

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

BOROUGH OF MONTVALE

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>Part I – Report on Audit of Financial Statements and Supplementary Schedules</u>		
	Independent Auditor's Report	1-3
Financial Statements		
A	Comparative Balance Sheets - Regulatory Basis - Current Fund	4
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	5
A-2	Statement of Revenues – Regulatory Basis – Current Fund	6-7
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	8-16
B	Comparative Balance Sheets - Regulatory Basis - Trust Funds	17-18
B-1	Statement of Revenues – Regulatory Basis – Open Space Preservation Trust Fund	19
B-2	Statement of Expenditures – Regulatory Basis – Open Space Preservation Trust Fund	19
C	Comparative Balance Sheets- Regulatory Basis - General Capital Fund	20
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis - General Capital Fund	21
D	Comparative Balance Sheets - Regulatory Basis - Public Assistance Fund	22
E	Comparative Balance Sheets - Regulatory Basis - General Fixed Assets Account Group	23
	Notes to Financial Statements	24-62
Supplementary Schedules		
<u>Current Fund</u>		
A-4	Statement of Cash – Collector – Treasurer	63
A-5	Statement of Change Funds	64
A-6	Statement of Petty Cash Fund	64
A-7	Statement of Grants Receivable	65
A-8	Statement of Due to State of New Jersey - Senior Citizens' and Veterans' Deductions	65
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	66
A-10	Statement of Tax Title Liens Receivable	67
A-11	Statement of Property Acquired for Taxes (At Assessed Valuation)	67
A-12	Statement of Revenue Accounts Receivable	68
A-13	Statement of Deferred Charges	69
A-14	Statement of Appropriation Reserves	70-71
A-15	Statement of Encumbrances Payable	72
A-16	Statement of Accounts Payable	72
A-17	Statement of Prepaid Taxes	72
A-18	Statement of Tax Overpayments	73
A-19	Statement of Local District School Taxes Payable	73
A-20	Statement of Regional High School Taxes Payable	73
A-21	Statement of County Taxes Payable	73
A-22	Statement of Due County for Added and Omitted Taxes	74
A-23	Statement of Municipal Open Space Taxes	74
A-24	Statement of Fees Payable	74

BOROUGH OF MONTVALE

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Current Fund (Continued)</u>		
A-25	Statement of Prepaid Revenue	75
A-26	Statement of Reserve for Tax Appeals	75
A-27	Statement of Miscellaneous Reserves	75
A-28	Statement of Reserve for Grants – Unappropriated	76
A-29	Statement of Reserves for Grants – Appropriated	76
<u>Trust Funds</u>		
B-3	Statement of Trust Cash - Treasurer	77
B-4	Statement of Due to State of New Jersey – Fees Payable - Animal Control Fund	78
B-5	Statement of Reserve for Animal Control Expenditures – Animal Control Fund	78
B-6	Statement of Due to Current Fund – Animal Control Fund	79
B-7	Statement of Due to State of New Jersey – Claims Payable – Unemployment Insurance Fund	79
B-8	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Fund	79
B-9	Statement of Due To Current Fund – Other Trust Fund	80
B-10	Statement of Escrow Deposits – Other Trust Fund	80
B-11	Statement of Payroll Deductions Payable – Other Trust Fund	81
B-12	Statement of Miscellaneous Reserves and Deposits – Other Trust Fund	81
B-13	Statement of Net Payroll Payable – Other Trust Fund	82
B-14	Statement of Due from Current Fund – Open Space Preservation Trust Fund	82
B-15	Statement of Reserve for Open Space Preservation – Open Space Preservation Trust Fund	82
B-16	Statement of Encumbrances Payable – Open Space Preservation Trust Fund	83
<u>General Capital Fund</u>		
C-2	Statement of General Capital Cash - Treasurer	84
C-3	Analysis of General Capital Cash	85
C-4	Statement of Due from Current Fund	86
C-5	Statement of Deferred Charges to Future Taxation - Funded	86
C-6	Statement of Deferred Charges to Future Taxation – Unfunded	87
C-7	Statement of Improvement Authorizations	88
C-8	Statement of Encumbrances Payable	89
C-9	Statement of Capital Improvement Fund	89
C-10	Statement of Reserve for Payment of Debt	90
C-11	Statement of Reserve for Improvement of Fields	90
C-12	Statement of General Serial Bonds	91
C-13	Statement of Bond Anticipation Notes	92
C-14	Statement of Bonds and Notes Authorized But Not Issued	93
<u>Public Assistance Fund</u>		
D-1	Statement of Public Assistance Cash - Treasurer	94
D-2	Statement of Reserve for Public Assistance Expenditures	94
D-3	Statement of Public Assistance Expenditures	95

BOROUGH OF MONTVALE

TABLE OF CONTENTS

<u>Exhibits</u>	<u>Page</u>
<u>Part II – Government Auditing Standards</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards-Independent Auditor's Report	96-97
Schedule A	Schedule of Expenditures of Federal Awards 98
Schedule B	Schedule of Expenditures of State Financial Assistance 99
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance 100
	Schedule of Findings and Responses 101-103
<u>Part III – Supplementary Data and Letter of Comments and Recommendations</u>	
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund 104
	Comparative Schedule of Tax Rate Information 105
	Comparison of Tax Levies and Collection 105
	Delinquent Taxes and Tax Title Liens 106
	Property Acquired by Tax Title Lien Liquidation 106
	Comparative Schedule of Fund Balances 106
	Officials in Office and Surety Bonds 107
	General Comments 108-110
	Appreciation 110
	Recommendations 111

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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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, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 17.8 percent and 13.4 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Montvale as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of 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 September 15, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of 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
September 15, 2020

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	A-4	\$ 8,955,892	\$ 9,266,186
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>519,402</u>	<u>218,000</u>
		<u>9,475,694</u>	<u>9,484,586</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	205,582	241,187
Tax Title Liens Receivable	A-10	25,220	20,196
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	56,716	62,471
Due from Animal Control Fund	B-6	3,732	3,017
Due from Other Trust Fund	B-9	<u>144,193</u>	<u>27,052</u>
		<u>464,843</u>	<u>383,323</u>
Deferred Charges			
Emergency Authorizations	A-13	<u>-</u>	<u>33,000</u>
		<u>-</u>	<u>33,000</u>
Total Assets		<u>\$ 9,940,537</u>	<u>\$ 9,900,909</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 1,646,300	\$ 1,070,083
Encumbrances Payable	A-15	918,073	922,522
Accounts Payable	A-16	258,510	246,052
Due to Length of Service Award Program Fund	B	24,300	27,000
Fees Payable	A-24	32,866	6,816
Prepaid Taxes	A-17	316,650	432,277
County Taxes Payable - Added and Omitted Taxes	A-22	21,185	16,905
Prepaid Revenues - Sewer Fees	A-25	53,575	26,772
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	9,596	7,775
Reserve for Tax Appeals	A-26	1,001,875	951,875
Miscellaneous Reserves	A-27	384,292	384,292
Reserve for Grants:			
Unappropriated	A-28	18,216	19,912
Appropriated	A-29	<u>77,082</u>	<u>48,055</u>
		<u>4,762,520</u>	<u>4,160,336</u>
Reserve for Receivables	A	464,843	383,323
Fund Balance	A-1	<u>4,713,174</u>	<u>5,357,250</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,940,537</u>	<u>\$ 9,900,909</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, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 4,250,000	\$ 4,175,000
Miscellaneous Revenue Anticipated	A-2	3,922,013	3,130,082
Receipts from Delinquent Tax	A-2	239,398	623,961
Receipts from Current Taxes	A-2	48,046,233	48,040,440
Non-Budget Revenue	A-2	1,064,366	1,111,619
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	841,406	719,522
Statutory Excess in Animal Control Fund	B-6	3,732	3,017
Accounts Payable Cancelled	A-1		20,568
Appropriated Grant Reserves Cancelled	A-1		150,577
Prior Year Interfunds Returned	A	30,069	13,076
Total Income		<u>58,397,217</u>	<u>57,987,862</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,398,450	5,261,073
Other Expenses	A-3	9,100,166	9,181,307
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,268,157	1,532,691
Capital Improvements	A-3	937,606	553,000
Municipal Debt Service	A-3	1,776,820	1,901,900
County Taxes Payable	A-21	5,470,989	5,688,893
Due County for Added Taxes	A-22	21,185	16,905
Local District School Taxes Payable	A-19	16,771,966	16,349,965
Regional High School Tax Payable	A-20	13,790,303	13,637,934
Municipal Open Space Taxes	A-23	102,581	103,295
Prior Year Senior Citizen Deduction Disallowed	A-8	194	100
Refund Prior Year Revenue	A-4	4,951	
Interfund Advances Originating	A	147,925	30,069
Total Expenditures		<u>54,791,293</u>	<u>54,257,132</u>
Excess in Revenue		3,605,924	3,730,730
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-13	-	33,000
Statutory Excess to Fund Balance		3,605,924	3,763,730
Fund Balance, January 1	A	<u>5,357,250</u>	<u>5,768,520</u>
		8,963,174	9,532,250
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>4,250,000</u>	<u>4,175,000</u>
Fund Balance, December 31	A	<u>\$ 4,713,174</u>	<u>\$ 5,357,250</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, 2019

	Reference	Budget	Added by NJSA 40A:4-87	Realized	Excess or (Deficit)
Surplus Anticipated	A-1	\$ 4,250,000	-	\$ 4,250,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	17,000		17,840	\$ 840
Other	A-2	43,000		50,795	7,795
Fees and Permits	A-2	195,000		254,408	59,408
Fines and Costs - Municipal Court	A-12	182,500		181,356	(1,144)
Interest and Costs on Taxes	A-12	63,000		69,905	6,905
Interest on Investments and Deposits	A-12	5,000		16,591	11,591
Uniform Fire Safety Act Local Enforcement					
Fees	A-12	117,500		116,970	(530)
Uniform Construction Code Fees	A-12	260,000		533,321	273,321
Energy Receipts Tax	A-12	1,262,378		1,262,378	-
Municipal Court Shared Service	A-12	194,402		179,586	(14,816)
Uniform Fire Safety Act - LEA Rebate	A-12	10,000		17,760	7,760
Cable TV Franchise Fees	A-12	127,500		131,138	3,638
Sewer Agreement - Marriott Corporation	A-12	26,772		26,772	-
Pascack Valley - Special Police Shared Service	A-12	146,625	\$ 6,950	153,468	(107)
Hotel/Motel Tax	A-12	195,000		188,722	(6,278)
Reserve for Field Maintenance	A-4	5,000		5,000	-
Public and Private Revenues Offset With					
Appropriations					
County of Bergen - Office of the County Prosecutor	A-7		35,100	35,100	-
Municipal Alliance on Alcoholism and					
Drug Abuse	A-7	9,876		9,876	-
NJ DOT - Various Street Improvements	A-7		207,000	207,000	-
Police Donation - Wegmans	A-7		1,771	1,771	-
Police Donation	A-7		21,691	21,691	-
Environmental Donation	A-7		200,000	200,000	-
Bergen County Open Space - Field Improvements	A-7	113,538	65,000	178,538	-
Drunk Driving Enforcement Fund	A-7		9,805	9,805	-
Bullet Proof Vest - Federal	A-28	2,000		2,000	-
BCMJIF - Safety Incentive	A-28	1,750		1,750	-
Alcohol Education and Rehabilitation	A-28	1,391		1,391	-
Body Armor Grant - State Share	A-28	2,775		2,775	-
Clean Communities Grant	A-28	16,921	18,887	35,808	-
Recycling Tonnage Grant	A-28	8,498	-	8,498	-
Total Miscellaneous Revenues	A-1	3,007,426	566,204	3,922,013	348,383
Receipts from Delinquent Taxes	A-1,A-2	220,000	-	239,398	19,398
Sub-Total General Revenues		7,477,426	566,204	8,411,411	367,781
Amount to be Raised by Taxes for Support					
of Municipal Budget					
Local Tax for Municipal Purposes		11,392,716		12,844,351	1,451,635
Minimum Library Tax		759,925	-	759,925	-
Total Amount to be Raised by Taxes	A-2	12,152,641	-	13,604,276	1,451,635
Total General Revenues	A-3	\$ 19,630,067	\$ 566,204	22,015,687	\$ 1,819,416
Non-Budget Revenue	A-1,A-2			1,064,366	
				\$ 23,080,053	

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, 2019

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-1, A-9	\$ 48,046,233
Allocated to School, County and Municipal		
Open Space Taxes	A-19,A-20,A-21,A-22,A-23	<u>36,157,024</u>
Balance for Support of Municipal Budget Appropriation		11,889,209
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,715,067</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 13,604,276</u>
Licenses - Other		
Board of Health	A-12	<u>\$ 50,795</u>
	A-2	<u>\$ 50,795</u>
Fees and Permits		
Borough Clerk	A-12	\$ 3,950
Registrar of Vital Statistics	A-12	951
Planning Board	A-12	133,834
Police	A-12	3,698
Tax Collector	A-12	436
Recreation	A-12	2,665
Construction Code Official - Zoning	A-12	<u>108,874</u>
	A-2	<u>\$ 254,408</u>
<u>Reference</u>		
ANALYSIS OF NON-BUDGET REVENUE		
Excess Sewer Fees		\$ 305,735
Refund from Suez Water		130,000
Insurance Dividends		117,946
Traffic Control Reimbursements - PY		88,725
Sewer Fees - Interlocal Agreements		82,079
Contributions - Memorial Sloan Kettering		72,000
Police Outside Duty Administration Fee		48,483
Police Outside Duty Vehicle Fee		47,197
Cell Tower Fees		33,257
Sale of Assets		27,524
Miscellaneous		73,320
Rental of Borough Property		24,000
PILOT - Montvale Commons		8,600
Distracted Driver Grant Reimbursement		<u>5,500</u>
	A-2	<u>\$ 1,064,366</u>
Cash Receipts	A-4	\$ 758,631
Revenue Accounts Receivable	A-12	<u>305,735</u>
	A-2	<u>\$ 1,064,366</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 249,500	\$ 249,500	\$ 246,687	\$ 2,813	
Other Expenses	218,813	218,813	203,384	15,429	
Mayor and Council					
Salaries and Wages	49,400	49,400	49,326	74	
Other Expenses	33,600	33,600	27,162	6,438	
Borough Clerk					
Salaries and Wages	148,100	148,100	146,244	1,856	
Other Expenses	21,050	21,050	11,155	9,895	
Elections					
Salaries and Wages	2,500	2,500	1,271	1,229	
Other Expenses	10,100	10,100	7,275	2,825	
Financial Administration					
Salaries and Wages	219,000	219,000	213,886	5,114	
Other Expenses	27,500	27,500	13,057	14,443	
Audit Services					
Other Expenses	42,400	42,400	13,600	28,800	
Assessment of Taxes					
Salaries and Wages	36,600	36,600	36,565	35	
Other Expenses	37,000	37,000	8,789	28,211	
Collection of Taxes					
Salaries and Wages	65,100	65,100	65,032	68	
Other Expenses	20,300	20,300	16,686	3,614	
Legal Services and Costs					
Other Expenses	345,000	345,000	342,597	2,403	
Engineering Services and Costs					
Other Expenses	150,000	150,000	140,689	9,311	
Cable TV Committee					
Salaries and Wages	6,300	6,300	508	5,792	
Other Expenses	22,675	22,675	17,353	5,322	

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

	<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	\$ 100	\$ 900	
Historian					
Other Expenses	100	100		100	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	94,500	94,500	92,780	1,720	
Other Expenses	174,100	170,100	76,881	93,219	
Zoning Official					
Salaries and Wages	9,450	9,450	9,403	47	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,500	3,500	3,425	75	
Insurance					
Life Insurance	3,100	3,100	2,640	460	
General Liability	239,000	239,000	227,230	11,770	
Workers Compensation	164,000	164,000	154,542	9,458	
Employee Group Health	867,000	867,000	646,531	220,469	
Employee Group Health -Waiver	67,500	67,500	56,416	11,084	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	156,550	156,550	140,019	16,531	
Fire Hydrant Service	220,000	220,000	183,312	36,688	
Police					
Salaries and Wages	3,594,400	3,594,400	3,505,175	89,225	
Other Expenses	215,600	215,532	214,473	1,059	
Purchase of Police Vehicles	140,000	140,000	136,118	3,882	
Police Dispatch					
Other Expenses	40,000	40,000	11,973	28,027	

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 29,853	\$ 4,147	
Emergency Management					
Salaries and Wages	9,900	9,900	9,888	12	
Other Expenses	16,700	16,700	246	16,454	
Uniform Fire Safety Act					
Salaries and Wages	80,000	80,000	71,306	8,694	
Other Expenses	10,950	10,950	10,104	846	
Prosecutor					
Other Expenses	13,475	14,475	14,333	142	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	75,000	75,000	50,702	24,298	
Sewer System					
Other Expenses	100,000	100,000	100,000	-	
Snow Removal					
Other Expenses	150,000	150,000		150,000	
Garbage and Trash Removal					
Other Expenses	625,000	625,000	609,967	15,033	
Recycling					
Other Expenses	5,000	5,000	-	5,000	
Public Buildings and Grounds					
Salaries and Wages	28,500	28,500	28,492	8	
Other Expenses	111,500	111,500	101,430	10,070	
Maintenance of All Vehicles					
Other Expenses	55,000	55,000	24,842	30,158	
Municipal Services Act					
Other Expenses	20,000	20,000	461	19,539	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 3,200	\$ 3,200	\$ 1,900	\$ 1,300	
Other Expenses	94,500	94,500	68,038	26,462	
Environmental Commission					
Salaries and Wages	4,000	4,000	3,450	550	
Other Expenses	13,250	15,250	13,250	2,000	
Animal Regulation					
Other Expenses	13,000	13,000	10,800	2,200	
Administration of Public Assistance					
Salaries and Wages	7,000	7,000	6,970	30	
Other Expenses	520	520	305	215	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Other Expenses	6,000	6,000	2,528	3,472	
Recreation Services and Programs					
Salaries and Wages	57,000	57,000	56,650	350	
Other Expenses	19,200	19,200	13,530	5,670	
Senior Citizen Van					
Salaries and Wages	20,000	20,000	13,367	6,633	
Senior Citizens					
Other Expenses	26,000	26,000	25,919	81	
Celebration of Public Events					
Other Expenses	35,000	35,000	34,464	536	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	10,000	9,500		9,500	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	109,360	109,360	103,679	5,681	
Other Expenses	13,734	13,734	8,897	4,837	

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

	<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" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,675	\$ 3,675	\$ 3,675		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	212,500	212,500	211,585	\$ 915	
Other Expenses	61,700	61,700	53,861	7,839	
Building Subcode Official					
Salaries and Wages	42,750	42,750	42,521	229	
Plumbing Subcode Official					
Salaries and Wages	27,600	27,600	27,529	71	
Fire Subcode Official					
Salaries and Wages	16,500	17,000	16,833	167	
Electrical Subcode Official					
Salaries and Wages	42,800	42,800	42,761	39	
Elevator Subcode Official					
Other Expenses	35,000	35,000	35,000	-	
UNCLASSIFIED					
Utilities					
Gasoline	60,000	60,000	38,038	21,962	
Electricity	158,600	158,600	125,336	33,264	
Telephone	45,000	45,000	37,432	7,568	
Natural Gas	54,100	54,100	24,105	29,995	
Street Lighting	125,000	125,000	97,903	27,097	-
Total Operations Within "CAPS"	10,348,752	10,347,684	9,194,234	1,153,450	-
Contingent	2,000	2,000	-	2,000	-
Total Operations including Contingent - Within "CAPS"	10,350,752	10,349,684	9,194,234	1,155,450	-
Detail:					
Salaries and Wages	5,149,460	5,149,460	5,007,233	142,227	-
Other Expenses	5,201,292	5,200,224	4,187,001	1,013,223	-

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

	<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.)	\$ 205,000	\$ 205,000	\$ 181,629	\$ 23,371	
Defined Contribution Retirement Plan (DCRP)	11,000	11,000	4,556	6,444	
Public Employees Retirement System	167,862	167,862	167,862	-	
Police and Fireman's Retirement System	<u>851,295</u>	<u>851,295</u>	<u>851,295</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>1,235,157</u>	<u>1,235,157</u>	<u>1,205,342</u>	<u>29,815</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,585,909</u>	<u>11,584,841</u>	<u>10,399,576</u>	<u>1,185,265</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Chap. 82, 541 P.L. 85 - Minimum	759,925	759,925	759,856	69	
Chap. 82, 541 P.L. 85 - Addition	56,896	56,896	56,896	-	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	900,000	900,000	892,624	7,376	
Reserve for Tax Appeals	50,000	50,000	50,000		
Recycling Tax	10,000	10,000	-	10,000	
Length of Service Award Program (LOSAP)	55,000	55,000	24,300	30,700	
Police Dispatch/911					
Other Expenses	195,000	195,000	195,000	-	

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

	<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 - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 113,890	\$ 113,890	\$ 107,910	\$ 5,980	
Other Expenses	62,662	62,662	60,744	1,918	
Prosecutor					
Other Expenses	14,025	15,025	14,918	107	
Public Defender					
Other Expenses	3,825	3,825	3,825	-	
Pascack Valley Regional School District					
Special Police					
Salaries and Wages	129,000	135,100	135,024	76	
Other Expenses	17,625	18,475	18,475	-	
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	1,640,200	1,640,200	1,640,200	-	-
Total Other Operations Excluded from "CAPS"	4,008,048	4,015,998	3,959,772	56,226	-
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant	8,498	8,498		8,498	
Bergen County Municipal JIF Safety Incentive Program	1,750	1,750	1,553	197	
Clean Communities Grant	16,921	35,808	15,368	20,440	
Municipal Alliance Program					
County Share	9,876	9,876		9,876	
Local Share	2,469	2,469		2,469	
Alcohol Education and Rehab. Grant	1,391	1,391		1,391	
Bullet Proof Vest	2,000	2,000		2,000	
Drunk Driving Enforcement Grant		9,805		9,805	
Body Armor Grant-State Share	2,775	2,775		2,775	
Office of the County Prosecutor-MEA		35,100	35,100		
Police Donations - Wegmans		1,771	1,771	-	
Police Donations - Hekemian-Quad	-	21,691	21,691	-	-
Total Public and Private Programs Offset by Revenues	45,680	132,934	75,483	57,451	-
Total Operations Excluded from "CAPS"	4,053,728	4,148,932	4,035,255	113,677	-
Detail:					
Salaries and Wages	242,890	248,990	242,934	6,056	
Other Expenses	3,810,838	3,899,942	3,792,321	107,621	-

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, 2019

	<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>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 62,000	\$ 62,000	\$ 62,000		
Open Space - LaTrenta Improvements	113,538	178,538	175,854	\$ 2,684	
Acquisition of Equipment - Police Department	65,000	65,068	65,068		
Acquisition of Vehicles and Equipment - UCC	45,000	45,000	43,704	1,296	
Acquisition of Vehicles and Equipment - Fire Dept.	45,000	45,000	44,000	1,000	
Various Improvements - Buildings and Grounds	135,000	135,000	134,597	403	
Donation - Park, Pond and Trail Improvements	-	200,000	65,025	134,975	
NJDOT - Improvements to Various Streets	-	207,000	-	207,000	-
Total Capital Improvements Excluded from "CAPS"	<u>465,538</u>	<u>937,606</u>	<u>590,248</u>	<u>347,358</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,415,000	1,415,000	1,415,000		
Interest on Bonds	361,825	361,825	361,820		\$ 5
Interest on Notes	-	-	-	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,776,825</u>	<u>1,776,825</u>	<u>1,776,820</u>	<u>-</u>	<u>5</u>
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>6,329,091</u>	<u>6,896,363</u>	<u>6,435,323</u>	<u>461,035</u>	<u>5</u>
Subtotal General Appropriations	17,915,000	18,481,204	16,834,899	1,646,300	5
Reserve for Uncollected Taxes	<u>1,715,067</u>	<u>1,715,067</u>	<u>1,715,067</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,630,067</u>	<u>\$ 20,196,271</u>	<u>\$ 18,549,966</u>	<u>\$ 1,646,300</u>	<u>\$ 5</u>
<u>Reference</u>	A-2	A-3	A-1	A,A-1	

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

		<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>
Budget as Adopted	A-3	\$ 19,630,067	
Appropriation by 40A:4-87	A-2	<u>566,204</u>	
		<u>\$ 20,196,271</u>	
Cash Disbursed	A-4		\$ 15,704,270
Encumbrances Payable	A-15		918,073
Due to LOSAP Trust Fund	B		24,300
Due to General Capital Fund	C-4		105,256
Deferred Charges			
Special Emergency Authorization	A-13		33,000
Reserve for Tax Appeals	A-26		50,000
Reserve for Uncollected Taxes	A-2		<u>1,715,067</u>
			<u>\$ 18,549,966</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 18,963	\$ 16,284
OTHER TRUST FUND			
Cash	B-3	2,876,018	3,374,660
UNEMPLOYMENT INSURANCE FUND			
Cash	B-3	280,642	275,161
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	176,666	116,262
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	699,622	560,595
Due from Current Fund	A	24,300	27,000
		723,922	587,595
Total Assets		\$ 4,076,211	\$ 4,369,962

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL FUND			
Due to State of NJ - Fees Payable	B-4	\$ 18	\$ 18
Due to Current Fund	B-6	3,732	3,017
Reserve for Animal Control Expenditures	B-5	<u>15,213</u>	<u>13,249</u>
		<u>18,963</u>	<u>16,284</u>
OTHER TRUST FUND			
Due to Current Fund	B-9	144,193	27,052
Escrow Deposits	B-10	1,133,085	1,724,531
Payroll Deductions Payable	B-11	60,276	57,313
Miscellaneous Reserves and Deposits	B-12	<u>1,538,464</u>	<u>1,565,764</u>
		<u>2,876,018</u>	<u>3,374,660</u>
UNEMPLOYMENT INSURANCE FUND			
Due to State of NJ - Claims Payable	B-7	21	5
Reserve for Unemployment Compensation Insurance Claims	B-8	<u>280,621</u>	<u>275,156</u>
		<u>280,642</u>	<u>275,161</u>
OPEN SPACE PRESERVATION TRUST FUND			
Encumbrances Payable	B-16	35,820	2,230
Reserve for Open Space Preservation	B-15	<u>140,846</u>	<u>114,032</u>
		<u>176,666</u>	<u>116,262</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>723,922</u>	<u>587,595</u>
Total Liabilities and Reserves		<u>\$ 4,076,211</u>	<u>\$ 4,369,962</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, 2019

		<u>Anticipated</u>		
	Budget	Budget After		Excess or
	(Memo)	Modifications	Realized	(Deficit)
Amount to be Raised by Taxation	\$ 102,184	\$ 102,184	\$ 102,581	\$ 397
	<u>\$ 102,184</u>	<u>\$ 102,184</u>	<u>\$ 102,581</u>	<u>\$ 397</u>
<u>Reference</u>	B-2	B-2	B-15	

EXHIBIT B-2

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

		<u>Appropriated</u>		<u>Expended</u>
	Budget	Budget After	Paid or	
	(Memo)	Modification	Charged	Reserved
Maintenance of Land for Recreation and Conservation				
Other Expenses		\$ 75,767	\$ 75,767	
Reserve for Future Use	\$ 102,184	26,417	-	\$ 26,417
	<u>\$ 102,184</u>	<u>\$ 102,184</u>	<u>\$ 75,767</u>	<u>\$ 26,417</u>
<u>Reference</u>	B-1	B-1	B-15	

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 3,191,927	\$ 3,372,649
Deferred Charges to Future Taxation			
Funded	C-5	9,620,000	11,035,000
Unfunded	C-6	<u>2,351,250</u>	<u>-</u>
 Total Assets		 <u>\$ 15,163,177</u>	 <u>\$ 14,407,649</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-12	\$ 9,620,000	\$ 11,035,000
Bond Anticipation Notes	C-13	2,300,000	
Encumbrances Payable	C-8	1,045,425	1,150,910
Improvement Authorizations			
Funded	C-7	1,140,721	1,791,889
Unfunded	C-7	675,620	
Capital Improvement Fund	C-9	2,191	63,941
Reserve for Payment of Debt	C-10	109,480	109,480
Reserve for Improvement of Fields	C-11	117,495	106,645
Fund Balance	C-1	<u>152,245</u>	<u>149,784</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 15,163,177</u>	 <u>\$ 14,407,649</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$51,250 and \$0, respectively. (Exhibit C-14)

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 149,784	\$ 149,117
Increased by:			
Premiums on Bonds and Notes Issued	C-2	<u>2,461</u>	<u>667</u>
Balance, December 31	C	<u>\$ 152,245</u>	<u>\$ 149,784</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	D-1	\$ 4,593	\$ 6,362
Total Assets		<u>\$ 4,593</u>	<u>\$ 6,362</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ 4,593	\$ 6,362
Total Liabilities and Reserves		<u>\$ 4,593</u>	<u>\$ 6,362</u>

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Land and Land Improvements	\$ 19,058,038	\$ 19,058,038
Buildings and Building Improvements	15,476,881	15,389,598
Machinery and Equipment	<u>9,265,646</u>	<u>8,980,023</u>
	<u>\$ 43,800,565</u>	<u>\$ 43,427,659</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 43,800,565</u>	<u>\$ 43,427,659</u>

NOTES TO FINANCIAL STATEMENTS

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

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 nor the 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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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. The Borough's infrastructure is not reported in the account group.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

The Borough of 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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of 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 the Open Space Preservation Trust Fund)
General Capital Fund
Public Assistance Fund

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the original budget by \$566,204 and \$50,803. The increases in 2019 were funded by additional aid allotted to the Borough. 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. In addition, the governing body approved several budget transfers during 2019 and 2018.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$15,505,101 and \$16,427,964 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,692,720 and \$16,716,146, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	\$ 16,692,720	\$ 16,716,146
	<u>\$ 16,692,720</u>	<u>\$ 16,716,146</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018 none of the Borough's bank balances were exposed to custodial credit risk.

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

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

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

	Fair Value (LOSAP)	
	<u>2019</u>	<u>2018</u>
Investment:		
Lincoln Financial Group LOSAP		
Investment Fund (Unaudited)	\$ 699,622	\$ 560,595

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$699,622 and \$560,595 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department		
but not in the Borough's name (Unaudited)	\$ 699,622	\$ 560,595

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 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, 2019 and 2018 consisted of the following:

<u>Current</u>	<u>2019</u>	<u>2018</u>
Property Taxes	\$ 205,582	\$ 241,187
Tax Title Liens	<u>25,220</u>	<u>20,196</u>
	<u>\$ 230,802</u>	<u>\$ 261,383</u>

In 2019 and 2018, the Borough collected \$239,398 and \$623,961 from delinquent taxes, which represented 92% and 123%, respectively of the prior year delinquent taxes receivable balance.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 147,925	\$ 24,300	\$ 30,069	\$ 27,000
Trust Funds				
Animal Control		3,732		3,017
Other Trust		144,193		27,052
LOSAP Fund	<u>24,300</u>	<u>-</u>	<u>27,000</u>	<u>-</u>
Total	<u>\$ 172,225</u>	<u>\$ 172,225</u>	<u>\$ 57,069</u>	<u>\$ 57,069</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2019</u>			
There are none.			
<u>2018</u>			
Current Fund			
Emergency Authorizations	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ -</u>

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

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund 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:

	2019		2018	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 4,193,772	\$ 4,100,000	\$ 5,106,250	\$ 4,250,000
Non-Cash Surplus	<u>519,402</u>	<u>-</u>	<u>251,000</u>	<u>-</u>
	<u>\$ 4,713,174</u>	<u>\$ 4,100,000</u>	<u>\$ 5,357,250</u>	<u>\$ 4,250,000</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

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

	<u>Balance December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2019</u>
2019				
Land and Land Improvements	\$ 19,058,038			\$ 19,058,038
Buildings and Building Improvements	15,389,598	\$ 87,283		15,476,881
Machinery and Equipment	<u>8,980,023</u>	<u>497,139</u>	<u>\$ (211,516)</u>	<u>9,265,646</u>
	<u>\$ 43,427,659</u>	<u>\$ 584,422</u>	<u>\$ (211,516)</u>	<u>\$ 43,800,565</u>
	<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>

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Notes	\$ 11,920,000	\$ 11,035,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>109,480</u>	<u>109,480</u>
Net Debt Issued	11,810,520	10,925,520
Authorized But Not Issued		
General		
Bonds and Notes	<u>51,250</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,861,770</u>	<u>\$ 10,925,520</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .513% and .478% at December 31, 2019 and 2018, respectively.

<u>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 11,971,250	\$ 109,480	\$ 11,861,770
School Debt	<u>6,200,948</u>	<u>6,200,948</u>	<u>-</u>
Total	<u>\$ 18,172,198</u>	<u>\$ 6,310,428</u>	<u>\$ 11,861,770</u>
 <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>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 80,997,756	\$ 79,950,911
Net Debt	<u>11,861,770</u>	<u>10,925,520</u>
Remaining Borrowing Power	<u>\$ 69,135,986</u>	<u>\$ 69,025,391</u>

A. Long-Term Debt

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

General Obligation Bonds

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

General Obligation Bonds

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

	<u>2019</u>	<u>2018</u>
\$3,775,000, 2010 Refunding Bonds, due in an annual installment of \$450,000 through August, 2019, interest at 3.00% to 4.375%		\$ 450,000
\$3,695,000, 2011 Bonds, due in annual installments of \$425,000 to \$430,000 through December, 2021, interest at 2.50%	\$ 855,000	1,280,000
\$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%	<u>8,765,000</u>	<u>9,305,000</u>
	<u>\$ 9,620,000</u>	<u>\$ 11,035,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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

Calendar Year	<u>Principal</u>	<u>General</u> <u>Interest</u>	<u>Total</u>
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	760,000	200,500	960,500
2025-2029	3,855,000	497,650	4,352,650
2030	<u>795,000</u>	<u>23,850</u>	<u>818,850</u>
	<u>\$ 9,620,000</u>	<u>\$ 1,804,825</u>	<u>\$ 11,424,825</u>

Changes in Long-Term Municipal Debt

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

	Balance, December 31, <u>2018</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund					
Bonds Payable	<u>\$ 11,035,000</u>	<u>\$ -</u>	<u>\$ 1,415,000</u>	<u>\$ 9,620,000</u>	<u>\$ 1,270,000</u>
	Balance, December 31, <u>2017</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<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>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2018</u>	Renewals/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2019</u>
<u>2019</u>						
<u>General Capital Fund</u>						
Various Capital Improvements	1.50%	8/21/2020	-	\$ 2,300,000	-	\$ 2,300,000
			<u>\$ -</u>	<u>\$ 2,300,000</u>	<u>\$ -</u>	<u>\$ 2,300,000</u>
			Balance, December 31, <u>2017</u>	Renewals/ <u>Issued</u>	Retired/ <u>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>

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

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

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

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 Commitment</u>	<u>Estimated Date of Completion</u>
<u>2019</u>		
Various Road Improvements	\$ 286,478	2020
Sanitary and Storm Sewer Repairs	43,942	2020
Municipal Complex HVAC Upgrades	180,992	2020
LaTrenta Field Synthetic Turf	567,569	2020
<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

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$627,035 and \$760,624 at December 31, 2019 and 2018, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences/Terminal Leave	\$ 760,624		\$ 133,589	\$ 627,035	\$ -
Net Pension Liability - PERS	4,633,623		361,042	4,272,581	
Net Pension Liability - PFRS	<u>11,782,802</u>	<u>-</u>	<u>752,489</u>	<u>11,030,313</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,177,049</u>	<u>\$ -</u>	<u>\$ 1,247,120</u>	<u>\$ 15,929,929</u>	<u>\$ -</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<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	<u>12,651,520</u>	<u>-</u>	<u>868,718</u>	<u>11,782,802</u>	<u>-</u>
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>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2019	\$ 851,295	\$ 234,082	\$ 4,556
2018	725,274	229,268	10,782
2017	646,651	214,978	11,423

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

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$343, \$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, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$4,272,581 and \$4,633,623, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .02371 percent, which was an increase of .00018 percent from its proportionate share measured as of June 30, 2018 of .02353 percent.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense (benefit) to be \$(15,166) and \$35,844, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$234,082 and \$229,268, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 76,687	\$ 18,874	\$ 88,364	\$ 23,892
Changes of Assumptions	426,633	1,482,999	763,544	1,481,586
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		67,444		43,464
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>200,399</u>	<u>371,916</u>	<u>266,490</u>	<u>691,746</u>
Total	<u>\$ 703,719</u>	<u>\$ 1,941,233</u>	<u>\$ 1,118,398</u>	<u>\$ 2,240,688</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (265,385)
2021	(377,336)
2022	(390,061)
2023	(188,958)
2024	<u>(15,774)</u>
	<u>\$ (1,237,514)</u>

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

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,396,964</u>	<u>\$ 4,272,581</u>	<u>\$ 3,325,129</u>
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,826,247</u>	<u>\$ 4,633,623</u>	<u>\$ 3,633,088</u>

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$11,030,313 and \$11,782,802, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .09013 percent, which was an increase of .00305 percent from its proportionate share measured as of June 30, 2018 of .08708 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$1,553,586 and \$1,401,529, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$851,295 and \$725,274, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 93,110	\$ 69,835	\$ 119,875	\$ 48,760
Changes of Assumptions	377,959	3,564,896	1,011,395	3,019,729
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		149,457		64,463
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	1,256,113	-	1,340,306	-
Total	<u>\$ 1,727,182</u>	<u>\$ 3,784,188</u>	<u>\$ 2,471,576</u>	<u>\$ 3,132,952</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (214,516)
2021	(822,419)
2022	(575,616)
2023	(264,102)
2024	<u>(180,353)</u>
	<u>\$ (2,057,006)</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

<u>2019</u>	<u>1% Decrease (5.85%)</u>	<u>Current Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,908,964</u>	<u>\$ 11,030,313</u>	<u>\$ 7,820,171</u>
<u>2018</u>	<u>1% Decrease (5.51%)</u>	<u>Current Discount Rate (6.51%)</u>	<u>1% Increase (7.51%)</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>

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,741,707 and \$1,600,499, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$202,372 and \$189,577, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$117,355 and \$94,788, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .09013 percent, which was an increase of .00305 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .08708 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

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

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

- Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contribution

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Special Funding Situation

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

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$6,672,692 and \$7,872,257, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$88,448 and \$238,302, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .12076 percent, which was a decrease of .00593 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .12669 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

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

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

Calendar

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

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

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, 2019 AND 2018

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Claims</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	None	\$ 7,665	\$ 2,200	\$ 280,621
2018	None	6,598	3,829	275,156
2017	None	6,607	2,346	272,387

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

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, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$1,001,875 and \$951,875, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

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

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

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

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

The Borough of 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, 2019 AND 2018**

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 and \$1,350 for 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The Borough also contributed \$24,300 and \$27,000 for 2019 and 2018, respectively for each eligible volunteer first aid squad members into the Plan.

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, 2019 and 2018 were \$12,308 and \$11,283, respectively.

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, 2019 AND 2018**

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. 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, 2019 and 2018 the Borough abated property taxes totaling \$72,780 and \$71,887, respectively, under the NJHMFA program. The Borough received \$8,600 in PILOT payments under this program for both years ended December 31, 2019 and 2018, respectively.

NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

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

NOTE 20 SUBSEQUENT EVENTS

Debt Authorized

On May 12, 2020 the Borough adopted a bond ordinance authorizing the issuance \$2,179,500 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.

Bond Anticipation Notes

On August 20, 2020 the Borough issued bond anticipation notes in the amount of \$2,325,000 to temporarily finance expenditures related to various capital projects. The Borough awarded the sale of said notes to Oppenheimer & Co. Inc. at an interest rate of 1.25%. These notes dated August 20, 2020 will mature on August 20, 2021.

CURRENT FUND

BOROUGH OF MONTVALE
STATEMENT OF CASH - COLLECTOR - TREASURER

Balance, December 31, 2018		\$ 9,266,186
Increased by:		
Taxes Receivable	\$ 47,813,104	
Non-Budget Revenue	758,631	
Prepaid Revenues	53,575	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	41,877	
Revenue Accounts Receivable	3,478,664	
Grants Receivable	362,379	
Receipts from Other Trust Fund	46,087	
Receipts from Animal Control Fund	3,017	
Fees Payable	52,589	
Tax Overpayments	33,071	
Prepaid Taxes	316,650	
Reserve for Field Maintenance - General Capital Fund	5,000	
Reserve for Grants - Unappropriated	50,526	
Petty Cash	800	
	<u>53,015,970</u>	
		62,282,156
Decreased by Disbursements:		
2019 Budget Appropriations	15,704,270	
2018 Appropriation Reserves	210,118	
County Taxes Payable	5,470,989	
Due to County for Added and Omitted Taxes	16,905	
Local School District Tax Payable	16,771,966	
Regional High School Taxes Payable	13,790,303	
Payments for Other Trust Fund	139,218	
Payments to Other Trust Fund	22,701	
Payments to Open Space Preservation Trust Fund	102,581	
Payments to LOSAP Fund	27,000	
Payments to General Capital Fund	105,256	
Encumbrances Payable	877,180	
Petty Cash	800	
Reserve for Grants - Appropriated	22,416	
Fees Payable	26,539	
Tax Overpayments Refunded	33,071	
Refund Prior Year Revenue	4,951	
	<u>53,326,264</u>	
Balance, December 31, 2019		<u>\$ 8,955,892</u>

**BOROUGH OF MONTVALE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</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>2018</u>	Revenue <u>Realized</u>	<u>Received</u>	Balance, December 31, <u>2019</u>
NJ Department of Transportation -				
Various Street Improvements - 2018	\$ 218,000		\$ 125,608	\$ 92,392
Various Street Improvements - 2019		\$ 207,000		207,000
Municipal Alliance Program		9,876	3,504	6,372
Environmental Donations		200,000	200,000	-
Police Donations		21,691	21,691	-
Police Donations - Wegmans		1,771	1,771	-
Bergen County Open Space - Field Improvements		178,538		178,538
County of Bergen - County Prosecutor		35,100		35,100
Drunk Driving Enforcement Fund	-	9,805	9,805	-
	<u>-</u>	<u>9,805</u>	<u>9,805</u>	<u>-</u>
	<u>\$ 218,000</u>	<u>\$ 663,781</u>	<u>\$ 362,379</u>	<u>\$ 519,402</u>

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

Balance, December 31, 2018	\$ 7,775
Increased by:	
Payment from State of New Jersey	\$ 41,877
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2018	194
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2019	<u>1,500</u>
	<u>43,571</u>
	51,346
Decreased by:	
Senior Citizens' Deductions Per Tax Billings	1,250
Veterans' Deductions Per Tax Billings	40,000
Veterans'/Senior Citizen's Deductions Allowed by Tax Collector - 2019	<u>500</u>
	<u>41,750</u>
Balance, December 31, 2019	<u>\$ 9,596</u>

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

<u>Year</u>	Balance, December 31, <u>2018</u>	2019 <u>Levy</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	Cash <u>Collections</u> <u>2018</u>	<u>2019</u>	Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Transferred to Tax Title <u>Liens</u>	Balance, December 31, <u>2019</u>
2018	\$ 241,187		\$ 194	\$ 239,398			\$ 2	\$ 1,867	\$ 114
2019	-	\$ 48,479,680	1,500	\$ 432,277	47,573,706	\$ 41,750	224,822	3,157	205,468
	<u>\$ 241,187</u>	<u>\$ 48,479,680</u>	<u>\$ 1,694</u>	<u>\$ 432,277</u>	<u>\$ 47,813,104</u>	<u>\$ 41,750</u>	<u>\$ 224,824</u>	<u>\$ 5,024</u>	<u>\$ 205,582</u>

Analysis of 2019 Property Tax Levy

ANALYSIS OF 2019 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax	\$ 48,292,189
Added Taxes (54:4-63.1 et. seq.)	<u>187,491</u>
	<u>\$ 48,479,680</u>

TAX LEVY

Local District School Tax	\$ 16,771,966
Regional High School Tax	13,790,303
County Taxes:	
County Taxes	\$ 5,244,034
County Open Space	226,955
Due County for Added Taxes (54:4-63.1 et. seq.)	<u>21,185</u>
	5,492,174
Municipal Open Space Tax	102,184
Municipal Open Space Added Taxes	<u>397</u>
	102,581
Local Tax for Municipal Purposes	11,392,716
Minimum Library Tax	759,925
Additional Tax Levied	<u>170,015</u>
	<u>12,322,656</u>
	<u>\$ 48,479,680</u>

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

Balance, December 31, 2018	\$ 20,196
Increased by:	
Transfers from Taxes Receivable	<u>5,024</u>
Balance, December 31, 2019	<u><u>\$ 25,220</u></u>

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

Balance, December 31, 2018	<u>\$ 29,400</u>
Balance, December 31, 2019	<u><u>\$ 29,400</u></u>

BOROUGH OF MONTVALE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	Accrued in <u>2019</u>	<u>Collected</u>	Balance, December 31, <u>2019</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 17,840	\$ 17,840	
Fees and Permits - Parking Permits		3,950	3,950	
Board of Health				
Licenses		50,795	50,795	
Register of Vital Statistics				
Fees and Permits		951	951	
Construction Code Official				
Uniform Construction Code Fees		533,321	533,321	
Fees and Permits - Other		108,874	108,874	
Police				
Fees and Permits		3,698	3,698	
Tax Collector				
Fees and Permits - Tax Search Fees		436	436	
Planning Board				
Fees and Permits		133,834	133,834	
Recreation				
Fees and Permits		2,665	2,665	
Municipal Court				
Fines and Costs	\$ 10,520	174,937	181,356	\$ 4,101
Interest and Costs on Taxes	5,062	68,629	69,905	3,786
Interest on Investments and Deposits		16,591	16,591	
Municipal Court Shared Service	40,086	187,671	179,586	48,171
Pascack Valley Regional School District				
Special Police Shared Service		153,468	153,468	
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		131,138	131,138	
Sewer Agreement - Marriott		26,772	26,772	
Hotel/Motel Tax		188,722	188,722	
Uniform Fire Safety Act:				
Local Enforcement Fees		116,970	116,970	
LEA Rebate		17,760	17,760	
Excess Sewer User Fees (MRNA)	<u>6,803</u>	<u>299,590</u>	<u>305,735</u>	<u>658</u>
	<u>\$ 62,471</u>	<u>\$ 3,500,990</u>	<u>\$ 3,506,745</u>	<u>\$ 56,716</u>
Cash Received			\$ 3,478,664	
Prepaid Revenues Applied			26,772	
Due from Other Trust Fund			<u>1,309</u>	
			<u>\$ 3,506,745</u>	

**BOROUGH OF MONTVALE
STATEMENT OF DEFERRED CHARGES**

	Balance December 31, <u>2018</u>	Added in <u>2019</u>	Raised in 2019 <u>Budget</u>	Balance, December 31, <u>2019</u>
Emergency Authorization (40A:4-47)	\$ 33,000	\$ -	\$ 33,000	\$ -
	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ -</u>

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2018</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	<u>Transfers</u>	Balance <u>Lapsed</u>
SALARIES AND WAGES						
Administrative and Executive	\$ 2,451		\$ 2,451			\$ 2,451
Mayor and Council	11		11			11
Borough Clerk	1,264		1,264			1,264
Elections	1,599		1,599			1,599
Financial Administration	19,343		19,343			19,343
Assessment of Taxes	3,389		3,389			3,389
Collection of Taxes	62		62			62
Cable TV Committee	2,723		2,723			2,723
Planning Board	2,418		2,418			2,418
Zoning Official	21		21			21
Code Enforcement and Administration Property Maint	25		25			25
Police	63,534		63,534	\$ 13,926		49,608
Emergency Management	1,130		1,130			1,130
Uniform Fire Safety Act	1,663		1,663			1,663
Public Buildings and Grounds	38		38			38
Public Health Services	657		657			657
Environmental Commission	830		830			830
Public Assistance	13		13			13
Recreation Services and Programs	50		50			50
Senior Citizen Van	9,360		9,360			9,360
Municipal Court	3,252		3,252			3,252
Municipal Court - Shared Services	3,527		3,527			3,527
Special Police - Shared Services	116		116			116
Salary Adjustment Account	1,000		1,000			1,000
Construction Code Official	7,738		7,738			7,738
Building Subcode Official	17		17			17
Plumbing Subcode Official	73		73			73
Fire Subcode Official	20		20			20
Electrical Subcode Official	84	-	84	-	-	84
	<u>126,408</u>	<u>-</u>	<u>126,408</u>	<u>13,926</u>	<u>-</u>	<u>112,482</u>
OTHER EXPENSES						
Administrative and Executive	\$ 13,418		\$ 13,418	4,210		9,208
Mayor and Council	4,412		4,412	232		4,180
Borough Clerk	6,570		6,570			6,570
Elections	4,430		4,430			4,430
Financial Administration	8,015		8,015	1,674		6,341
Audit Services	41,600		41,600	26,635		14,965
Assessment of Taxes	29,126	\$ 200	29,326			29,326
Collection of Taxes	6,068		6,068			6,068
Legal Services and Costs	3,638		28,638	5,284		23,354
Engineering Services & Costs	16,663		26,663	20,806		5,857
Cable TV Commission	2,238		2,238			2,238
Historic Preservation Commission	1,000		1,000			1,000
Historian	100		100			100
Planning Board	108,390		47,390	91		47,299
Fire	12,043	16,804	28,847			28,847
Fire Hydrant Service	28,027		28,027			28,027
Police	12,347		12,347	4,928		7,419
Purchase of Police Vehicles	11,061		11,061			11,061
Police Dispatch	11,303		11,303			11,303
First Aid Organization	12,795		12,795	8,421		4,374
Emergency Management	8,358		8,358			8,358
Uniform Fire Safety Act	4,171	59	4,230			4,230
Road Repair and Maintenance	46,010	895	46,905			46,905
Sewer System	25,225		25,225	15,306		9,919

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2018	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers	Balance Lapsed
OTHER EXPENSES (Continued)						
Garbage and Trash Removal	\$ 34,684		\$ 34,684	\$ 33,056		\$ 1,628
Recycling Tax	4,913		4,913			4,913
Recycling	3,320		3,320			3,320
Public Buildings and Grounds	26,666		26,666	1,773		24,893
Maintenance of All Vehicles	12,446		37,446	23,059		14,387
Municipal Services Act	855		4,355	1,468		2,887
Public Health Services	25,460		25,460			25,460
Environmental Commission	706	\$ 21,779	22,485			22,485
Administration of Public Assistance	23		23			23
Animal Regulation	2,965		2,965			2,965
Parks and Playgrounds	1,000		1,000			1,000
Recreation Services and Programs	12,880	50	12,930			12,930
Senior Citizens	8,585		8,585	5,729		2,856
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	13,972		13,972	3,397		10,575
Electricity	34,481		34,481	9,842		24,639
Telephone	909		8,409	3,425		4,984
Natural Gas	29,637		29,637	4,400		25,237
Street Lighting	22,312		22,312	9,474		12,838
Contingent	1,000		1,000			1,000
Social Security System	30,945		30,945			30,945
Defined Contribution Retirement Plan	3,568		3,568			3,568
Construction Code	34,202		34,202	1,888		32,314
Maintenance of Free Public Library	15,252		15,252			15,252
Sewerage Processing and Disposal	224		224			224
Insurance						
Life Insurance	268		268			268
General Liability	4,133		4,133	1,000		3,133
Workers Compensation	877		877			877
Employee Group Health	81,195		71,195			71,195
Employee Group Health - Waiver	10,000		10,000			10,000
Length of Service Award Program	25,500		25,500	9,744		15,756
Municipal Court	2,370		2,370			2,370
Municipal Court - Shared Services	13,178		13,178			13,178
Special Police - Shared Services	42		42			42
Department of Public Works - Shared Services	22		22			22
Municipal Alliance						
Local Share	2,469		2,469			2,469
Body Armor Grant - State Share	848		848	848		-
Alcohol Education and Rehab. Fund	772		772		\$ 772	-
Recycling Tonnage Grant	9,898		9,898	9,750	148	-
Acquisition of Equipment - Fire Dept.	4,117	795	4,912			4,912
Various Improvements - Buildings and Grounds	2,210		2,210	2,210		-
NJDOT - Improvements to Various Streets	45,763	4,760	50,523	-	50,523	-
	<u>943,675</u>	<u>45,342</u>	<u>989,017</u>	<u>208,650</u>	<u>51,443</u>	<u>728,924</u>
	<u>\$ 1,070,083</u>	<u>\$ 45,342</u>	<u>\$ 1,115,425</u>	<u>\$ 222,576</u>	<u>\$ 51,443</u>	<u>\$ 841,406</u>
Cash Disbursed				\$ 210,118		
Accounts Payable				12,458		
Transfer to Appropriated Grant Reserves				-	\$ 51,443	
Total				<u>\$ 222,576</u>	<u>\$ 51,443</u>	

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018		\$ 922,522
Increased by:		
Charges to 2019 Budget Appropriations		<u>918,073</u>
		1,840,595
Decreased by:		
Cash Payments	\$ 877,180	
Cancellation Restored to Appropriation Reserves	<u>45,342</u>	
		<u>922,522</u>
Balance, December 31, 2019		<u><u>\$ 918,073</u></u>

EXHIBIT A-16

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2018	\$ 246,052
Increased by:	
Transferred from Appropriation Reserves	<u>12,458</u>
Balance, December 31, 2019	<u><u>\$ 258,510</u></u>

EXHIBIT A-17

STATEMENT OF PREPAID TAXES

Balance, December 31, 2018	\$ 432,277
Increased by:	
2020 Prepaid Taxes Received	<u>316,650</u>
	748,927
Decreased by:	
Application to 2019 Taxes Receivable	<u>432,277</u>
Balance, December 31, 2019	<u><u>\$ 316,650</u></u>

**BOROUGH OF MONTVALE
STATEMENT OF TAX OVERPAYMENTS**

Increased by:		
Overpayments in 2019	\$	33,071
Decreased by:		
Overpayments Refunded		<u>33,071</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
2019 Levy	\$	16,771,966
Decreased by:		
Payments	\$	<u>16,771,966</u>

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
2019 Levy	\$	13,790,303
Decreased by:		
Payments	\$	<u>13,790,303</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:			
2019 Levy:			
General County Tax	\$	5,244,034	
County Open Space Tax		<u>226,955</u>	
			\$ 5,470,989
Decreased by:			
Payments			<u>\$ 5,470,989</u>

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

Balance, December 31, 2018	\$ 16,905
Increased by:	
2019 Added Tax Levy	<u>21,185</u>
	38,090
Decreased by:	
Payments	<u>16,905</u>
Balance, December 31, 2019	<u>\$ 21,185</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES

Increased by:	
2019 Levy	\$ 102,184
2019 Added Levy	<u>397</u>
	\$ 102,581
Decreased by:	
Due to Open Space Preservation Trust Fund	<u>\$ 102,581</u>

STATEMENT OF FEES PAYABLE

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2019</u>
Marriage Licenses	\$ 150	\$ 430	\$ 480	\$ 100
BOCA Fees	<u>6,666</u>	<u>52,159</u>	<u>26,059</u>	<u>32,766</u>
	<u>\$ 6,816</u>	<u>\$ 52,589</u>	<u>\$ 26,539</u>	<u>\$ 32,866</u>

**BOROUGH OF MONTVALE
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2019</u>
Sewer Fees - Marriott	\$ 26,772	\$ 53,575	\$ 26,772	\$ 53,575
	<u>\$ 26,772</u>	<u>\$ 53,575</u>	<u>\$ 26,772</u>	<u>\$ 53,575</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2018	\$ 951,875
Increased by:	
Charges to 2019 Budget Appropriations	<u>50,000</u>
Balance, December 31, 2019	<u>\$ 1,001,875</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2018</u>	Balance, December 31, <u>2019</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>

BOROUGH OF MONTVALE
STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2018</u>	<u>Received</u>	Realized as Budgeted <u>Revenue</u>	Balance, December 31, <u>2019</u>
Alcohol Education and Rehab Fund	\$ 1,391	\$ 723	\$ 1,391	\$ 723
Body Armor Grant - State		2,775	2,775	-
Clean Communities Grant	16,921	18,887	35,808	-
Bergen County Municipal JIF - Safety Incentive		3,500	1,750	1,750
Federal DOJ - Police Bulletproof Vest Program	1,600	2,080	2,000	1,680
Recycling Tonnage Grant	<u>-</u>	<u>22,561</u>	<u>8,498</u>	<u>14,063</u>
	<u>\$ 19,912</u>	<u>\$ 50,526</u>	<u>\$ 52,222</u>	<u>\$ 18,216</u>

EXHIBIT A-29

STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2018</u>	Transfer from Appropriation <u>Reserves</u>	Paid or <u>Charged</u>	Balance, December 31, <u>2019</u>
Drunk Driving Enforcement Fund	\$ 4,625		\$ 3,120	\$ 1,505
Alcohol Education and Rehab. Fund	3,892	\$ 772		4,664
Clean Communities Grant	19,296		19,296	
Donation Police - KPMG	10,000			10,000
Donation Police - Wegmans	7,680			7,680
NJDOT - Various Street Improvements		50,523		50,523
Recycling Tonnage Grant	<u>2,562</u>	<u>148</u>	<u>-</u>	<u>2,710</u>
	<u>\$ 48,055</u>	<u>\$ 51,443</u>	<u>\$ 22,416</u>	<u>\$ 77,082</u>

Cash Disbursed \$ 22,416

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, 2018	\$ 16,284	\$ 3,374,660	\$ 275,161	\$ 116,262
Increased by Receipts:				
State Dog License Fees	\$ 658			
Borough Dog License Fees	6,073			
Borough Cat License Fees	846			
Late Fees	150			
Interest Earned on Deposits		\$ 4,854		
Escrow Deposits		909,341		
Miscellaneous Reserves and Deposits		919,909		
Payroll Deductions Payable		1,712,042		
Net Payroll Deposits		3,381,428		
Receipts from Current Fund	-	22,701		\$ 102,581
Employee Contributions-Unemployment	-	-	\$ 7,665	-
	<u>7,727</u>	<u>6,950,275</u>	<u>7,665</u>	<u>102,581</u>
	24,011	10,324,935	282,826	218,843
Decreased by Disbursements:				
Animal Control Expenditures Under R.S. 4:19-15.11	1,373			
Payments to State for Dog License Fees	658			
Payments to State for Unemployment Claims			2,184	
Payments to Current Fund	3,017	46,087		
Escrow Deposits		1,504,332		
Miscellaneous Reserves and Deposits		807,991		
Reserve for Open Space Preservation				39,947
Encumbrances Payable				2,230
Payroll Deductions Payable		1,709,079		
Net Payroll	-	3,381,428	-	-
	<u>5,048</u>	<u>7,448,917</u>	<u>2,184</u>	<u>42,177</u>
Balance, December 31, 2019	<u>\$ 18,963</u>	<u>\$ 2,876,018</u>	<u>\$ 280,642</u>	<u>\$ 176,666</u>

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

Balance, December 31, 2018	\$ 18
Increased by:	
State Fees Collected	<u>658</u>
	676
Decreased by:	
Payments	<u>658</u>
Balance, December 31, 2019	<u>\$ 18</u>

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

Balance, December 31, 2018	\$ 13,249
Increased by:	
Dog License Fees Collected	\$ 6,073
Cat License Fees Collected	846
Late Fees	<u>150</u>
	<u>7,069</u>
	20,318
Decreased by:	
Expenditures Under R.S.4:19-15.11	
Cash Disbursements	1,373
Statutory Excess Due Current Fund	<u>3,732</u>
	<u>5,105</u>
Balance, December 31, 2019	<u>\$ 15,213</u>

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

Balance, December 31, 2018	\$ 3,017
Increased by:	
Statutory Excess in Reserve for Animal Control Expenditures	<u>3,732</u>
	6,749
Decreased by:	
Payments to Current Fund	<u>3,017</u>
Balance, December 31, 2019	<u><u>\$ 3,732</u></u>

EXHIBIT B-7

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

Balance, December 31, 2018	\$ 5
Increased by:	
Unemployment Claims Charged to Reserve	<u>2,200</u>
	2,205
Decreased by:	
Cash Disbursements	<u>2,184</u>
Balance, December 31, 2019	<u><u>\$ 21</u></u>

EXHIBIT B-8

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

Balance, December 31, 2018	\$ 275,156
Increased by:	
Employee Contributions	<u>7,665</u>
	282,821
Decreased by:	
Unemployment Claims Due to State	<u>2,200</u>
Balance, December 31, 2019	<u><u>\$ 280,621</u></u>

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

Balance, December 31, 2018	\$ 27,052
Increased by:	
Expenditures Paid by Current Fund - Miscellaneous Reserves	\$ 139,218
Receipts from Current Fund	22,701
Interest on Deposits	<u>1,309</u>
	<u>163,228</u>
	190,280
Decreased by:	
Payments to Current Fund	<u>46,087</u>
Balance, December 31, 2019	<u>\$ 144,193</u>

Analysis of Balance

Due from Current Fund - Payroll	\$ (124)
Due to Current Fund - Developers' Accutrak Trust Account-Interest	99
Due to Current Fund - Police Outside Detail	139,218
Due to Current Fund - Flex Spending Account	<u>5,000</u>
	<u>\$ 144,193</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 1,724,531
Increased by:	
Developers' Deposits	\$ 909,341
Developers' Interest Earned	<u>3,545</u>
	<u>912,886</u>
	2,637,417
Decreased by:	
Cash Disbursements	<u>1,504,332</u>
Balance, December 31, 2019	<u>\$ 1,133,085</u>

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

Balance, December 31, 2018	\$ 57,313
Increased by:	
Deposits:	
Payroll Deductions	<u>1,712,042</u>
	1,769,355
Decreased by:	
Disbursements:	
Payroll Deductions	<u>1,709,079</u>
Balance, December 31, 2019	<u>\$ 60,276</u>

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

	Balance, December 31, <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2019</u>
Engineering Fee Deposits	\$ 26,931	\$ 7,140	\$ 9,762	\$ 24,309
Planning Board Deposits	20,944			20,944
Affordable Housing Trust Fees	1,058,785	44,221	22,450	1,080,556
POAA Fees	479	178		657
Special Police Outside Duty Fees	93,373	595,315	653,646	35,042
Tax Title Lien Premiums	168,600	79,100	80,200	167,500
Celebration of Public Events Donations	83	19,600	19,600	83
Public Defender Fees	868	925		1,793
Performance Bond Deposits	42,159	4,450	4,050	42,559
DARE Program Donations	1,202			1,202
Uniform Fire Safety Act Penalty Monies	18,726	2,370	4,067	17,029
Fire Training/Equipment UFSA Penalty Monies	3,863	1		3,864
Historic Preservation Donations	1,621			1,621
Flex Spending Account Deposits	3,101	5,320	7,040	1,381
Vision Benefit Deposits	5,702	5,000	7,461	3,241
Retirement Dinner Deposits	1,121	13,986	13,765	1,342
Recreation Fees	55,339	131,033	123,029	63,343
Self Insurance - Employee Health Ins. Deductibles	50,000			50,000
North/South Park-Improvement Donations	12,867			12,867
Community Policing Program Donations	<u>-</u>	<u>11,270</u>	<u>2,139</u>	<u>9,131</u>
	<u>\$ 1,565,764</u>	<u>\$ 919,909</u>	<u>\$ 947,209</u>	<u>\$ 1,538,464</u>
			\$ 807,991	
			<u>139,218</u>	
			<u>\$ 947,209</u>	

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

Increased by:	
Net Payroll Deposits	\$ 3,381,428
Decreased by:	
Disbursements - Net Payroll	<u>\$ 3,381,428</u>

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

Increased by:	
2019 Levy	\$ 102,184
2019 Added Levy	<u>397</u>
	\$ 102,581
Decreased by:	
Receipts from Current Fund	<u>\$ 102,581</u>

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

Balance, December 31, 2018	\$ 114,032
Increased by:	
Due from Current Fund	
2019 Levy	\$ 102,184
2019 Added Levy	<u>397</u>
	<u>102,581</u>
	216,613
Decreased by:	
Cash Disbursements for Expenditures	39,947
Encumbrances Payable	<u>35,820</u>
	<u>75,767</u>
Balance, December 31, 2019	<u>\$ 140,846</u>

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

Balance, December 31, 2018	\$ 2,230
Increased by:	
Charges to Reserve for Open Space Preservation	<u>35,820</u>
	38,050
Decreased by:	
Cash Disbursements	<u>2,230</u>
Balance, December 31, 2019	<u><u>\$ 35,820</u></u>

GENERAL CAPITAL FUND

**BOROUGH OF MONTVALE
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, December 31, 2018		\$ 3,372,649
Increased by:		
Premium on Serial Bonds Issued	\$ 2,461	
Receipts from Current Fund	105,256	
Reserve for Improvement of Field	15,850	
Bond Anticipation Notes Issued	<u>2,300,000</u>	
		<u>2,423,567</u>
		5,796,216
Decreased by Disbursements:		
Payments made for Current Fund	43,256	
Encumbrances Payable	1,145,444	
Improvement Authorizations	1,410,589	
Reserve for Improvement of Fields	<u>5,000</u>	
		<u>2,604,289</u>
Balance, December 31, 2019		<u>\$ 3,191,927</u>

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

Fund Balance	\$ 152,245
Encumbrances Payable	1,045,425
Capital Improvement Fund	2,191
Reserve for Payment of Debt	109,480
Reserve for Improvement of Fields	117,495

Ord. No.	<u>Improvement Description</u>	
1413	Various Capital Improvements - 2016	187,016
1425	Various Capital Improvements - 2017	97,584
1430	Acquisition of Property	613,986
1447	Various Capital Improvements - 2018	242,135
1470	Various Capital Improvements - 2019	<u>624,370</u>
		<u>\$ 3,191,927</u>

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

Increased by:

Expenditures Paid for Current Fund	\$ 43,256	
Budget Appropriation - Capital Improvement Fund	<u>62,000</u>	
		\$ 105,256

Decreased by:

Cash Receipts from Current Fund	<u>\$ 105,256</u>
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STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2018	\$ 11,035,000
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Decreased by:

2019 Budget Appropriations to Pay Bonds	<u>1,415,000</u>
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Balance, December 31, 2019	<u>\$ 9,620,000</u>
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BOROUGH OF MONTVALE
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Analysis of Balance, December 31, 2019					
		Balance December 31, 2018	2019 Authorizations	Balance December 31, 2019	Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorization
1470	Various Capital Improvements	-	\$ 2,351,250	\$ 2,351,250	\$ 2,300,000	-	\$ 51,250
		<u>\$ -</u>	<u>\$ 2,351,250</u>	<u>\$ 2,351,250</u>	<u>\$ 2,300,000</u>	<u>\$ -</u>	<u>\$ 51,250</u>
Improvement Authorizations - Unfunded							\$ 675,620
Less: Unexpended Proceeds							
Ord. 2019-1470							<u>624,370</u>
							<u>\$ 51,250</u>

**BOROUGH OF MONTVALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

2019 Authorizations										
Ord.		Ord.	Balance		Deferred	Capital			Balance	
No.	Improvement Description	Amount	December 31, 2018		Charges	Improvement	Cancelled		December 31, 2019	
			Funded	Unfunded	Unfunded	Fund	Encumbrances	Expended	Funded	Unfunded
General Improvements										
1405/1409	Construction of New Firehouse	\$ 5,100,000	\$ 34,459					\$ 34,459		
1413	Various Capital Improvements - 2016	1,500,000	187,016						\$ 187,016	
1425	Various Capital Improvements - 2017	1,250,000	92,118				\$ 5,466		97,584	
1430	Acquisition of Property	700,000	613,986						613,986	
1447	Various Capital Improvements - 2018	1,750,000	864,310					622,175	242,135	
1470	Various Capital Improvements - 2019	2,475,000	-	-	\$ 2,351,250	\$ 123,750	-	1,799,380	-	\$ 675,620
			<u>\$ 1,791,889</u>	<u>\$ -</u>	<u>\$ 2,351,250</u>	<u>\$ 123,750</u>	<u>\$ 5,466</u>	<u>\$ 2,456,014</u>	<u>\$ 1,140,721</u>	<u>\$ 675,620</u>
								Cash Disbursements	\$ 1,410,589	
								Encumbrances Payable	<u>1,045,425</u>	
									<u>\$ 2,456,014</u>	

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018		\$ 1,150,910
Increased by:		
Charges to Improvement Authorizations		<u>1,045,425</u>
		2,196,335
Decreased by:		
Payments	\$ 1,145,444	
Cancelled Encumbrances Restored to Improvement Authorizations	<u>5,466</u>	
		<u>1,150,910</u>
Balance, December 31, 2019		<u>\$ 1,045,425</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018		\$ 63,941
Increased by:		
Budget Appropriation Due from Current Fund		<u>62,000</u>
		125,941
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>123,750</u>
Balance, December 31, 2019		<u>\$ 2,191</u>

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

Balance, December 31, 2018	\$ 109,480
Balance, December 31, 2019	<u>\$ 109,480</u>

STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELDS

Balance, December 31, 2018	\$ 106,645
Increased by:	
Cash Receipts - Field Use Fees	<u>15,850</u>
	122,495
Decreased by:	
Payment to Current Fund as Anticipated Revenue	<u>5,000</u>
Balance, December 31, 2019	<u>\$ 117,495</u>

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding December 31, 2019</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	5/11/2010	\$ 3,775,000	8/15/2019	\$ 450,000	3.00-4.375 %	\$ 450,000		\$ 450,000	
General Improvement	12/16/2011	3,695,000	12/15/2020	425,000	2.50	1,280,000		425,000	\$ 855,000
			12/15/2021	430,000	2.50				
General Improvement	8/23/2018	9,305,000	8/18/2020-21	845,000	3.00				
			8/15/2022	905,000	3.00				
			8/15/2023	760,000	3.00				
			8/15/2024	760,000	5.00				
			8/15/2025	765,000	5.00				
			8/15/2026	770,000	4.00				
			8/15/2027	770,000	3.00				
			8/15/2028-29	775,000	3.00				
			8/15/2030	795,000	3.00				
						<u>9,305,000</u>	<u>-</u>	<u>540,000</u>	<u>8,765,000</u>
						<u>\$ 11,035,000</u>	<u>\$ -</u>	<u>\$ 1,415,000</u>	<u>\$ 9,620,000</u>
Paid by Budget Appropriation								<u>\$ 1,415,000</u>	

**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, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2019</u>
1470	Various Capital Improvements	8/21/2019	8/21/2019	8/21/2020	1.50%	-	\$ 2,300,000	-	\$ 2,300,000
						\$ -	\$ 2,300,000	\$ -	\$ 2,300,000
						Issued for Cash	\$ 2,300,000		

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

Ord. <u>No.</u>	<u>Purpose</u>	Balance December 31, <u>2018</u>	2019 <u>Authorizations</u>	Bond Anticipation Notes <u>Issued</u>	Balance December 31, <u>2019</u>
1470	Various Capital Improvements	-	\$ 2,351,250	\$ 2,300,000	\$ 51,250
		<u>\$ -</u>	<u>\$ 2,351,250</u>	<u>\$ 2,300,000</u>	<u>\$ 51,250</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, 2018	\$ 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>1,769</u>	<u>1,769</u>
Balance, December 31, 2019	<u>\$ 35</u>	<u>\$ 4,558</u>	<u>\$ 4,593</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2018	\$ 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>1,769</u>	<u>1,769</u>
Balance, December 31, 2019	<u>\$ 35</u>	<u>\$ 4,558</u>	<u>\$ 4,593</u>

BOROUGH OF MONTVALE
STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 369	\$ 369
Emergency Assistance - Rent		700	700
Emergency Assistance - Security Deposit	<u>-</u>	<u>700</u>	<u>700</u>
 Total Expenditures/Disbursements	 <u>\$ -</u>	 <u>\$ 1,769</u>	 <u>\$ 1,769</u>

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

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

LERCH, VINCI & HIGGINS, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS**

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

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of 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
September 15, 2020

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

<u>Federal Funding Department</u>	<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>2019 Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>(Cancellations)</u>	<u>Balance, December 31, 2019</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Transportation (Passed Through State Department of Law and Public Safety)											
Distracted Driving Incentive	066-1160-100-158	20.616	2019	\$ 5,500	\$ 5,500		\$ 5,500	\$ 5,500			\$ 5,500
U.S. Department of Justice											
Police Bulletproof Vest Partnership Program	N/A	16.607	2019	2,080	2,080		400			\$ 400	-
Police Bulletproof Vest Partnership Program	N/A	16.607	2018	1,600		-	1,600	-	-	1,600	-
						<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 2,000</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, 2019

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2019 Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Refunds (Cancellations)</u>	<u>Balance, December 31, 2019</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Grant	042-4900-765-004	2019	\$ 18,887	\$ 18,887		\$ 18,887			\$ 18,887	
		2018	16,921			16,921	\$ 15,368		1,553	\$ 15,368
		2017	17,689		\$ 17,689		17,689		-	17,689
		2016	20,821		1,607		1,607		-	20,821
Recycling Tonnage Grant	042-4900-752-001	2019	22,561	22,561		8,498			8,498	
		2017	9,898		9,898		9,750		148	9,750
		2016	7,462		2,562				2,562	4,900
Municipal Drug and Alcohol Alliance Program (Passed Through County of Bergen)	N/A	2019	9,876	3,504		9,876			9,876	
Body Armor Grant	066-1020-718-001	2019	2,775	2,775		2,775			2,775	
		2017	2,428		848		\$ 848		-	2,428
Alcohol Education and Rehabilitation Fund	098-9735-760-001	2019	723	723					-	
		2018	1,391			1,391			1,391	
		2017	772		772				772	
		2016	2,037		1,875				1,875	162
		2015	1,965		1,965				1,965	
		2014	236		36				36	200
		2013	580		16				16	564
Drunk Driving Enforcement Fund	1110-448-031020-22	2019	9,805	9,805		9,805			9,805	
		2016	4,452		1,610		105		1,505	2,947
		2014	9,402		3,015		3,015		-	9,402
Dept. of Human Services General Assistance	054-7500-150-100-121/250	2017	6,300		6,327		1,769		4,558	1,769
Department of Transportation Municipal Aid Various Streets	078-6320-480-XXX	2019	207,000			207,000			207,000	-
Various Streets	078-6320-480-XXX	2018	218,000	125,608	45,763	-	-	4,760	50,523	167,477
					<u>\$ 93,983</u>	<u>\$ 275,153</u>	<u>\$ 50,151</u>	<u>\$ 4,760</u>	<u>\$ 323,745</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, 2019

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	\$ <u>7,500</u>	\$ <u>275,153</u>	\$ <u>282,653</u>
	\$ <u>7,500</u>	\$ <u>275,153</u>	\$ <u>282,653</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, 2019**

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, 2019**

Part 2 - Schedule of Financial Statement Findings

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

There were none.

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

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

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

	<u>Year 2019</u>			<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 4,250,000	7.29 %	\$	4,175,000	7.21 %
Miscellaneous - From Other Than Local					
Property Tax Levies	4,986,379	8.54		4,241,701	7.31
Collection of Delinquent Taxes					
Tax and Tax Title Liens	239,398	0.41		623,961	1.08
Collection of Current Tax Levy	48,046,233	82.26		48,040,440	82.84
Other Credits to Income	875,207	1.50		906,760	1.56
	<u>58,397,217</u>	<u>100.00</u> %		<u>57,987,862</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	18,481,199	33.73 %		18,429,971	33.97 %
County Taxes	5,492,174	10.02		5,705,798	10.52
Local & Regional School Taxes	30,562,269	55.78		29,987,899	55.27
Municipal Open Space Taxes	102,581	0.19		103,295	0.19
Other Expenditures	153,070	0.28		30,169	0.05
	<u>54,791,293</u>	<u>100.00</u> %		<u>54,257,132</u>	<u>100.00</u> %
Excess in Revenue	3,605,924			3,730,730	
Adjustments to Income before Fund Balance:					
Expenditures included above which are by					
Statute Deferred Charges to Budget of					
Succeeding Year	<u>-</u>			<u>33,000</u>	
Statutory Excess to Fund Balance	3,605,924			3,763,730	
Fund Balance, January 1	<u>5,357,250</u>			<u>5,768,520</u>	
	8,963,174			9,532,250	
Less: Utilization as Anticipated Revenue	<u>4,250,000</u>			<u>4,175,000</u>	
Fund Balance, December 31	<u>\$ 4,713,174</u>			<u>\$ 5,357,250</u>	

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ <u>2.363</u>	\$ <u>2.334</u>	\$ <u>2.303</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.557	0.559	0.562
Library	0.037	0.037	0.037
Municipal Open Space	0.005	0.005	0.005
County	0.257	0.265	0.260
County Open Space	0.010	0.011	0.011
Local School	0.821	0.794	0.772
Regional High School	0.676	0.663	0.656

Assessed Valuation

2019	\$ <u>2,043,681,222</u>		
2018		\$ <u>2,059,761,422</u>	
2017			\$ <u>2,040,418,647</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>
2019	\$ 48,479,680	\$ 48,046,233	99.11%
2018	48,310,658	48,040,440	99.44%
2017	47,695,925	47,391,306	99.36%

**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>
2019	\$ 205,582	\$ 25,220	\$ 230,802	0.48%
2018	241,187	20,196	261,383	0.54%
2017	487,708	18,945	506,653	1.06%

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>
2019	\$29,400
2018	29,400
2017	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	2019	\$4,713,174	\$4,100,000
	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

**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
Annmarie Russo-Vogelsang	Councilwoman
Elizabeth Gloeggler	Councilwoman
Timothy Lane	Councilman
Maureen Iarossi-Alwan	Borough Clerk/Administrator
Kenneth Sesholtz	Chief Financial Officer (1/1/2019 to 11/30/2019)
Rebecca Overgaard	Chief Financial Officer (10/1/2019 to 12/31/2019)
Boggia & Boggia, Esqs.	Attorney
Christine Kalafut	Treasurer
Fran Scordo	Tax Collector
Ray Tighe	Assessor
Jeffrey Fette	Building Code Official
Joseph Sanfilippo	Chief of Police
Katherine Bowen	Director of Welfare
Paul Shaver	Library Director
Harry D. Norton, Jr.	Magistrate
Ann Levitzki	Court Administrator
Brian Eyerman	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 the open purchase orders revealed various outstanding purchase orders from prior years in the Current Fund that appear to be invalid at year end. Additionally, there appear to be several old, outstanding purchase orders in the General Capital Fund at year end that should be reviewed and cleared of record.

Recommendation – It is recommended that the Borough review the outstanding open purchase orders at year end for validity and all old invalid orders be cleared of record.

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 2019. 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:

Sanitary and Storm Sewer Repairs
On-call Roadway Maintenance
HVAC Upgrades at Borough Hall
2019 Road Improvement Program
Installation of Synthetic Turf at LaTrenta Field

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, 2019 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 2019, 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 24, 2019 .

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>
2019	3
2018	2
2017	2

Management Suggestions

- Escrow deposit, engineering fee deposit and planning board deposit accounts should be reviewed and appropriate action be taken to clear of record old inactive accounts.
- The Borough should memorialize by resolution the current policy revising the health benefits contribution rate for non-union (PBA) employees to 10% of the employee's respective health benefits premium.

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. The Borough review the outstanding open purchase orders at year end for validity and all old invalid orders be cleared of record.

* * * * *

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