,372,649</u>

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

Increased by:

Expenditures Paid for Current Fund	\$ 22,722	
Budget Appropriation - Capital Improvement Fund	<u>43,000</u>	
		\$ 65,722

Decreased by:

Cash Receipts from Current Fund	<u>\$ 65,722</u>	
---------------------------------	------------------	--

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2017	\$ 3,355,000	
Increased by:		
Serial Bond Issued	<u>9,305,000</u>	
		12,660,000
Decreased by:		
2018 Budget Appropriations to Pay Bonds	<u>1,625,000</u>	
Balance, December 31, 2018		<u>\$ 11,035,000</u>

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

						<u>Analysis of Balance, December 31, 2018</u>		
<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>2018</u> <u>Authorizations</u>	<u>Adjustment for</u> <u>Prior Year</u> <u>Donation</u>	<u>Funded by</u> <u>Bond Sale</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>Financed by</u> <u>Bond</u> <u>Anticipation</u> <u>Notes</u>	<u>Unexpended</u> <u>Improvement</u> <u>Authorization</u>
							<u>Expenditures</u>	
1405/1409	Construction of New Firehouse	\$ 4,855,000			\$ 4,855,000			
1413	Various Capital Improvements	1,376,817		23,183	1,400,000			
1425	Various Capital Improvements	1,187,500			1,187,500			
1430	Acquisition of Property	665,000			665,000		-	-
1447	Various Capital Improvements	-	\$ 1,662,500	-	1,662,500	-	-	-
		<u>\$ 8,084,317</u>	<u>\$ 1,662,500</u>	<u>\$ 23,183</u>	<u>\$ 9,770,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Transfer to Deferred Charges Funded				\$ 9,305,000			
	Premium on Bonds Issued				465,000			
	Reserve for Payment of Debt			<u>\$ 23,183</u>	-			
				<u>\$ 23,183</u>	<u>\$ 9,770,000</u>			
								Improvement Authorizations - Unfunded <u>\$ -</u>

**BOROUGH OF MONTVALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

				2018					
				<u>Authorizations</u>					
Ord.		Balance		Deferred	Capital			Balance	
No.	<u>Improvement Description</u>	<u>December 31, 2017</u>		Charges	Improvement			<u>December 31, 2018</u>	
		<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>	<u>Unfunded</u>	<u>Fund</u>	<u>Expended</u>	<u>Funded</u>	<u>Unfunded</u>
General Improvements									
1405/1409	Construction of New Firehouse	\$ 5,100,000		\$ 253,086			\$ 218,627	\$ 34,459	
1413	Various Capital Improvements - 2016	1,500,000		551,260			364,244	187,016	
1425	Various Capital Improvements - 2017	1,250,000		187,366			95,248	92,118	
1430	Acquisition of Property	700,000	\$ 1,250	665,000			52,264	613,986	
1447	Various Capital Improvements - 2018	1,750,000	-	-	\$ 1,662,500	\$ 87,500	885,690	864,310	-
			\$ 1,250	\$ 1,656,712	\$ 1,662,500	\$ 87,500	\$ 1,616,073	\$ 1,791,889	\$ -

Cash Disbursements \$ 465,163
 Encumbrances 1,150,910
 \$ 1,616,073

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2017	\$ 1,993,591
Increased by:	
Charges to Improvement Authorizations	<u>1,150,910</u>
	3,144,501
Decreased by:	
Payments	<u>1,993,591</u>
Balance, December 31, 2018	<u><u>\$ 1,150,910</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2017	\$ 107,741
Increased by:	
Budget Appropriation Due from Current Fund	\$ 43,000
Reserve for Preliminary Expenses Cancelled	<u>700</u>
	<u>43,700</u>
	151,441
Decreased by:	
Appropriation to Finance Improvement Authorizations	<u>87,500</u>
Balance, December 31, 2018	<u><u>\$ 63,941</u></u>

**BOROUGH OF MONTVALE
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2017	\$ 74,797
Increased by:	
Developers Contribution Received on Funded Ordinance	\$ 11,500
Deferred Charges - Unfunded Adjustment for Prior Year Donation	<u>23,183</u>
	<u>34,683</u>
Balance, December 31, 2018	<u>\$ 109,480</u>

STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELD

Balance, December 31, 2017	\$ 90,945
Increased by:	
Cash Receipts - Field Use Fees	<u>15,900</u>
	106,845
Decreased by:	
Cash Disbursements - Refunds	<u>200</u>
Balance, December 31, 2018	<u>\$ 106,645</u>

STATEMENT OF RESERVE FOR PRELIMINARY EXPENSES

Balance, December 31, 2017	\$ 700
Decreased by:	
Cancellation Returned to Capital Improvement Fund	<u>\$ 700</u>

**BOROUGH OF MONTVALE
STATEMENT OF GENERAL SERIAL BONDS**

Issue	Date of Issue	Original Issue	Maturity of Bonds Outstanding December 31, 2018		Interest Rate	Balance, December 31, 2017	Increase	Decrease	Balance, December 31, 2018
			Date	Amount					
Refunding Bonds	5/11/2010	\$ 3,775,000	8/15/2019	\$ 450,000	3.00-4.375 %	\$ 905,000		\$ 455,000	\$ 450,000
General Improvement	12/16/2011	3,695,000	12/15/2019-20 12/15/2021	425,000 430,000	2.50 2.50	1,705,000		425,000	1,280,000
Refunding Bonds	7/26/2012	3,745,000			4.00	745,000		745,000	
General Improvement	8/23/2018	9,305,000	8/15/2019 8/18/2020-21 8/15/2022 8/15/2023 8/15/2024 8/15/2025 8/15/2026 8/15/2027 8/15/2028-29 8/15/2030	540,000 845,000 905,000 760,000 760,000 765,000 770,000 770,000 775,000 795,000	3.75 3.00 3.00 3.00 5.00 5.00 4.00 3.00 3.00 3.00				
						-	\$ 9,305,000	-	9,305,000
						\$ 3,355,000	\$ 9,305,000	\$ 1,625,000	\$ 11,035,000
					Issued for Cash		\$ 9,305,000		
					Paid by Budget Appropriation			\$ 1,625,000	

Issued for Cash

Paid by Budget Appropriation

BOROUGH OF MONTVALE
STATEMENT OF BOND ANTICIPATION NOTES

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2018</u>
1405/1409	Construction of New Firehouse	8/25/2016	8/24/2017	8/24/2018	2.25%	\$ 4,400,000		\$ 4,400,000	
1413	Various Capital Improvements	8/25/2016	8/24/2017	8/24/2018	2.25%	1,400,000		1,400,000	
1425	Various Capital Improvements	8/24/2017	8/24/2017	8/24/2018	2.25%	1,135,000		1,135,000	
1430	Acquisition of Property	8/24/2017	8/24/2017	8/24/2018	2.25%	<u>665,000</u>	<u>-</u>	<u>665,000</u>	<u>-</u>
						<u>\$ 7,600,000</u>	<u>\$ -</u>	<u>\$ 7,600,000</u>	<u>\$ -</u>
						Paid by Bond Proceeds		<u>\$ 7,600,000</u>	

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

<u>Ord.</u> <u>No.</u>	<u>Purpose</u>	Balance December 31, <u>2017</u>	2018 <u>Authorizations</u>	Serial Bonds <u>Issued</u>	Balance December 31, <u>2018</u>
1405/1409	Construction of New Firehouse	\$ 455,000		\$ 455,000	
1425	Various Capital Improvements	52,500		52,500	
1447	Various Capital Improvements	<u>-</u>	<u>\$ 1,662,500</u>	<u>1,662,500</u>	<u>-</u>
		<u>\$ 507,500</u>	<u>\$ 1,662,500</u>	<u>\$ 2,170,000</u>	<u>\$ -</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF MONTVALE
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2017	\$ 35	\$ 6,327	\$ 6,362
Increased by:			
Receipts	<u>-</u>	<u>-</u>	<u>-</u>
	35	6,327	6,362
Decreased by:			
Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2018	<u>\$ 35</u>	<u>\$ 6,327</u>	<u>\$ 6,362</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2017	\$ 35	\$ 6,327	\$ 6,362
Increased by:			
Revenues	<u>-</u>	<u>-</u>	<u>-</u>
	35	6,327	6,362
Decreased by:			
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2018	<u>\$ 35</u>	<u>\$ 6,327</u>	<u>\$ 6,362</u>

**BOROUGH OF MONTVALE
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
State Aid Payments			\$ -
Supplemental Security Income: State/Municipal Refund	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues/Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments			\$ -
Temporary Rental Assistance	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2018



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 Montvale
Montvale, 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 Montvale as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2019. 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 financial statements.

Internal Control over Financial Reporting

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

Lerch, Vinci & Higgins LLP

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



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 12, 2019

BOROUGH OF MONTVALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	State Account Number	CFDA Number	Grant Period	Grant Award Amount	2018 Grant Receipts	Balance, January 1, 2018	Revenue Realized	Expenditures	(Cancellations)	Balance, December 31, 2018	(Memo) Cumulative Expenditures
Federal Funding Department											
U.S. Department of Housing and Urban Development (Passed Through County Dept. of Community Development)											
Community Development Block Grants											
Public Services - Senior Citizens	N/A	14.218	2017	\$ 3,338	\$ 3,338		\$ 3,338		\$ (3,338)		\$ -
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)											
FEMA Winter Storm/Snow Storm	066-1200-100-C27	97.036	2018	43,060	43,060		43,060	43,060			43,060
FEMA Disaster Assistance Grant - Gabion Walls	066-1200-100-A70	97.036	2015	199,458	150,577	\$ 199,458		150,577	\$ (48,881)	\$ -	150,577
FEMA Generator	066-1200-100-1307	97.039	2017	100,000	100,000						100,000
U.S. Department of Transportation (Passed Through State Department of Law and Public Safety)											
Safety Restraints Grant	066-1160-100-119	20.600	2018	5,500	5,500		5,500	5,500			5,500
Distracted Driving Incentive	066-1160-100-158	20.616	2018	6,600	6,600	-	6,600	6,600	-	-	6,600
U.S. Department of Justice											
Police Bulletproof Vest Partnership Program	N/A	16.607	2018	1,600	1,600	-	-	-	-	-	
						<u>\$ 199,458</u>	<u>\$ 58,498</u>	<u>\$ 205,737</u>	<u>\$ (52,219)</u>	<u>\$ -</u>	

Note - The Federal Award Programs were not subject to an audit in accordance with U.S. Uniform Guidance

See Accompanying Notes to Schedule of Expenditures of Federal Awards

BOROUGH OF MONTVALE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2018 Grant Receipts</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Refunds (Cancellations)</u>	<u>Balance, December 31, 2018</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Grant	042-4900-765-004	2018	\$ 16,921	\$ 16,921						
		2017	17,689	17,689	\$ 17,689				\$ 17,689	
		2016	20,821		1,607				1,607	\$ 19,214
Recycling Tonnage Grant	042-4900-752-001	2017	9,898			\$ 9,898			9,898	-
		2016	7,462		2,562				2,562	4,900
Municipal Drug and Alcohol Alliance Program(Passed Through County of Bergen)	N/A	2017	3,804	3,804		3,804		\$ (3,804)		
Body Armor Grant	066-1020-718-001	2017	2,428			2,428	\$ 1,580		848	1,580
Alcohol Education and Rehabilitation Fund	098-9735-760-001	2018	1,391	1,391						
		2017	772			772			772	
		2016	2,037		2,037		162		1,875	162
		2015	1,965		1,965				1,965	-
		2014	236		36				36	200
		2013	580		457		441		16	564
Drunk Driving Enforcement Fund	1110-448-031020-22	2016	4,452		1,610				1,610	2,842
		2014	9,402		3,194		179		3,015	6,387
Dept. of Human Services General Assistance	054-7500-150-100-121/250	2017	6,300	6,300	6,327				6,327	-
Department of Transportation Municipal Aid Various Streets	078-6320-480-XXX	2018	218,000			218,000	172,237		45,763	172,237
Safe Route to School	078-6320-480-XXX	2015	450,000		450,000	-	-	(450,000)	-	-
					<u>\$ 487,484</u>	<u>\$ 234,902</u>	<u>\$ 174,599</u>	<u>\$ (453,804)</u>	<u>\$ 93,983</u>	

Note - The State Financial Assistance Programs were not subject to an audit in accordance with New Jersey OMB 15-08

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

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

BOROUGH OF MONTVALE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Montvale. 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	\$ 58,498	\$ 234,902	\$ 293,400
	<u>\$ 58,498</u>	<u>\$ 234,902</u>	<u>\$ 293,400</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 DE MINIMIS INDIRECT COST RATE

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

**BOROUGH OF MONTVALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Modified - Unaudited LOSAP Fund

Internal control over financial reporting:

1) Material weakness(es) identified yes X no

2) Significant deficiency(ies) that are not
considered to be material weakness(es)? yes X none reported

Noncompliance material to the financial
statements noted? yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF MONTVALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part 2 - Schedule of Financial Statement Findings

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

There were none.

**BOROUGH OF MONTVALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>			<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 4,175,000	7.21 %	\$	4,075,000	7.08 %
Miscellaneous - From Other Than Local					
Property Tax Levies	4,241,701	7.31		5,044,049	8.75
Collection of Delinquent Taxes					
Tax and Tax Title Liens	623,961	1.08		451,620	0.78
Collection of Current Tax Levy	48,040,440	82.84		47,391,306	82.25
Other Credits to Income	<u>906,760</u>	<u>1.56</u>		<u>659,359</u>	<u>1.14</u>
 Total Income	 <u>57,987,862</u>	 <u>100.00 %</u>		 <u>57,621,334</u>	 <u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	18,429,971	33.97 %		19,111,014	35.41 %
County Taxes	5,705,798	10.52		5,608,865	10.39
Local & Regional School Taxes	29,987,899	55.27		29,128,137	53.98
Municipal Open Space Taxes	103,295	0.19		103,913	0.19
Other Expenditures	<u>30,169</u>	<u>0.05</u>		<u>14,143</u>	<u>0.03</u>
 Total Expenditures	 <u>54,257,132</u>	 <u>100.00 %</u>		 <u>53,966,072</u>	 <u>100.00 %</u>
 Excess in Revenue	 3,730,730			 3,655,262	
Adjustments to Income before Fund Balance:					
Expenditures included above which are by					
Statute Deferred Charges to Budget of					
Succeeding Year	<u>33,000</u>			<u>425,000</u>	
 Statutory Excess to Fund Balance	 3,763,730			 4,080,262	
Fund Balance, January 1	<u>5,768,520</u>			<u>5,763,258</u>	
	9,532,250			9,843,520	
Less: Utilization as Anticipated Revenue	<u>4,175,000</u>			<u>4,075,000</u>	
Fund Balance, December 31	<u>\$ 5,357,250</u>			<u>\$ 5,768,520</u>	

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	\$ <u>2.334</u>	\$ <u>2.303</u>	\$ <u>2.260</u>

Apportionment of Tax Rate

Municipal	0.559	0.562	0.549
Library	0.037	0.037	0.036
Municipal Open Space	0.005	0.005	0.005
County	0.265	0.260	0.259
County Open Space	0.011	0.011	0.003
Local School	0.794	0.772	0.778
Regional High School	0.663	0.656	0.630

Assessed Valuation

2018	\$ <u>2,059,761,422</u>		
2017		\$ <u>2,040,418,647</u>	
2016			\$ <u>2,037,265,475</u>

Comparison of Tax Levies and Collection

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>
2018	\$ 48,310,658	\$ 48,040,440	99.44%
2017	47,695,925	47,391,306	99.36%
2016	47,142,888	46,325,189	98.26%

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31, Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 241,187	\$ 20,196	\$ 261,383	0.54%
2017	487,708	18,945	506,653	1.06%
2016	699,345	17,711	717,056	1.52%

Property Acquired by Tax Title Lien Liquidation

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>
2018	\$29,400
2017	29,400
2016	29,400

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2018	\$5,357,250	\$4,250,000
	2017	5,768,520	4,175,000
	2016	5,763,258	4,075,000
	2015	5,175,233	3,500,000
	2014	6,707,625	4,750,000

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Michael Ghassali	Mayor
Rose Curry	Councilwoman
Doug Arendacs	Councilman
Dieter Koelling	Councilman
Michael Weaver	Councilman
Elizabeth Grogger	Councilwoman
Timothy Lane	Councilman
Maureen Iarossi-Alwan	Borough Clerk/Administrator
Kenneth Sesholtz	Chief Financial Officer
Phillip Boggia	Attorney
Carl Bello	Treasurer
Fran Scordo	Tax Collector
Michael Leposky	Assessor
Jeffrey Fette	Building Code Official
Jeremy Abrams	Chief of Police
Katherine Bowen	Director of Welfare
Susan Ruttenber	Library Director
Harry D. Norton, Jr.	Magistrate
Ann Levitzki	Court Administrator and Violations Clerk (11/28/17 to Present)
Christopher Botta	Prosecutor
Maser Consulting, PA	Engineer

There is a statutory bond limit in the Municipal Joint Insurance Fund that covers the Treasurer, Tax Collector, Library Treasurer and any assistant or deputy "in title to" these positions, Magistrates, Court Administrators and Court Clerk up to \$1,000,000 with a member deductible of \$1,000.

**BOROUGH OF MONTVALE
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Current Year Findings

- **Finding** – Our audit of purchases and contract awards that exceeded the bid threshold revealed the following:
 - We noted a contract for fencing which exceeded the bid threshold that was not publicly advertised for bids nor was the contract award approved in the minutes.
 - We noted a purchase for furniture made through a State contract which exceeded the bid threshold that was not approved in the minutes.

Recommendation – Purchasing procedures be reviewed and enhanced to ensure purchases which exceed the bid threshold are made in accordance with the Local Public Contracts Law (N.J.S.A. 40A:11).

- **Finding** – Our audit of police overtime revealed overtime sheets were not approved by the Chief or other superior officer.

Recommendation – Police overtime sheets be approved (signed) by the Chief or other superior officer.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

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

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500 for 2018. The Borough has adopted a resolution increasing the threshold to \$40,000 and has appointed a 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 threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

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

2018 Upper Saddle River Road Work
Montvale Senior Community Center New Lighting & HVAC
Audio/Visual Equipment for Public Access TV Control Room

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

BOROUGH OF MONTVALE
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS (Continued)

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

Collection of Interest on Delinquent Taxes and Assessments

The New Jersey statutes provide the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent. The Governing Body on January 1, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of Montvale, County of Bergen, State of New Jersey, that the rate of interest on delinquent taxes for the year 2017, shall be computed at the rate of eight (8%) percent per annum and,

BE IT FURTHER RESOLVED, that the rate of interest on delinquent taxes in excess of \$1,500 shall be computed at eighteen (18%) percent per annum, and

BE IT FURTHER RESOLVED, that a grace period of ten (10) days be given on delinquent taxes without interest."

BE IT FURTHER RESOLVED, in connection with any delinquency of taxes, assessments or municipal charges in excess of \$10,000 which has not been paid prior to the end of a calendar year, there shall be imposed a penalty in a sum equal to six (6%) percent of the delinquency in excess of \$10,000.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolutions.

BOROUGH OF MONTVALE
LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 25, 2018.

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

<u>December 31,</u>	<u>Number of Liens</u>
2018	2
2017	2
2016	2

APPRECIATION

We desire to express our appreciation to the Borough Clerk/Administrator, Chief Financial Officer, Tax Collector and other Borough staff who assisted us during the course of our audit.

**BOROUGH OF MONTVALE
LETTER OF COMMENTS AND RECOMMENDATIONS**

RECOMMENDATIONS

It is recommended that:

1. Purchasing procedures be reviewed and enhanced to ensure purchases which exceed the bid threshold are made in accordance with the Local Public Contracts Law (N.J.S.A. 40A:11).
2. Police overtime sheets be approved (signed) by the Chief or other superior officer.

* * * * *

A review was performed on all prior year recommendations and corrective action was taken on all, except the recommendation denoted with an asterisk (*).

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429